



**Part 2A of Form ADV: Firm Brochure**

**Date: March 23, 2012**

Name of Investment Adviser: OnThree Management, LLC

Business Address: 318 West Adams Street, 10<sup>th</sup> Floor

Contact Information: 312-432-6550

**This brochure provides information about the qualifications and business practices of OnThree Management, LLC. If you have any questions about the contents of this brochure, please contact us at 312-432-6550. 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 OnThree Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**OnThree Management, LLC is a SEC Registered Investment Adviser. Please note that "registration" does not imply a certain level of skill or training.**

## **Material Changes**

### **Item 2 Material Changes**

In this section of the brochure we will only describe material changes that have occurred since the last time the ADV was updated. The last **annual update** of the ADV for OnThree Management, LLC (“OnThree” or the “Firm”) was prepared on March 25, 2011. The material changes that have occurred have been the withdrawal of TSJ Holdings, LLC (“TSJ”) from its ownership of Three Zero Three Capital Partners, LLC. This event became effective on March 14 2012.

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### **Advisory Business**

OnThree Management, LLC (“OnThree” or the “Firm”) is a registered investment advisor to OnThree Fund, LLC (“**OnThree Fund**” or the “Fund”), a Regulation D, 3(c)(1) hedge fund organized under the laws of the State of Delaware managing private investment funds for qualified and accredited investors.

The Firm is a limited liability company organized under the laws of the State of Illinois April, 2010, and is co-owned by Three Zero Three Capital Partners, LLC (“**Three Zero Three**”), and On Trading, LLC (“**On Trading**”). Three Zero Three is a limited liability company organized under the laws of the State of Illinois and is wholly owned subsidiary MARS Asset Management, LLC (“**MARS**”). The principal owners of MARS who maintain voting rights in Three Zero Three are Jeffrey H. Kaplan and Michael J. Rane. On Trading is a limited liability company organized under the laws of the State of Illinois. The principal owners of On Trading are John Page and Johan Cornelissen. Edward J. Donnellan is a principal of Three Zero Three and OnThree and has supervisory responsibilities for Three Zero Three employees and associated persons of **OnThree Fund Subsidiary, LLC** (“OnThree Fund Subsidiary”), a registered broker dealer and wholly owned subsidiary of OnThree Fund, LLC [“the Fund”]. The Three Zero Three principals, On Trading principals and Mr. Donnellan are collectively referred to herein as the “**OnThree Principals**”. All employees of Three Zero Three are also employees of OnThree.

The Fund’s objective is to achieve significant capital appreciation and income regardless of economic or investment market cycle. The Fund will seek to achieve this objective by actively buying and selling (and sometimes holding for longer periods of time) a broad range of equity options and equity securities, including but not limited to, exchange traded U.S. equities, equity and index options, foreign equities and equity and index options, U.S. and foreign equity index futures and futures options, U.S. and foreign single stock futures, U.S. and foreign exchange-traded-funds (“**ETFs**”), U.S. and foreign over-the-counter traded equities and equity derivatives, U.S. and foreign debt securities, U.S. and foreign debt derivative instruments and restricted and other illiquid securities, over time frames ranging from intra-day to several or more months. Initially, the Fund will trade securities that actively trade on the Chicago Board Options Exchange (“**CBOE**”) and NYSE Arca exchange.

OnThree as the managing member of the Fund which is the Firm’s only Client, and the Firm is currently managing \$21.1 million of client’s assets on a discretionary basis as of March 1, 2012.

### **Fees and Compensation**

#### **Management Fee**

The Firm will receive an annual management fee (“**Management Fee**”) of 2.0% of the Net Assets of the Fund, payable in quarterly installments of 1/4th of 2.0%, payable in arrears. A pro rata Management Fee will be charged to Members on any amount invested or withdrawn during any calendar quarter. The Firm, in its sole and absolute discretion, may waive or reduce the Management Fee attributable to its own investment in the Fund.

### Manager's Allocation

In addition, as of the end of each calendar quarter, the Fund determines whether there has been an increase or a decrease in the Net Assets of the Fund. In the event there is an increase in Net Assets of the Fund, 20% of such increase is allocated to the Firm (the “**Manager's Allocation**”). The Managers is calculated separately in respect of each Member's capital account.

The Manager's Allocation is calculated on a “high water mark” basis, *i.e.*, only to the extent that the increase in Net Assets recognized by an investor's capital account (net of additions and withdrawals) exceeds the highest cumulative level of such increase in Net Assets as of the most recent calendar quarter-end for which a Manager's Allocation was made with respect to such capital account (or, if no increase in Net Assets has been recognized, only to the extent that such increase causes an investor's capital account to exceed the investor's net Capital Contributions).

The Firm has the right to waive Manager's Allocation and/or Management Fees that are attributable to certain Members.

### Performance-Based Fees and Side-By-Side Management

OnThree also receives a Manager's Allocation. This fee is specifically addressed in the “Fees and Compensations” section above.

### Type of Clients

OnThree provides discretionary investment advice and management services, in its capacity as manager of the Fund, a privately held pooled investment vehicles exempt from registration as investment companies under the Investment Company Act of 1940. OnThree is the managing member of the Fund and the Fund is the only Client.

### Methods of Analysis, Investment Strategies and Risk of Loss

OnThree actively trades and invests on behalf of the Fund, and possibly through managed accounts, utilizing methods of analysis that include fundamental analysis, technical techniques, and quantitative models.

The Fund's objective is to achieve significant capital appreciation and income regardless of economic or investment market cycle. The Fund will seek to achieve this objective by actively buying and selling (and sometimes holding for longer periods of time) a broad range of equity options and equity securities, including but not limited to, exchange traded U.S. equities, equity and index options, foreign equities and equity and index options, U.S. and foreign equity index futures and futures options, U.S. and foreign single stock futures, U.S. and foreign exchange-traded-funds (“**ETFs**”), U.S. and foreign over-the-counter traded equities and equity derivatives, U.S. and foreign debt securities, U.S. and foreign debt derivative instruments and restricted and other illiquid securities, over time frames ranging from intra-day to several or more months. The Fund anticipates market making on the Chicago Board Options Exchange (“**CBOE**”) and NYSE Arca exchange through its wholly-owned subsidiary, OnThree Fund Subsidiary.

In carrying out the Fund's objective, the Manager will utilize multiple trading strategies. These strategies include relative value trading strategies categorized as Relative Value Arbitrage, Structural Arbitrage, Distribution Arbitrage, and Special Situations/Opportunistic.

The Manager applies a dynamic asset allocation process among the strategies. Recurring performance and market reviews, as well as new opportunities, could lead to greater capital allocation to those strategies likely to outperform in the future. It is anticipated that additional strategies will be utilized by the Manager in the future.

The Manager intends to employ high levels of leverage in operating the Fund. Leverage in securities trading allows the trader to acquire larger positions than the trader would otherwise be able to take if full cash payment for the position was required. Leverage necessarily and materially increases the potential for loss on Fund investments. In order to have access to increased leverage, the Manager intends to utilize portfolio margining in its trading activities on behalf of the Fund. SEC portfolio margin rules allow margin to be based upon the net risks of the eligible instruments. A margin requirement is set equal to the greatest loss that, theoretically, would result if a gain or loss is computed on the portfolio as a whole, at set increments to the upside and downside. Portfolio margin treatment aligns the amount of margin money required to the risk of the portfolio as a whole, calculated through simulating market moves up and down, and accounting for offsets between and among highly correlated products. Positions eligible for a portfolio margining account include margin equity securities, listed options on an equity security or index of equity securities, security futures products, unlisted derivatives on an equity security or index of equity securities, warrants on an equity security or index of equity securities, broad-based index futures, and options on broad-based index futures. Portfolio margin calculations are comparable to the net capital rule deductions requiring broker-dealers to adjust their net capital for risks computed on their portfolio. The use of margin in the trading of securities poses not only the risks associated with leverage, but also imposes additional costs of trading because interest is charged to the customer when credit is extended.

**PROSPECTIVE INVESTORS WHO DO NOT UNDERSTAND THE RISKS OF PORTFOLIO MARGINING ARRANGEMENTS AND THE RISKS OF INCREASED LEVERAGE GENERALLY SHOULD NOT INVEST IN THE FUND. THE FUND'S INVESTMENT PROGRAM ENTAILS SUBSTANTIAL RISKS AND THERE CAN BE NO ASSURANCE THAT THE INVESTMENT OBJECTIVES OF THE FUND WILL BE ACHIEVED. THE PRACTICES OF LEVERAGE AND OTHER INVESTMENT TECHNIQUES WHICH THE FUND MAY EMPLOY FROM TIME TO TIME CAN, IN CERTAIN CIRCUMSTANCES, MAXIMIZE THE ADVERSE IMPACT TO WHICH THE FUND'S INVESTMENT PORTFOLIO MAY BE SUBJECT.**

#### Risks of Leverage

The Manager intends to cause the Fund to leverage its trading positions by borrowing funds from securities broker-dealers, banks or others. Such leverage increases both the possibilities for profit and the risk of loss. In a downward trending market, the use of leverage for long positions could have a material adverse effect on the Fund's profitability and operations. Extensions of credit and guarantees by broker-dealers or another financial institution of performance of the Fund's obligations will typically be secured by the Fund's securities and other assets. Under certain

circumstances, a broker-dealer may demand an increase in the collateral that secures the Fund's obligations. If the Fund were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the Fund's obligation. Liquidation in such a manner could have material adverse consequences. In addition, the amount of the Fund's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the Fund's profitability.

#### Unspecified Trading and Investments

Holders of Interests must rely on the ability of the Manager and the traders it retains to identify and make trades and investments consistent with the Fund's strategy. The Manager and the traders it retains will have broad authority to select from a wide range of securities, options and other instruments for trading and investment. The Members neither participate in the making of any trading or investment decisions nor have the opportunity to evaluate personally the relevant economic, financial and other information used by the Manager or the traders it retains in their selection, monitoring and disposition of securities, options and investments. Accordingly, no purchase of Interests should be made unless Offerees are willing to entrust all aspects of the management and investments of the Fund to the Manager and the traders it retains.

#### Reliance on Traders

The Manager will select the traders who trade Fund assets, and those traders will have discretionary trading authority over all of the Fund's trading. As a result, the Fund's principal source of revenues will be derived from the profits generated by the traders retained by the Manager. While the Manager believes that the traders will be successful in their trading activities on behalf of the Fund, there can be no assurance that any of the traders will trade profitably. While the Manager has entered into trading agreements with several traders who the Manager believes are valuable additions to the trading group, there can be no assurance that any of these traders, or any future traders the Manager may engage, will agree to become or remain affiliated with the Manager or, if they do become or remain affiliated with the Manager, that they will trade profitably. If the Manager is unable to attract and retain qualified traders, the Fund's business will be adversely affected.

Furthermore, because the Fund will use the proceeds of this Offering to maintain minimum capital balances with the Fund's clearing firm, all of the Fund's capital is subject to losses by the traders. These losses could be very large and could materially adversely affect the Fund or compromise the Fund's ability to do business. The Fund (and the Manager) is responsible for the activities of its traders in their transactions. Therefore, the Fund will be obligated to cover losses in a trader's account whether or not caused by the improper trading activity of a trader. While the Manager intends to monitor the traders' accounts regularly, there can be no assurance that the Manager will be able to always identify the occasional "rogue trader" and that could lead to the Fund incurring substantial losses.

#### Risks of Special Techniques used by the Manager and its Traders

The Manager and its traders will use special investment techniques that may subject the Fund's investments to certain risks. Certain, but not all, of these techniques and the risks that they entail are summarized below. The Fund is not designed to correlate to the broad equity market, and should not be viewed as a substitute for equity investments.

*Trading in Options, Warrants and Convertible Bonds.* The Fund may purchase or sell options, and may purchase or sell warrants or convertible bonds. If the Fund buys an option or warrant it may pay a “premium” representing the market value of the option or warrant. If the price of the securities underlying the option or warrant does not change so that it becomes profitable for the Fund to exercise the option or warrant prior to its expiration, the Fund will lose the entire premium. Similarly, the Fund may pay a premium representing the market value of the convertibility feature on a convertible bond. If the price of the securities interest into which the bond is convertible does not change such that it becomes profitable for the Fund to convert the bond prior to its maturity, the Fund will lose the entire premium.

*Options.* In seeking to enhance performance or hedge assets, the Fund may purchase and sell call and put options on both securities and stock indexes. Purchasing put and call options and writing such options are highly specialized activities and entail greater than ordinary investment risks. Because option premiums paid or received by an investor are small in relation to the market value of the investments underlying the options, buying and selling put and call options can result in large amounts of leverage. As a result, the leverage offered by trading in options could cause the value of a Member’s capital account to be subject to more frequent and wider fluctuations than would be the case if the Fund did not invest in options. The Fund expects that it will trade in standardized options which trade on an exchange. There is no guarantee that such exchanges will provide liquidity at all times to holders and writers of options. Lack of investor interest could adversely affect the liquidity for a particular option or series of options and an exchange may discontinue trading of a particular option or options generally.

*Non-U.S. Securities or Options.* Although the Fund intends to focus primarily on U.S. securities and options, it may also trade and invest in non-U.S. securities and options. Trading and investing in securities and options of non-U.S. governments and companies which are generally denominated in non-U.S. currencies, and utilization of currency forward contracts and options on currencies involve certain considerations comprising both risks and opportunities not typically associated with investing in securities of United States issuers. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of non-U.S. taxes, less liquid markets and less available information than are generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

*Small Cap Stocks.* At any given time, the Fund may have significant investments or option positions in smaller-to-medium sized companies of a less seasoned nature. These securities are traded in the over-the-counter market or recognized stock exchanges. These “secondary” securities often involve significantly greater risks than the securities of larger, better-known companies.

*High Growth Industry Related Risks.* The Fund may buy and sell options on or invest in the securities of high growth companies (e.g., healthcare and technology companies). These options and securities may be very volatile. In addition, these companies may face undeveloped or limited markets, have limited products, have no proven profit-making history, may operate at a



loss or with substantial variations in operating results from period to period, have limited access to capital and/or be in the developmental stages of their businesses, have limited ability to protect their rights to certain patents, copyrights, trademarks and other trade secrets, or be otherwise adversely affected by the extremely competitive markets in which many of their competitors operate.

*Short Sales.* Certain managed accounts in which or through which the Fund may engage in short sales by selling equity securities that it does not own at the time of sale. By doing so, the Fund will become obligated to purchase and deliver equity securities against the short position. In the event that the price of an equity security increases between the short sale and the Fund's subsequent purchase of shares of that security, the Fund will suffer a loss on that transaction and the value of the Members' investments will decrease accordingly. There can be no assurance that the Fund will not suffer such losses. In theory, a short sale has the potential for unlimited loss. In connection with short sales, the Fund will have to deliver cash or United States Treasury securities or other securities to brokers to assure delivery of equity securities against short positions. The Fund will be able to keep only a negotiated percentage of the yield of such United States Treasury or other securities.

#### Exchange Rate Risk

The Fund will maintain accounts in United States Dollars. Volatility in international exchange rates between the United States Dollar and foreign currencies may affect pricing and the profit margin on sales of foreign securities. This, in turn, could adversely affect the Fund's rate of return or a Member's profit. The Fund will require that payments be made and will make distributions in United States Dollars. Consequently, for investors whose local currency is not United States Dollars, an investment in the Fund involves a significant exchange rate risk. The Fund could recognize substantial profits but the real value of a Member's investment could decline due to a decrease in the value of United States Dollars relative to such Member's local currency.

#### Trading in Forward Contracts to Hedge Currency Risk

The Fund may, but is not obligated to, elect to hedge its exposure to fluctuations in the United States Dollar relative to foreign currencies by entering into forward contracts with respect to such currencies. A forward contract is similar to a futures contract but unlike a futures contract the terms of a forward contract are not standardized nor are forward contracts traded on exchanges designated by the United States government. Forward contracts are subject to the credit risk of the principals or its refusal to perform and the imposition of exchange controls. Forward contracts are not guaranteed by an exchange or a clearing house and the failure of a principal with whom a forward contract is made would likely result in a default. It may be difficult to enforce the contractual obligations of a non-United States principal in the event that a principal refuses to perform under a forward contract. The CFTC does not regulate foreign currency forward contract trading.

#### Disruptions in Trading Securities

If trading is interrupted at an exchange at which stocks underlying a stock index are traded, trading in a stock index option or trading in a futures contract may be interrupted as well. When this occurs, traders in options and futures contracts or derivatives thereon will be unable to close

out positions until trading reopens at the exchange. Considerable losses could be incurred if, when trading resumes, the index options and futures contracts reopen at substantially different prices than the prices at the time trading was interrupted. Such unfavorable market conditions could adversely impact the Fund.

#### No Guarantee of Best Price; Expenses

There is no assurance by the Fund or the Manager that the purchase and sale of investments will be made on a best price basis. The Fund expects to pay brokerage commissions, dealer charges and other transaction charges in excess of the lowest rates available to brokers who execute transactions for the account of the Fund or who otherwise provide brokerage, research and other services utilized by the Manager. Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. Actual brokerage business received by any broker may be less than the suggested allocations, but can (and often does) exceed the suggestions, because total brokerage is allocated on the basis of all the considerations described above. A broker is not excluded from receiving business because it has not been fully identified as providing research services. The investment information received from a broker may be used by the Manager in servicing all its accounts, and not all such information need be used by the Manager in connection with the Fund.

#### Turnover and Trading Costs

The investment strategy to be employed by the Manager will result in the portfolio having a high degree of turnover which will result in higher transaction costs than would be the case if the Fund employed a buy-and-hold strategy. The transaction costs associated with an active trading strategy may lower returns. This strategy may also generate significant amounts of short-term capital gain, which is taxed at higher rates than long-term capital gain.

**Investments in the Fund involves significant risk and is suitable only for investors of substantial net worth who are willing and have the financial capacity to purchase a high risk investment which may not provide any immediate cash return (if any return). An investor in this fund should be able to bear the complete loss of an investment in the fund.**

#### Disciplinary Information

None

#### Other Financial Industry Activities and Affiliations

OnThree is co-owned by **Three Zero Three**, and **On Trading**. Three Zero Three is an Investment Adviser registered with SEC, and is a wholly owned subsidiary of MARS Asset Management, LLC ("**MARS**"). The principal owners of MARS that maintain voting rights in Three Zero Three are Jeffrey H. Kaplan and Michael J. Rane. The principal owners of On Trading are John Page and Johan Cornelissen.

OnThree is the managing member of **OnThree Fund Subsidiary**, (formally known as 303 Opportunities II, LLC), an SEC registered broker-dealer and member of the Chicago Board Options Exchange ("**CBOE**") and NYSE Arca.

OnThree is an exempt Commodity Pool Operator (“CPO”) and Commodity Trading Advisor (“CTA”) as it operates pursuant to exemption provided in the Commodities Futures Trading Commission Regulation 4.13(a)(3).

Three Zero Three is registered with the NFA and CFTC as a Commodity Pool Operator (“CPO”) and Commodity Trading Advisor (“CTA”).

Various principals and officers (John Page, Johan Cornelissen, Edward J. Donnellan, Michael Schwaeber, and Peter Dorenbos) are registered with the above referenced affiliated broker-dealers as registered representatives (as they maintain a Series 7 License) due to their capacity as indirect owners of the broker-dealer, or due to their function at the broker-dealer. The following is a summary of the OnThree Principals and officers and their registrations with the various affiliates:

<b><u>Individual</u></b>	<b><u>Names of Broker Dealer maintaining Individuals Registration</u></b>
John Page	OnThree Fund Subsidiary LLC
Johan Cornelissen	OnThree Fund Subsidiary LLC
Edward Donnellan	OnThree Fund Subsidiary LLC
Michael Schwaeber	OnThree Fund Subsidiary LLC
Peter Dorenbos	OnThree Fund Subsidiary LLC, *TJM Investments, LLC

\*Mr. Dorenbos also functions as the Chief Compliance Officer at TJM Investments, LLC, a registered broker-dealer and a FINRA member. TJM Investments was formally an affiliate through its principal’s ownership in Three Zero Three. Although TJM is no longer a legal affiliate, it continues to act as the introducing broker for OnThree Fund, LLC and OnThree Fund Subsidiary, LLC. TJM receives commissions which are competitive but not the lowest commissions available.

As previously mentioned, Three Zero Three is registered with the NFA and CFTC as a CPO and CTA. The following is a summary of the registrations of the Three Zero Three Principal persons and entities that are registered with the NFA:

<b><u>Individual</u></b>	<b><u>Title</u></b>
Edward Donnellan	Principal
Jeffery Kaplan	Manager MARS-LLC
Michael Rane	Manager MARS-LLC
Michael Schwaeber	Chief Financial Officer
Mars Asset Management, LLC	

The OnThree Fund is subject to actual and potential conflicts of interest arising out of the operation and management of the Fund. These conflicts include:

Three Zero Three is one of the owners of the Manager, and two (2) principals of Three Zero Three serve as members of the Manager’s four (4) person Board of Managers. OnThree, its

affiliates and the Principals may develop or acquire trading support systems and programs which they may use in connection with the Fund's business. However, these systems will not be the property of the Fund.

The Principals and Three Zero Three will devote a substantial amount of time to their other business activities, including trading equities, options and futures for their own accounts and for the account of other managed pools, and will not devote their entire energies to the Fund.

- Certain Principals have been and from time to time may continue to invest in various interest bearing vehicles and accounts, some of which the OnThree may determine to invest in on behalf of the Fund. This may give rise to conflicts of interest if the Principals determine to make or pull an investment in a position contrary to the Fund. Additionally, OnThree, the Principals and their affiliates may sponsor or manage other entities, or engage in other business ventures, for their own account or for the account of others, and neither the Fund nor any Member is entitled to any interest therein.
- Conflicts may develop in the event the OnThree or its affiliates fail to adequately perform their obligations to the Fund. OnThree may face further conflicts in enforcing the Fund's rights against non-performing affiliates.
- The decision regarding whether to make a Section 475 Election shall be made by the Manager in its sole discretion and such election may have different effects on the Firm than on the investors in the Fund.
- The Fund and OnThree are not represented by separate counsel in connection with the transactions and activities described herein. Counsel to the Fund, and other experts who perform services for the Fund, may also perform services for affiliates of, and other partnerships, limited liability companies or other entities sponsored by, OnThree. It is anticipated that such multiple representation will continue in the future. However, should a dispute arise between the Fund and OnThree or should it be necessary in the future to negotiate and prepare contracts and agreements between the Fund and OnThree, other than those existing on the effective date hereof, OnThree will consider the need to cause the Fund to retain separate counsel for such matters.

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

As a registered investment adviser, OnThree has adopted a Code of Ethics which has to facilitate compliance with applicable law and to protect the interests of the Firm, the OnThree Fund and the investors. The Code of Ethics includes the following:

- Standards of business conduct for employees that require them to comply with applicable federal securities laws;
- Provisions to require "access persons" to report and have the Chief Compliance Officer ("CCO") review, their personal trading activities and holdings;

- Provisions to require employees to report any violations of the firm's Code of Ethics to the CCO; and
- The CCO to provide each Access Person with a copy of the firm's Code of Ethics and any amendments and requiring Access Persons to provide the CCO with a written acknowledgment of their receipt of the code and any amendments.
- Provide ethics training for its employees and maintain these records of ethics training.

The Code of Ethics is reviewed annually and updated as necessary to set forth the standards of conduct and areas of responsibility for each Access Person of the Firm. The Code of Ethics is distributed annually to Access Persons.

**OnThree makes its "Code of Ethics" available to any investor or prospective investor of the fund upon request.**

The Firm maintains "Personal Accounts and Investments Policy" and with that Firm requires that within 10 days of employment or association with the Firm, each access person is required to acknowledge that they have read and understood the policy, and personally disclose any of accounts that they beneficial own and/or exercise control over the activities of the account. The policy requires that each access person notify each brokerage firm, investment adviser, bank, or financial institution at which the person maintains an account that s/he is affiliated with an SEC regulated entity. OnThree also requires that prior to opening any new account the person makes notification to the Firm. The Firm also requires each access person to annually verify the accuracy of their disclosure of personal accounts, and attest that they have read and understand the policy.

The Firm obtains reviews and maintains duplicate confirmations and statements for all accounts disclosed by its access persons. The Firm encourages long term investments and generally expects equity positions to be held for 30 days. The Firm believes that the requirements of this policy generally addresses most potential trading issues related to conflicts involving investing by an access person in the same security that the Fund invests in, and the timing of that investment.

### **Brokerage Practices**

Uses of soft dollars fall generally into two categories:

Soft Dollar Arrangement: investment adviser on behalf of its discretionary clients, directs an amount of portfolio brokerage commissions to a broker-dealer in return for services or research used in making investment decisions; or

Directed Brokerage Arrangement: investment advisory client instructs the investment adviser to direct a portion of their brokerage transactions to a particular broker-dealer. In return, the broker-dealer provides services to the client rather than the Company.

Although Three Zero Three does not receive services that qualify as soft dollar services, OnThree allocates OnThree Fund's capital to the trading advisor On Trading that invests through managed accounts. On Trading executes transactions on behalf of the OnThree Fund and has discretion over the selection and amount of securities to be bought or sold. They also have discretion over the selection of the broker-dealers used to execute transactions on behalf of OnThree Fund and the commission rates to be paid regarding such investments for OnThree Fund and in such cases comply with their own internal policies and procedures for governing the selection of brokers, allocation of trades and the use of research and research related services received from such broker-dealers. As it relates to OnThree Fund, OnThree has the authority to select the clearing broker, correspondent broker, and introducing broker. OnThree has selected various broker-dealers and introducing brokers each which receives commissions from OnThree Fund. The commissions charged are competitive but not the lowest commissions available. In all cases, the selection of brokers to execute OnThree Fund transactions and commissions paid for such transactions are subject to the oversight and final approval of OnThree.

### **Review of Accounts**

OnThree persons, who are separate and apart from traders and portfolio managers, undertake risk management reviews of account processes. These designated person(s) review each account as well as general market conditions throughout the trading day. To the extent established risk parameters (e.g., standard deviation limits) and loss triggers (e.g., daily mark-to-market p/l) are breached, conversations and corrective actions are initiated. Michael Rane, a principal of OnThree is currently responsible for risk management analysis for each managed account and privately held pooled investment vehicle, including OnThree Fund.

Investors in OnThree Fund receive monthly capital account statements showing the value of their capital account and a monthly investor newsletter describing the performance of OnThree Fund, for the applicable period. In addition, investors in OnThree Fund receive audited financial statements on a yearly basis within 120 days of fiscal year end.

### **Client Referrals and Other Compensation**

OnThree has a policy with regard to the compensation of solicitors for new business designed to comport with Rule 206(4)-3 under the Investment Advisers Act of 1940 pursuant to which persons introducing new client accounts to OnThree may receive compensation for such referrals. OnThree's referral arrangements are also in compliance with any other applicable federal and/or state regulations and the solicitation/referral fee is paid pursuant to a written agreement retained by both OnThree and the solicitor under these arrangements, investors do not pay higher fees than the normal fees associated with investing in OnThree Fund.

### **Custody**

Because OnThree is the managing member of OnThree Fund, it is deemed to have custody of investor assets. As such, OnThree has adopted the following procedures:

1. OnThree has appointed a custodian that is a "qualified custodian" as that term is defined by Rule 206(4)-2. The custodian maintains and administers accounts on behalf of the OnThree Fund subject to the direction of OnThree. The legal documents for the OnThree

Fund provide disclosures that include the identity of the custodian and the manner in which the accounts are maintained.

2. Each month the accountant/administrator for the OnThree Fund prepares and distributes investor capital account statements and the investors of the Fund should carefully review those statements.
3. Each year the OnThree Fund is audited and each investor receives an audited financial report which includes a balance sheet of the OnThree Fund as of the end of the fiscal year, a statement of income and expenses, a statement of changes in the investor's capital account(s) and statements with respect to the status of the OnThree Fund and the allocation of profits and losses as necessary to advise all investors properly regarding their respective investments in the OnThree Fund. The audited annual financials are distributed during the first quarter of the following year.

### **Investment Discretion**

OnThree, as the managing member of the Fund (the Client) maintains the right to utilize discretion in trading the accounts of the Fund (Client), however, as a practice, it does not engage in the buying or selling of securities for the various accounts of the Fund (Client). The Firm had allocated the capital of the Fund to OnTrading, LLC the Constituent Trading Advisor ("Constituent Advisor"), and this Constituent Advisor is authorized to buy and sell securities for the accounts of the Funds pursuant to the trading advisory agreement. However, Three Zero Three reserves the right to trade the Fund under certain circumstances, including for instance, for the purpose of balancing or limiting the risk.

### **Voting Client Securities**

While recognizing proxy voting is its right as a shareholder, OnThree has chosen to relinquish such right and generally will not vote proxies given the short holding duration of the strategies employed by the trading advisor it might engage to manage its accounts. Should it be decided to undertake any voting, the Board of Managers would do so by majority vote and in a manner reasonably designed to ensure that the proxy is voted in the best interests of the client, addressing any material conflicts of interests that might arise between an the Investment Adviser's interests and those of its clients.

### **Financial Information**

As the managing member of the Fund, OnThree is paid fees on a quarterly basis, not a pre-paid basis, and there is no current financial condition that is reasonably likely to impair our ability to meet the Firm's contractual commitments to its client, the OnThree Fund.