

# Disclosure Brochure

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This brochure provides information about the qualifications and business practices of Thorofare, LLC (hereinafter “Thorofare”). If you have any questions about the contents of this brochure, please contact us at (213) 873-4012. 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 Thorofare is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Thorofare is an SEC registered investment adviser. Registration does not imply any level of skill or training.

**Item 2. Material Changes**

Since our last annual amendment of March 30, 2018, Thorofare has appointed a new Chief Compliance Officer. This other-than-annual update removes references to Thorofare's prior Chief Compliance Officer, which is the only material change from the March 30, 2018 version.

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#### **Item 4. Advisory Business**

Thorofare, LLC (Thorofare) currently acts as discretionary investment adviser to real estate limited partnerships; Thorofare Asset Based Lending Fund III L.P. (“Thorofare Fund III”); and Thorofare Asset Based Lending Fund IV L.P.; and Thorofare Asset Based Lending Fund V L.P (collectively the “Fund(s)” or “Thorofare Funds”). The Thorofare Funds are the only clients of the firm. The general partners of the Thorofare Funds are Thorofare Lending Fund III Management, LLC; Thorofare Lending Fund IV Management, LLC; and Thorofare Lending Fund V Management, LLC (“General Partner(s)” respectively), each Delaware limited liability companies. (“General Partner(s)” respectively), each Delaware limited liability companies. Thorofare solely owns the General Partners. Each of Thorofare, LLC and the general Partners file a single Form ADV.

Thorofare Asset Based Lending Fund IV L.P. and Thorofare Asset Based Lending Fund V L.P. make substantially all of their investments through affiliated private REITS; namely Thorofare Asset Based Lending REIT Fund IV, LLC, and Thorofare Asset Based Lending REIT Fund V, LLC. We do this to maximize tax efficiency for our tax-deferred Limited Partners for which Unrelated Business Taxable Income (“UBTI”) and Effectively Connected Income (“ECI”) are a concern. The REIT entities are managed by their Board of Directors which are elected pursuant to its operating agreement, which may be amended from time to time. Thorofare, LLC, its affiliated general partners and REIT entities (collectively “Thorofare”) RIA registration in accordance with SEC guidance under the Advisers Act as all such entities are under common control and operate as a single advisory business.

Thorofare was formed in June 2010. Thorofare’s principal owners are Kevin Miller, through KHM Wentworth, LLC; Brendan Miller, through Wapple Inv., LLC; Ryan Herbert, through RMH Clayton, LLC; and Marc Rapaport through RFT-TC, LLC. Felix Gutnikov is Vice President of Originations of our affiliate Thorofare Capital, Inc. (“TCI”) and owns a profit interest in both TCI and Thorofare Holding, LLC.

Thorofare specializes in managing portfolios of real estate loans and the Thorofare Funds are designed and formed to provide investors with a real estate lending investment vehicle. Thorofare’s investment advice is limited to discretionary investment advisory services with respect to such types of investments. Thorofare seeks to identify real estate transactions that cannot be completed by traditional financing sources for a myriad of reasons. Loan-to-Value (LTV) is a primary consideration for qualifying loans. In addition, we target transactions with inherently strong borrower equity positions. Thorofare’s goal is to create a portfolio of loans at attractive LTVs with borrowers who, based on their need for private financing, are willing to pay above market interest rates for such financing. Specific property locations will be targeted on a micro market level with particular focus on assessing market depth, lease rates, vacancy, absorption, new construction and job growth.

Thorofare’s investment advice is tailored to the investment objectives, investment strategy and restrictions (if any) set forth in each respective Fund’s agreement of limited partnership and private placement memorandum (“Offering Documents”). For example, the Thorofare Funds set forth the investment criteria in its LPA, which describes the types of qualified loans in which the Fund may invest,

loan-to-value restrictions, investment restrictions, allocation of investment opportunities, and investments through its affiliated REIT.

As of December 31, 2017, Thorofare advises approximately \$259,798,588 in discretionary regulatory assets under management across its three Thorofare Client Funds.

## **Item 5. Fees and Compensation**

### Management Fees and Management Interests:

The General Partners of the Thorofare Funds are entitled to management fees or a management interest as set forth in the respective Thorofare's Offering Documents ("Management Fees or Management Interest"). The Management Fees or Management Interest are paid to Thorofare pursuant to an investment advisory agreement executed between Thorofare and the General Partners of the Funds.

Management Fees, or Management Interest, are typically two percent (2%) per annum of the unreturned capital of each partner and paid monthly in arrears and accrued concurrently with the accrual of the preferred return, as defined in the Offering Documents. A Management Interest typically entitles the General Partner to special distributions up to two percent (2%) per annum, calculated in a manner akin to the calculation of simple interest, on the aggregate unreturned capital of all limited partners other than affiliates of the General Partner (and corresponding allocations of profit). Such Management Fees or Management Interest are set forth with specificity in each of the Thorofare Fund Offering Documents. Investors are encouraged to review these carefully.

For Thorofare Funds that invest through an affiliated private REIT, we charge a REIT Management Fee typically of 1.25% of aggregate capital contributions from the Partnership to such REIT subsidiary, or other subsidiary per annum, payable quarterly in advance. In addition, the Thorofare Fund will also charge an Administrative Interest typically of 0.75% per annum on the aggregate Unreturned Capital of all Subject Limited Partners, calculated as set forth in the respective Offering Documents.

The General Partner of each respective Thorofare Fund, without the approval of any Limited Partner, may enter into a side letter or similar agreement to or with one or more limited partner(s) (a "Side Letter"), which has the effect of establishing rights under, or altering or supplementing the terms hereof or any subscription agreement with respect to such limited partner, including without limitation, a waiver of Management Fees, REIT Management Fees, Management or Administrative Interest or Carried Interest (defined below) (collectively "GP Fees"), adjusting or waiving investment minimums and/or capital commitment requirements, or issuance of Capital Demand Notices, etc..

### Additional Compensation:

TCI, is engaged by the Thorofare Funds in connection with Funds' loan origination and underwriting processes and, as compensation are entitled to receive certain percentages of origination fees and expenses. For example, for Fund V, TCI retains one hundred percent (100%) of Deferred Origination

Charges, Loan Modification Charges and Origination Charges. And the General Partner receives Fifty percent (50%) of (i) Deferred Origination Fees, (ii) Loan Modification Fees and (iii) Origination Fees (collectively “TCI Fees”). The exact percentages on investment cash flow retained by TCI or paid to the Thorofare Funds are set forth in each respective Fund’s Offering Documents. The remaining fifty percent (50%) are retained by the Partnership.

If the General Partner or any of its affiliates, such as TCI, provide real estate brokerage services in connection with the sale of any real property that serves as Primary Collateral or Additional Collateral, the General Partner or such affiliate may receive a disposition commission (a “Disposition Commission”), from the proceeds of such sale, typically 6% of the sale price of such real property net of any other real estate brokerage commission payable in connection with such sale from the proceeds of such sale. If the General Partner or any of its affiliates provide property management services with respect to any real property that serves as Primary Collateral or Additional Collateral of which the Partnership takes possession, the General Partner or such affiliate may receive normal and customary property management fees (“Property Management Fees”). If the General Partner or any of its affiliates provide mortgage brokerage services in connection with the making of a Qualified Loan, the General Partner or any such affiliate may receive a customary mortgage commission (a “Mortgage Commission”) from the proceeds of such loan. In addition, to the extent that the General Partner (or an affiliate thereof) provides the Partnership with any services (including, without limitation, loan servicing) for which the Partnership would otherwise engage a third party (“Fund Services”), then the General Partner (or such affiliate) shall be entitled to provide such Fund Services and be compensated therefor, without the consent of any other limited partner, so long as: (a) the compensation charged is reasonable and customary for the services provided, and (b) the terms and conditions relating to such Fund Services are no less favorable to the Partnership than would generally be available from third parties under similar circumstances.

The General Partner and its affiliates, including Thorofare, will be entitled to *receive and keep* all Borrower Fees, Borrower Reimbursements, Disposition Commissions, Property Management Fees, Mortgage Commissions and fees for Fund Services; provided that, for the avoidance of doubt, any cost or expense reimbursed to the General Partner or any of its affiliates as a Borrower Reimbursement may not be charged to the Partnership as a Partnership Expense.

Thorofare Capital, Inc. is engaged by non-advisory client third party firms to provide loan origination and servicing and retains all related income.

#### Partnership Expenses:

As set forth in the respective Thorofare Funds Offering Documents, each of the Funds must reimburse the General Partner organizational expenses and partnership expenses. Organization expense reimbursement is generally capped (the amount of cap is set forth in the Offering Documents). In addition to organizational expenses, GP Fees, partnership expenses may include, without limitation: the cost and expenses of sourcing, evaluating, originating, negotiating, consummating, servicing, managing and disposing of investments; legal, accounting and other service provider fees (which currently do not, but

may include investment advisory compliance consulting or outsourced CCO services); interest on indebtedness; insurance premiums (including E&O and or D&O for Thorofare, the General Partners (including the members, officers and employees of such) and LP Advisory Board and third party insurance services); foreclosure, litigation and indemnification expenses; out-of-pocket expenses of the LP Advisory Board; and taxes and governmental fees. To the extent such fees are incurred jointly by the Funds, such may be allocated in a manner to each respective Fund in good faith by the General Partner. Organizational and Partnership Expenses may, but do not currently, include placement fees. The General Partners have discretion to allocate all or a portion of such placement fees to the respective Thorofare Fund in its sole discretion.

In addition to the Carried Interest, the TCI Fees, the GP Fees and the returns on its investment in the Partnership, the General Partner of the respective Thorofare Fund and its affiliates: (i) may charge the borrowers under Qualified Loans held by the Partnership and other third parties normal and customary fees for services rendered by the General Partner and affiliates in connection with such Qualified Loans (collectively, “Borrower Fees”) and (ii) may require such borrowers and third parties to reimburse the General Partner and its affiliates for costs and expenses incurred by the General Partner and its affiliates in connection with the provision of services (collectively, “Borrower Reimbursements”), including:

- (i) loan processing and documentation fees; and
- (ii) escrow fees, trustee fees, appraisal fees, late fees and site inspection fees (including employee travel);

provided that Borrower Fees will not include Origination Fees.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

The General Partners of the Thorofare Funds are entitled to receive a carried interest of twenty percent (20%) on Distributions of Available Assets (“Carried Interest”), after return of investor capital and the preferred return, as defined in the respective Thorofare Fund Offering Documents. Carried Interest is considered a performance-based fee for regulatory purposes. Thorofare currently does not advise on any parallel or side-by-side funds.

As such, Thorofare does not have any incentives to favor Funds with higher potential for carried interest distributions over Funds with lower or no potential for carried interest. However, as discussed more fully in Item 10 below, Thorofare’s affiliates also originate loans for non-advisory clients. This presents a potential conflict of interest that may result in favoring a non-advisory client over a Fund client. However, this risk is mitigated due to the different investment criteria, risk tolerance, and overall loan specifications between funds and non-advisory client loans. Nonetheless, Thorofare has adopted allocation and

investment approval policies and procedures designed to treat all Funds fairly and equitably in accordance with the applicable Governing Documents.

## **Item 7. Types of Clients**

Thorofare provides discretionary investment advisory services to each Thorofare Fund's general partner of pooled investment vehicles operating as limited partnerships exempt from registration as an investment company pursuant to Section 3(c)(5) of the Investment Company Act. Thorofare Fund investors are accredited investors, qualified clients, and/or qualified purchasers. Thorofare Fund investors may also be knowledgeable employees of Thorofare.

Thorofare Capital Inc., or an affiliate, may also provide non-advisory loan origination services to unaffiliated investment advisers and institutional or otherwise strategic investors.

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

### **Methods of Analysis and Strategy:**

Our strategy is to identify real estate transactions that cannot be completed by institutional lenders for a myriad reasons, including bureaucratic reasons. LTV is the primary consideration for qualifying loans (as defined in the respective Fund's Offering Documents) and we generally target transactions with inherently strong borrower equity positions. Our goal for each Thorofare Fund is to create a portfolio of loans at attractive LTVs with borrowers who, based on their need for private financing, are willing to pay above market interest rates for such financing, and that generates a competitive preferred return to investors. Specific property locations are targeted on a micro-market level with particular focus on assessing market depth, lease rates, vacancy, absorption, new construction and job growth. In addition, we seek to obtain extended title coverage through American Land Title Association lender's policies to ensure that each qualified loan has a senior secured position on all properties funded.

Our strategy is to generally fund only those real estate transactions that can achieve a large spread between debt and equity positions. Our target for the Thorofare Funds is to achieve a fully-funded portfolio of qualified loans with an average LTV on its primary collateral in the mid-fifties, and primary collateral of each qualified loan to be at or below a 68% LTV, with many qualified loans further backed by additional collateral or personal guarantees of the borrowers or others. Qualified loans held by the Fund will primarily be loans made by the Fund as a direct lender to the borrower. However, for Fund V, we have the ability to allocate a small percentage of the fund's loan portfolio to higher risk-reward loans provided that, at the time of the initial investment in any such loan, no more than 5% of the assets of the Fund (by gross value, including any indebtedness of the Fund and any unfunded portions of total loan commitments of the Fund) are invested in loans for which the LTV of the Primary Collateral is greater than 68%. In addition, the Funds may, in the General Partner's sole discretion, acquire qualified loans on the secondary market.

We consider investments nation-wide. Regardless of the market of each potential investment, we and/or our affiliates complete an initial due diligence investigation of each property prior to a Fund's



funding of a potential loan. During the underwriting process, our analysts typically conduct a site inspection and investigate market conditions, title, environmental concerns, zoning, borrower credit, and most importantly, property value. We utilize a variety of economic models to analyze the safety and quality of a Fund's portfolio.

**Risk of Loss:**

An investor's decision to invest in a Thorofare Fund entails risk. All investments have risk of loss, including loss of your investment. There are no guarantees that any past success of any Thorofare Fund will result in positive investor investment returns in the future. Private investment partnerships have their own set of risks, including, but not limited to lack of liquidity and diversification, strategy risk and conflicts of interest related to affiliated party transactions as set forth below. Moreover, no investor (Limited Partner) may sell, transfer, assign, convey, pledge, mortgage, encumber, hypothecate or otherwise dispose of all or any part of its partnership interest (Interest) without the General Partner's consent. There is no public market for Interests in the Thorofare Funds.

A more complete discussion of the risk associated with an investment in a Thorofare Fund is set forth in the respective Fund's private placement memorandum ("PPM"), and investors are encouraged to carefully review the PPM prior to making an investment decision.

**Borrower Risk, General Market & Real Property Risk and Competition:**

Investments related to real property carry specific risks, including but not limited to: foreclosure risk and local rules and regulations affecting the ability to foreclose on properties; vacancy rates and general financial condition of buyers and sellers; condemnation, environmental contamination and eminent domain; state and local regulations and/or ordinances affecting the purchase, sale or management of properties; litigation and insurance risk; geographic market concentrations, general credit risk, and other risks.

Thorofare Funds' investments are speculative and profitability depends on the ability of our borrowers to repay their loans. The ability of a borrower to repay may be affected by local, regional, and national real estate market and economic conditions beyond the control of the Fund. Delinquencies and defaults are sensitive to local and national business and economic conditions. Favorable real estate and economic conditions may not necessarily enhance a borrower's ability to repay due to circumstances specific to a borrower and are beyond the Fund's control.

Each type of property on which we, or our affiliates, underwrite loans has their own specific set of risks, including general economic conditions, business conditions, local market competition and conditions. Competition amongst loan originators can vary from market to market, and our Fund's returns can be affected by heavy competition in the loan origination space.

The Partnership may also rely on representations of borrowers and counterparties as to the accuracy and completeness of such information and, with respect to financial statements, on reports of independent auditors. While the Partnership intends to conduct due diligence regarding the value of properties and the information provided by borrowers and counterparties, it may rely on, or be unable to identify, inaccurate or fraudulent information. Of paramount concern in originating loans is the possibility of fraudulent and

negligent acts or a material misrepresentation or omission on the part of a third party including borrowers, brokers, sellers, vendors, tenants, co-lenders, loan participants, servicers and the boards and management teams of operating companies. Such act, omission, inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the transactions or may adversely affect the ability of the Partnership to perfect or effectuate a lien on the collateral securing the transaction. The Partnership will rely upon the accuracy and completeness of representations made by counterparties to the extent reasonable, but cannot guarantee such accuracy or completeness.

Rising or falling interest rates may increase risk associated with Thorofare's investment strategy, including but not limited to: increased competition, Thorofare's ability to close loans at targeted interest rates; a borrower's ability to refinance an existing loan, lower investment returns due to the inability to close loans at higher interest rates.

#### Lack of Diversification and Investment Concentration:

It would not be appropriate for an investor to invest a substantial portion of its wealth in any single investment or fund. An investment in a Thorofare Fund should be part of a comprehensive investment portfolio strategy, which includes a broad diversification of investments. Our Funds lack broad diversification since we invest in a specific type of investment, real estate asset backed loans. Moreover, our Funds may have a relatively high degree of concentration in the Fund's loan portfolio at any given time.

#### Leverage:

The Funds may seek to enhance returns on its investments through the use of leverage, typically with a maximum of 1:3 leverage (33.33%) calculated against total loan commitments over the life of the Fund, and may obtain multiple financing sources to be secured by the Fund's assets, which may include capital commitments.

The use of significant leverage by the Funds will increase the exposure of real estate investments to adverse economic factors, such as rising interest rates, severe economic downturns or deteriorations in the condition of a real estate investment or its market. While the use of leverage may enhance returns to the Funds and increase the number of investments the Funds can make, it will diminish returns (or increase losses on capital) to the extent overall returns are less than the costs of funds. To the extent financing is not available on terms considered favorable by the Partnership, the number and size of investments that the Funds will be able to make will be limited. In addition, even if the Funds are able to arrange for leverage, there can be no assurance that longer-term financing will be available with respect to any particular investment. Any inability of the Funds to repay such borrowings could enable a lender to seek payment from the investors to the extent of the then remaining capital commitments.

We also may use a subscription line of credit, which is not used for leverage purposes. A subscription line of credit allows us to deploy capital to fund investments while we are processing capital commitment calls from limited partners.

For a more detailed discussion on each of our Fund's respective investment strategy and risk, we strongly encourage investors to review the Funds' Private Placement Memorandum.

Conflicts of Interest:

Certain conflicts of interest exist between and amongst Thorofare, its affiliates and other third parties. Conflicts of interest can cause Thorofare to engage in riskier investments; act in Thorofare's, its affiliates' or third parties' own best interest; or increase the costs associated with an investor's investment in one of the Thorofare Funds. Such conflicts of interest include: engaging in affiliated party transactions such as the sharing of origination fees with an affiliate loan underwriter; co-investment by a limited partner or affiliate of Thorofare, or a third party sponsor in Fund loans--what is commonly called a B-Piece investment (a higher risk participation interest in the loan); the generation of fees and reimbursement of expenses by Thorofare or its affiliates that are not deemed investment income by the Thorofare Funds or reimbursable to the Thorofare Funds; indemnification of the General Partner, Thorofare or its affiliates; activities of principals of Thorofare that may overlap with the business of Thorofare and its Funds; the offering of side letters to one or more limited partners causing such limited partners to pay lower fees; and the Thorofare Funds' preferred return or carried interest provisions may impact investment decisions of Thorofare.

In addition, Thorofare has discretion and authority to classify certain fees and expenses owed by borrowers of loans in which the Thorofare Funds invest. For example, Thorofare may negotiate with a borrower to pay higher or lower origination or exit fees, default and/or back interest or late fees, which may have a direct impact on revenue allocated to the Thorofare Funds, since such Thorofare Funds participate in some revenue streams and not others.

The General Partner of a Thorofare Fund may enter into a credit facility or other lending agreement with one or more Limited Partners of a Thorofare Fund in order to provide investment funding capital during the capital call period. Thorofare currently has such an agreement for Thorofare Fund III. Principal and interest are paid to the lender as a Partnership Expense prior to any distributions of cash to other limited partners. Unlike other credit facilities, the lender in this agreement does not hold a security interest in the assets of the Fund.

The General Partner of a Thorofare Fund may, in its sole discretion, cause Capital Commitments to be drawn by a Fund in any order not prohibited by applicable law; provided that at least 50% of the contributed capital applied to fund new investments shall consist of Rollover Amounts, to the extent available; provided further that notwithstanding the foregoing, in the event there are Principal Repayments retained by the Partnership that are otherwise distributable to the Limited Partners, the General Partner shall have the right, but not the obligation, to fund all or any portion of new investments with such retained Principal Repayments, to the extent available.

For Fund V, Investors who acquire interests in the Partnership at subsequent closings will not participate in any investments that have been deemed to be a side pocket investment prior to such closing. In addition, Investors whose interests are in Run-Off Accounts will not participate in new investments. Therefore, the

returns of these investors will differ from the returns of other investors in the Partnership. As part of its review of each Partnership, Thorofare monitors all investments for side pocket treatment or removal in accordance with its Side Pocket policies and procedures. For Fund V, the Partnership's investments will be presented on a fair value basis.

Thorofare has adopted a Code of Ethics (described in Item 11 below) and other policies and procedures to address potential conflicts (collectively, the "Conflicts Procedures"). These Conflicts Procedures, which may be modified from time to time at Thorofare's sole discretion, may require prior review or approval of certain transactions by the Chief Compliance Officer and/or General Counsel. Additional procedures for addressing conflicts may be contained in Offering Documents. With respect to certain conflicts of interest, including affiliate transactions, the Offering Documents may provide for consultation regarding or approval of such transactions by investors or an LP Advisory Board comprised of representatives of certain of the underlying investors in a Fund.

Other conflicts of interest may exist. Please review the conflicts of interest section of the respective Thorofare Fund's Offering Documents for more information and discussion regarding how Thorofare mitigates such risks.

#### **Item 9. Disciplinary Information**

Thorofare is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Thorofare does not have any required disclosures to this Item.

#### **Item 10. Other Financial Industry Activities and Affiliations**

As previously discussed, Thorofare has affiliated mortgage lending and servicing companies, which underwrites the loans to Thorofare Funds, non-advisory clients, and other non-advisory strategic investors. The affiliates are Thorofare Holdings, LLC, which through its wholly owned subsidiary TC Debt Opportunities, LLC, provides loan origination services and TCI, which provides asset management and servicing, including to DoubleLine Capital LP. As previously disclosed in Item 5, TCI receives TCI Fees for its loan originations and servicing.

Thorofare has related persons who are real estate agents, salespersons or brokers or act as real estate agents, salespersons or brokers. TCI also provides non-advisory services, such as loan servicing to third parties for a fee. In addition, Rob Cooper, Thorofare's General Counsel is responsible for preparing loan documents and other documents necessary to close loan transactions which will comprise the Thorofare Fund investments and loan documents for DoubleLine Capital LP. Borrowers are charged a due diligence fee for preparing such documents, and the General Counsel's fees are offset against his Thorofare Capital salary.

As set forth above, Thorofare has an affiliated general partner and REIT affiliate entities which operate as the General Partner or REIT investment vehicles of its Thorofare Funds. Thorofare is the sole

owner of the general partners of the Thorofare Funds. Thorofare also may enter into strategic partner relationships with other real estate investment firms to originate commercial real estate loans. Currently, Thorofare has such a relationship with DoubleLine Capital LP.

#### **Item 11. Code of Ethics**

Thorofare and persons associated with Thorofare (“Associated Persons”) are permitted to buy limited partnership interests of which Thorofare is the advisor. Thorofare has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“Code of Ethics”). In accordance with Section 204A of the Investment Advisers Act of 1940 (the “Advisers Act”), its Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by Thorofare or any of its associated persons. The Code of Ethics also requires that certain of Thorofare’s personnel (called “Access Persons”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

The General Partner of each respective Thorofare Fund, in its sole discretion, may provide one or more persons (including Access Persons), with the opportunity to co-invest with the Thorofare Fund in any one or more lending or other investment opportunities offered to the Thorofare Fund and establish, maintain and manage separate co-investment vehicles and/or accounts in connection therewith, with the allocation of such opportunities between the Thorofare Fund and such co-investor (and/or co-investment vehicles and accounts) to be determined by the General Partner in good faith. Any such co-investment by a Limited Partner or any affiliate of a Limited Partner in any such opportunity will be upon terms and conditions no more favorable to such Limited Partner or affiliate in any material economic respect than the terms and conditions upon which the Partnership is investing in such opportunity. Any such co-investors may pay TCI fees to service the co-invested loan investments.

In the future, the Thorofare may serve as investment manager to certain Co-Invest Funds that invest alongside the Funds. Certain affiliates and personnel of Thorofare, third party investors and other persons may be permitted to participate in the Co-Invest Funds or in some cases co-invest directly in a particular real estate-related asset. Generally, we will select which investors or other persons are permitted to co-invest based on various factors, including (but not limited to) the sophistication of the investor, the ability of the investor to fund and complete the investment on a timely basis, the investor’s expression of interest or right to co-invest granted by such investor’s limited partnership agreement or side letter arrangement, and any other reason for including such investor or person. In circumstances where an entire investment could be made by a Fund, we may still allocate a portion of such investment to one or more Co-Invest Funds or co-investors, in accordance with the applicable Fund’s Governing Documents and our allocation policy, if we believe in its good faith judgment that such allocation is in the best interests of the clients. For example, we might believe that a Fund making the full investment would unreasonably limit the diversification of the applicable Fund or that a particular co-investor would add value to the Fund or the investment. Investors that participate in co-investments may be in a position to obtain additional

information regarding the applicable investment that may not generally be available to investors in the Fund.

Thorofare and our affiliates may be entitled to receive consulting, advisory, underwriting, syndication and other similar fees in connection with the purchase, monitoring or disposition of investments in respect of qualified loan investments of the Fund.

The existence of the right of a General Partner to receive carried interest in respect of investments of a Fund may create an incentive for such General Partner to make riskier or more speculative investments on behalf of such Fund than would be the case in the absence of this arrangement or to allocate an investment to a Fund that we believe has a better potential to generate carried interest for a General Partner. Thorofare do not allocate investments based on a General Partner's perceived ability to earn carried interest, and we believe that any commitment of capital to a Fund by a General Partner and its affiliates generally mitigates the incentive to make riskier or more speculative investments.

### ***Side Letters***

A Fund or its General Partner, on behalf of the Fund, may from time to time enter into Side Letters with one or more Limited Partners, which provide such Limited Partners with additional or different rights (including with respect to access to information and liquidity terms) than such Limited Partners have pursuant to the applicable Governing Documents. As a result of such Side Letters, certain Limited Partners may receive additional benefits that other Limited Partners will not receive. A Fund and its General Partner, on behalf of the Fund, will not be required to notify any or all of the other Limited Partners of any such Side Letters or any of the rights or terms or provisions thereof, or offer such additional or different rights or terms to any or all of the other Limited Partners. The Fund or its General Partner, on behalf of the Fund, may enter into such Side Letters with any party as the General Partner may determine, in its sole and absolute discretion, at any time. The other Limited Partners will have no recourse against the Fund, the General Partner or any of their affiliates in the event that certain Limited Partners receive additional or different rights or terms as a result of such Side Letters.

Clients, investors and prospective investors may contact Thorofare to request a copy of its *Code of Ethics*.

### **Item 12. Brokerage Practices**

Thorofare and the General Partners specialize in managing portfolios of real estate loans and the Thorofare Funds are designed and formed to provide investors with a real estate lending investment vehicle. Thorofare's investment advice is limited to advising on such types of investments. As such, Thorofare does not have traditional brokerage relationships with broker/dealers who execute trades of publicly available securities.

### **Item 13. Review of Accounts**

Thorofare currently acts as investment adviser to the Thorofare Funds. Thorofare and the General Partners continuously monitor all Thorofare Fund investments for adherence to each respective Thorofare Funds' investment objectives, policy and restrictions. Each Thorofare Fund has an investment committee which approves each transaction. In addition, each limited partner receives a copy of an annual independent audited financial statement report from each Thorofare Fund in which such limited partner is invested (currently Deloitte).

### **Item 14. Client Referrals and Other Compensation**

Thorofare does not accept client referrals since the only clients of Thorofare are the Thorofare Funds. Thorofare may, however execute finders' agreements and compensate individuals to introduce prospective investors to Thorofare. Thorofare will compensate such finders. All finders' agreements will be entered into in accordance with SEC guidance set forth in SEC No-Action Letter, Mayer Brown LLP, File No. 132-3. Nonetheless, Thorofare will enter into a written agreement with all finders. All finders' agreements will clearly set forth that finders are not authorized to solicit or offer any security for sale, including interests in any Thorofare Fund, to prospective investors, and that such an offer or sale can only take place through Thorofare's provision of the appropriate offering documents and brochure to such prospective investors.

Thorofare and its affiliates may accept additional compensation from deal sponsors for finding other sponsors to invest in a deal (sometimes referred to as an "Equity Placement Fee"). By way of example, Thorofare may wish to provide funding for a particular deal, but the sponsor lacks sufficient equity in the property to meet Thorofare's LTV requirements. Thorofare may assist the sponsor in finding additional sponsors to provide sufficient equity in the deal to meet such requirements to complete funding, and receive a finder's fee for such activity. Any such fees will not be shared with the Funds and may be allocated in part to employees of Thorofare.

### **Item 15. Custody**

Thorofare is deemed to have custody of client fund assets and securities. Each Thorofare Fund will engage an independent national CPA firm (currently Deloitte) to audit the Funds and complete audited financial statements within 120 days of fiscal year-end. Copies of the audited financial statement reports are sent to each Thorofare Fund investor.

Thorofare Funds limited partnership interests are privately offered securities. The Thorofare Funds hold and invest in only privately offered securities. As such, Thorofare is not required to hold limited partnership interests or securities with a qualified custodian or generate an internal control report.

Audit of the affiliated REIT entities is wrapped into the Thorofare Fund annual audits. We currently do not have any investment SPV or co-investment entities that require a separate independent audit.

**Item 16. Investment Discretion**

Thorofare has discretionary authority to trade investments held by the Thorofare Funds through its affiliated General Partner of each respective Thorofare Fund. The General Partner of each respective Thorofare Fund will execute the Investment Management Agreement delegating discretionary investment advisory authority to Thorofare.

**Item 17. Voting Client Securities**

As discussed above, Thorofare does not expect to invest in securities which would give rise to voting proxies. However, Thorofare has the authority to vote the Funds' proxies through its General Partner authorities. Therefore, Thorofare has adopted written Proxy Voting Policies and Procedures (the "Proxy Policy"). Investors may obtain a copy of Thorofare's Proxy Policy and information on how the Client's securities have been voted upon the Client's request, free of charge from Thorofare's Chief Compliance Officer ([compliance@thorofarecapital.com](mailto:compliance@thorofarecapital.com)).

**Item 18. Financial Information**

Thorofare does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, Thorofare is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Thorofare has no disclosures pursuant to this Item.