

# **Thirdline Capital Management, LLC ("TLCM")**

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## **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of Thirdline Capital Management, LLC. If there are any questions about the contents of this brochure, contact us at (804) 564-6810. 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 TLCM (CRD# 314158) is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Thirdline Capital Management, LLC is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## **Item 2 Material Changes**

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify clients and provide clients with a description of the material changes.

There are no material changes to report as this is the initial filing.

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## Item 4 Advisory Business

### Description of the Firm

Thirdline Capital Management, LLC is a Virginia domiciled limited liability company formed in February of 2021. Its principal office is in Richmond, Virginia. The firm is the investment adviser to the Thirdline Real Estate Income Fund (ticker "TREIX"). TREIX is a statutory trust formed on April 7, 2021, amended July 23, 2021, under the laws of the State of Delaware and registered with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933 (the "Securities Act") and the Investment Company Act of 1940 (the "1940 Act") as a closed-end, non-diversified investment company. TLCM is also the "Manager" of 8840 Investors, LLC, a special purpose entity that was set up to hold a single real estate asset on behalf of unaffiliated investors. 8840 Investors, LLC will be referred to as a "fund" or "private fund" throughout this document as it relies on a private fund exemption to avoid 1940 Act registration, however, it does not receive ongoing "portfolio management" services. TLCM is not a subsidiary of, nor does it control, another reportable financial industry entity. Charles Carter Hutchens and Lawrence Scott Eiben are the firm's principal owners and Mr. Eiben serves as the Chief Compliance Officer.

### Description of Services Offered

TLCM operates exclusively as an investment adviser/manager to fund clients. Please refer to the Prospectus of TREIX for a complete description of the investment management services provided by TLCM to TREIX. As Manager of 8840 Investors, LLC, TLCM mainly performs administrative functions (e.g., receiving and distributing cash flows and overseeing tax preparation) and these services are defined by the entity's operating agreement.

### Portfolio Management Services

TLCM is actively engaged as a Portfolio Manager of TREIX – a fund with a real-estate focus. This role involves both investment selection and portfolio construction. TREIX holds both public (i.e., exchange-traded) and private securities. On the private investment side, this work involves sourcing, vetting, and structuring various private real estate investments. On the public side, TLCM evaluates exchange-traded investments that are suitable for TREIX.

### Types of Investments

Please refer to the TREIX prospectus for a complete list of securities that may be purchased on behalf of TREIX. 8840 Investors, LLC holds a single real estate credit security.

### Client Assets Under Management

As of January 1, 2024, TLCM manages \$69,031,000 in client assets on a discretionary basis, and \$0 in client assets on a non-discretionary basis. Of this amount, \$65,356,000 is in TREIX and receives continuous portfolio management services. The remaining \$3,675,000 is in 8840 Investors, LLC, and receives administrative services as described in the operating agreement.

## Item 5 Fees and Compensation

### Portfolio Management Services

The Portfolio Management Services provided to TREIX, and the corresponding fees paid by TREIX are specified in a Portfolio Management Agreement. This fee is an asset-based fee of 0.98% per annum. As a 1940 Act fund, TREIX is overseen by a Board of Trustees that reviews and approves TLCM's Portfolio Management Agreement annually. Fees may be negotiated by the Board of Trustees.

### Private Fund Fees

Fees paid to TLCM as the Manager of private funds may include various servicing/operational fees

(e.g., structuring and disposition fees) and ongoing management fees. Servicing/operational fees are typically based on the effort involved (e.g., setting up or shutting down the entity) and may be asset-based, hourly, or a fixed amount. Servicing/operational fees may be paid by a project sponsor or by the private fund (i.e., the private fund investors). Management fees may be asset-based or performance-based. Management fees for private funds will be detailed in the operating agreement for a given fund and are not negotiable. Servicing/operational fees are negotiable.

#### Payment of Fees

For TREIX, fees are computed and paid by UMB Fund Services as fund accountant/administrator. For private funds, fees are withdrawn as an expense of the fund unless paid by the sponsor (i.e., as is the case for certain structuring fees). Any structuring fees paid would be in addition to management fees.

#### Termination of Services

As a 1940 Act Fund, TREIX is overseen by a Board of Trustees that review and approve TLCM's Portfolio Management Agreement annually. For private funds, termination is defined in the operating agreement.

### **Item 6 Performance-Based Fees and Side-By-Side Management**

TLCM may manage private funds that charge performance-based fees. TREIX does not charge performance-based fees. Performance-based fees may create a conflict of interest in that TLCM may be incentivized to allocate better investment opportunities to clients that are paying performance-based fees. The conflict is addressed by giving TREIX priority on all private investments such that it will receive its full desired allocation before any other clients are given an opportunity to participate.

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

TLCM provides advisory services exclusively to funds (i.e., TREIX and private funds).

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

#### Methods of Analysis

Methods of analysis vary based on the type of investment used by TREIX.

1. Direct Real-Estate holdings – TLCM employs fundamental analysis related to property-level metrics including, but not limited to, projected cash flows, debt terms, debt coverage ratios, the use of contingency pools, experience of the sponsor, density of the asset type in a given geography, local economics and demographics, and price trends.
2. Investment Funds – For funds, consideration is given to fund age, fund performance, fund size, manager experience, liquidity terms and fund objective.
3. Exchange-Traded Securities –The exchange-traded security analysis begins by identifying an “investment universe” (i.e., the security universe that is suitable for TREIX given objectives, performance goals, tax considerations, and liquidity needs). Then, various quantitative factors for risk and return are used to identify the securities to purchase or sell.

For 8840 Investors, LLC, TLCM employs similar tactics to #1 above. However, the entity will only hold a single asset so no ongoing methods of analysis are used.

#### Investment Strategies

A key tenet of TLCM's portfolio construction process for TREIX is risk mitigation. As such, the portfolio is structured to be broadly diversified across sectors, geographies, sponsors, and assets. Investment decisions are made in an effort to achieve the objective of the fund while minimizing risk exposure.

### Risk of Loss

TLCM believes its investment process and portfolio construction are designed to produce the appropriate potential return for the given level of risk; however, there is no guarantee that an investment objective or planning goal will be achieved. Investing in securities involves risk of loss that clients should be prepared to bear. Please refer to the Prospectus of TREIX for a complete list of risks associated with that fund.

Below are some of the risks specific to 8840 Investors, LLC.

### Company Risk

8840 Investors, LLC holds only one real estate asset. As such, there is a certain level of company risk that is inherent in this type of concentrated investment. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company.

### Sponsor Risk

8840 Investors, LLC does not have operating control over the real estate asset backing the security that it owns. The success or failure of the operations of the asset are heavily dependent on the sponsor's ability to execute and achieve operating projections.

### Financial Leverage Risk

Excessive borrowing to finance a business operation increases profitability risk because the company must meet the terms of its obligations to the lender in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

### Fixed Income Risks

Various forms of fixed income instruments may be affected by various forms of risk, including:

- Duration Risk - Duration is a measure of a security's volatility, expressed in years to be repaid by its internal cash flow (interest payments). Securities with longer durations carry more risk and have higher price volatility than securities with shorter durations.
- Interest Rate Risk - The risk that the value of the fixed income holding will decrease because of an increase in interest rates.
- Liquidity Risk - The inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. While certain types of fixed income are generally liquid (i.e., bonds), there are risks which may occur such as when an issue trading in any given period does not readily support buys and sells at an efficient price. Conversely, when trading volume is high, there is also a risk of not being able to purchase a particular issue at the desired price.
- Reinvestment Risk - With declining interest rates, investors may have to reinvest interest income or principal at a lower rate.

### Fundamental Analysis

The challenge involving fundamental analyses is that information obtained may be incorrect; the analysis may not provide an accurate estimate of earnings, which may be the basis for a security's value. If a security's price adjusts rapidly to new information, a fundamental analysis may result in unfavorable performance.

### Real-Estate Industry Risk

The real-estate industry is driven by certain economic factors that may not affect other industries. Poor performance of the overall industry could result in poor performance for this asset despite good execution by the property manager.

## **Item 9 Disciplinary Information**

Neither the firm nor its management has been involved in a material criminal or civil action in a domestic, foreign, or military jurisdiction, an administrative enforcement action, or self-regulatory organization proceeding that would reflect poorly upon its advisory business or its integrity.

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

No information has been provided on other financial industry activities and affiliations because TLCM does not have any relationship or arrangement that is material to its advisory business or to its clients with any of the types of entities listed below.

1. broker-dealer, municipal securities dealer, or government securities dealer or broker;
2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund);
3. other investment adviser or financial planner;
4. futures commission merchant, commodity pool operator, or commodity trading adviser;
5. banking or thrift institution;
6. accountant or accounting firm;
7. lawyer or law firm;
8. insurance company or agency;
9. pension consultant;
10. real estate broker or dealer; and/or
11. sponsor or syndicator of limited partnerships.

## **Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

TLCM holds itself to a *fiduciary standard*, which means the firm and its associates will act in the utmost good faith, performing in a manner believed to be in the best interests of its clients. TLMC believes that business methodologies, ethics rules, and adopted policies are designed to eliminate or at least minimize material conflicts of interest and to appropriately manage any material conflicts of interest that may remain. One should be aware that no set of rules can anticipate or relieve all material conflicts of interest. TLMC endeavors to disclose to clients any material conflict of interest relating to the firm, its representatives, or any of its employees which could reasonably be expected to impair the rendering of unbiased and objective advice.

### **Code of Ethics Description**

TLMC has adopted a Code of Ethics that establishes policies for ethical conduct for personnel. It accepts the obligation not only to comply with all applicable laws and regulations but also to act in an ethical and professionally responsible manner in all professional services and activities. Firm policies include prohibitions against insider trading, the circulation of industry rumors, and certain political contributions, among others. The Code of Ethics is available upon request by any client or prospective client.

TLCM periodically reviews and amends its Code of Ethics to ensure that it remains current, and it requires firm personnel to annually attest to their understanding of and adherence to the firm's Code of Ethics. A copy of the firm's Code of Ethics is made available to any client or prospective client upon request.

### **Participation or Interest in Client Transactions**

Neither the firm nor any persons associated with the firm have any material financial interest in client transactions.

### **Firm/Personnel Purchases of Securities Recommended to Clients**

TLCM does not trade for its own account (e.g., proprietary trading). The firm's related persons may buy or sell securities that are the same as, similar to, or different from, those recommended to clients for their accounts, and this poses a conflict of interest. TLCM mitigates this conflict by ensuring that it has policies and procedures in place to ensure that the firm or a related person will not receive preferential treatment over a client. To reduce or eliminate certain conflicts of interest involving personal trading (i.e., trading ahead of client recommendations, etc.), firm policy may restrict or prohibit related parties' transactions or limit trading to highly liquid securities. Personal trading accounts are reviewed on a quarterly basis by the Chief Compliance Officer.

## **Item 12 Brokerage Practices**

TLCM, as Portfolio Manager of TREIX, chooses the broker where trades are executed. Presently, TREIX uses only one brokerage – Interactive Brokers ("IB").

TLCM chooses brokers based on best execution. "Best execution" means the most favorable terms for a transaction based on many relevant factors. Price (i.e., commission rates) is not the sole factor considered in evaluating best execution. Other factors are considered such as the quality of the brokerage services provided by the broker, including the value of the broker's reputation, execution capabilities, operational stability, trading tools/platforms and responsiveness. In recognition of the value of the services the broker provides, TREIX may pay higher commissions and/or trading costs than may be available elsewhere. TLCM performs an annual "best execution" review of any brokers that it utilizes.

### Research and Other Soft Dollar Benefits

TLCM does not have any soft-dollar arrangements.

### Economic Benefits

TLCM does not receive any economic benefits from brokers.

### Brokerage for Client Referrals

TLCM does not receive client referrals from brokers in exchange for cash or other compensation, such as brokerage services or research.

### Directed Brokerage

TLCM does not allow clients to direct trades to specific brokers.

### Aggregating Securities Transactions for Client Accounts

Trade aggregation involves the purchase or sale of the same security for several clients/accounts at approximately the same time. This may also be termed "blocked," "bunched" or "batched" orders. Aggregated orders are generally performed to obtain better execution, negotiate favorable transaction rates, or to allocate equitably among multiple client accounts should there be differences in prices, brokerage commissions or other transactional costs that might otherwise be unobtainable through



separately placed orders. TLCM may, but is not obligated to, aggregate orders and will not receive additional compensation or remuneration from aggregated transactions.

## **Item 13 Review of Accounts**

### Scheduled Reviews

As the Portfolio Manager of TREIX, TLCM periodically reviews the portfolio holdings. The investment committee generally meets weekly. During weekly meetings new and existing investments are discussed.

### Unscheduled Reviews

TLCM generally performs ad hoc reviews as information on private investments is reported by sponsors or other material events occur.

### Client Reports

TREIX has a quarterly meeting of the Board of Trustees. TLCM provides substantial information during these meetings including, but not limited to, performance updates, valuation reports and adviser operational updates.

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

TLCM may receive servicing/operational fees (e.g., structuring fees) related to establishing certain private funds for which it serves as manager. These fees may be paid by the private investment sponsor or by the private fund client. This type of fee, when paid by the private investment sponsor, could create a conflict of interest in that TLCM may be encouraged to structure funds to receive a fee without regard to the quality of the investment. To mitigate this conflict, TLCM takes several steps. For one, TLCM endeavors to establish servicing/operational fees that are reflective of the operational work involved (i.e., these fees are not designed to be highly profitable or a material component of the overall profitability of a given fund). Also, private fund investment opportunities are presented to financial representatives of prospective investors who are given substantial diligence materials and provide a written affirmation acknowledging the potential for structuring fees.

## **Item 15 Custody**

TLCM does not have custody of client cash or securities.

As a 1940 Act fund, TREIX must use a bank custodian. UMB Bank is TREIX's custodian. Fees paid from TREIX to TLCM are computed and paid by the Fund Administrator/Accountant, UMB Fund Services.

Regarding private funds, to prevent having custody of client assets, TLCM will either (1) adhere to exemptions from custody as detailed in the Securities Act or (2) will establish operating procedures to avoid meeting the definition of having custody (e.g., may use a separate administrator to establish bank accounts and process cash flows).

## **Item 16 Investment Discretion**

TLCM generally provides its portfolio management services on a *discretionary* basis. Similar to a limited power of attorney, discretionary authority allows the firm to implement investment decisions,

such as the purchase or sale of a security on behalf of a client, without requiring prior authorization for each transaction in order to meet stated investment objectives. This authority will be granted through a portfolio management agreement or fund operating agreement.

### **Item 17 Voting Client Securities**

TLCM will vote proxy ballots on behalf of its fund clients.

### **Item 18 Financial Information**

TLCM does not require prepayment of fees.

TLCM is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual obligations to clients.

### **Item 19 Requirements for State-Registered Advisers**

Not applicable.

### **Item 20 Additional Information**

Not applicable.