

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

### **ThornTree Capital Partners LP**

800 Boylston Street  
Boston, MA 02199

617-443-2080

[www.thorntreecap.com](http://www.thorntreecap.com)

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This brochure provides information about the qualifications and business practices of ThornTree Capital Partners LP (“ThornTree”). If you have any questions about the contents of this brochure, please contact Soyoun Song, Chief Compliance Officer, at 617-443-2080. 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 ThornTree is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Any reference to ThornTree Capital Partners LP as a “registered investment adviser” or as being “registered” does not imply a certain level of skill or training.

**THIS BROCHURE DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY.**

## Item 2: Material Changes

ThornTree has not undergone any material changes since the last update to Part 2A of Form ADV made in March 2017 although certain information in this brochure has been updated. Although we do not consider it a material change since the time of that update, Soyoun Song, Managing Director and Senior Investment Partner, assumed the role of Chief Compliance Officer in August 2017. We encourage clients, investors, and prospective clients and investors to review the entirety of this brochure.

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## Item 4: Advisory Business

ThornTree Capital Partners LP (“ThornTree”), a Delaware limited partnership, provides discretionary investment management services to several pooled investment vehicles (“private fund clients” or “Clients”). Formed in November 2015, ThornTree is wholly owned and controlled by Mark C. Moore and his affiliated estate planning entities and trusts. Mr. Moore is the founder, Managing Partner and Chief Investment Officer of ThornTree (“Founder” or “Managing Partner”).

We aim to generate superior risk-adjusted returns over the course of various market cycles through a concentrated portfolio consisting primarily of long and short equity investments. In carrying out our investment strategy, we typically take positions in listed equities, ADRs and GDRs, as well as contracts for differences and total return swaps on the foregoing. We also trade instruments listed on both U.S. and non-U.S. exchanges and at times may trade U.S. and non-U.S. currencies for hedging purposes as well as other securities for cash management purposes. We

also may invest a portion of our private fund client assets in private companies (“Private Investments”). Such Private Investments are expected to be comprised substantially of equity investments in early stage, business growth opportunities. Additional information about ThornTree investment strategies and associated risks can be found in greater detail below in **Item 8, Methods of Analysis, Investment Strategies and Risk of Loss.**

The investment activities of ThornTree are led by Mr. Moore, who also oversees the implementation of the investment strategy and various portfolio and risk management matters. In providing services to the private fund clients, among other things, ThornTree manages assets in accordance with the terms of the applicable governing documents. ThornTree provides investment advice directly to the private fund clients and not individually to a Client’s limited partners, shareholders, or fund investors (collectively “Fund Investors”). Investment restrictions for the private fund clients are generally established in the applicable governing document such as a limited partnership agreement or private placement memorandum (collectively “Fund Governing Documents”). An affiliate of our firm controlled by Mr. Moore, ThornTree Capital GP LLC (the “General Partner”), a Delaware limited liability company, serves as the general partner to the private fund clients.

As of December 31, 2017, ThornTree had regulatory assets under management of approximately \$489,980,244, all of which are managed on a discretionary basis.

## **Item 5: Fees and Compensation**

ThornTree’s compensation for the investment advisory services it provides to Clients is comprised of an asset-based management fee and an incentive allocation that is based on the performance achieved subject to a high water-mark. The fees, expenses, and withdrawal terms applicable to each private fund client are set forth in detail in each of the applicable Fund’s Governing Document. A brief summary of fees and expenses is provided below.

### **Management Fee**

Fund Investors typically pay ThornTree or an affiliate in advance a monthly fee equal to .125% (1.50% on an annualized basis) of the net asset value of each Fund Investor’s capital account. Private Investments attributable to a Fund Investor will be valued at cost or its current fair market value if a third party valuation event has occurred with respect to such Private Investment for purposes of this calculation.

The Management Fee in respect of private investments may be paid to us or an affiliate in several ways (or a combination thereof): (i) from a private fund client Investor’s capital Subaccount; (ii) accrued and paid upon realization or deemed realization of Private Investments; (iii) through a distribution in kind of assets; and/or (iv) currently by way of a payment from such Fund Investor; provided that a payment pursuant to (ii), (iii) or (iv) will only be made, or requested, if payment amounts pursuant to (i) are insufficient.

ThornTree or the General Partner may elect, in its sole discretion, to reduce, waive or calculate differently the Management Fee in respect of any Fund Investor without offering the same

opportunity to other Fund Investors and will waive the Management Fee for the General Partner and its affiliates and any of their respective owners, directors, officers or employees. Upon private fund clients net asset value exceeding a threshold defined in applicable Fund Governing Documents (or at the General Partners sole discretion at a lesser net asset value), the General Partner will reduce the Management Fee in respect of amounts in excess of the stated threshold to 1.20% per annum such that each Fund Investor will bear a blended rate in respect of its capital accounts.

### **Incentive Allocation**

ThornTree or affiliates will be entitled to share in the appreciation in value of each Fund Investor's capital account balance, subject to loss carry forward provisions. ThornTree expects that for most periods and as to most sources of profit, this will be effected through incentive allocations made to the General Partner.

As of December 31 of each year, each Fund Investor's capital account(s) (excluding, for any participating Fund Investor, amounts attributable to its Private Investments) are subject to the reallocation of 20% of the net profits for such period to the General Partner as an Incentive Allocation, subject to a "high water mark" provision or recovery of prior losses, as described in the relevant Fund Governing Document.

For Private Investments, a portion of the realized net investment profit is also allocated to the capital account of the General Partner as "carried interest." Please see **Item 6 Performance Based Fees and Side-by-Side Management** below regarding "carried interest" that ThornTree or an affiliate may receive. The precise amount of, and the manner and calculation of, the carried interest is set forth in the applicable Fund Governing Documents.

The General Partner's capital account will not be subject to any Incentive Allocation or carried interest. The General Partner may elect, in its sole discretion, to reduce, waive, rebate or calculate differently the Incentive Allocation with respect to any Fund Investor, including Fund Investors that have strategic relationships with ThornTree, without offering the same opportunity to other Fund Investors and may waive such Incentive Allocation for any employee or affiliate of ThornTree. In consideration of certain Fund Investors' initial participation and certain strategic benefits we believe certain Fund Investors may bring to the private fund clients and ThornTree, certain Fund Investors will be entitled to a reduced Incentive Allocation at our sole discretion.

### **Private fund client expenses**

Private fund clients bear their own expenses ("Ongoing Fund Expenses"), including, but not limited to, the Management Fee and fees payable to the administrator; legal, accounting, administrative expenses, auditing, tax preparation and other professional expenses; insurance expenses (including errors and omissions policies, professional liability insurance and directors and officers insurance); transaction expenses, filing fees and expenses, custodial fees, bank services fees; the costs of printing and distributing periodic and annual reports and statements, regulatory and compliance expenses directly related to the Client (including the Client's reasonable share of ThornTree's reporting obligations directly related to the private fund client);

expenses paid to third-party vendors associated with the Client's internal accounting; interest on any indebtedness and other borrowing charges and the costs of brokerage services (e.g., expenses which are reasonably determined to be directly related to the investment and trading of the assets, such as brokerage and commission expenses, margin, premium and interest expenses, out-of-pocket costs related to investments and potential investments, fees and charges and disbursements of custodians and sub-custodians); a portion of the fees and travel expenses in connection with investigating and monitoring potential and existing investments (including whether or not deals are consummated); all expenses in connection with the ongoing offering of the interests in the private funds, including the cost of producing, updating and distributing offering memoranda and other marketing materials; extraordinary expenses (e.g., litigation costs and indemnification obligations) that the Client may incur; and any other expenses related to the Client's ongoing operation. In connection with researching specific transactions, investments or asset types, ThornTree engages third-party consultants, accountants, attorneys or other experts, and in connection therewith incur initial and ongoing specialized research, due diligence and monitoring-related expenses. Such expenses will be borne by applicable private fund clients (whether or not deals are consummated). ThornTree is entitled to reimbursement to the extent it advances expenses otherwise allocable to a private fund client. Private fund clients will also bear their *pro rata* share of a master fund's operational expenses. Also to the extent the private fund clients acquire a portion of its investments through various entities that are affiliates of, and under common control with, a private fund client or ThornTree (each, an "Acquisition Vehicle"), private fund clients will bear their *pro rata* share of the operational expenses of such Acquisition Vehicles. The Organizational Expenses and the Ongoing Fund Expenses of each private fund client and the Offshore Fund are aggregated at the level of the master fund and borne by each of the feeder funds *pro rata* based on their respective net asset values for the relevant time period. To the extent that a Client is invested in an exchange-traded fund or mutual fund, the Client will bear, along with other shareholders, its *pro rata* portion of the exchange-traded fund's or mutual fund's management, trading, and administrative fees and expenses. We describe trading costs in greater detail in the subsequent **Item 12: Brokerage Practices** section of this brochure.

Private fund clients will bear organizational and initial offering costs and expenses including legal, accounting and the costs and expenses of preparing Fund Governing Documents. We currently intend to capitalize and amortize such expenses over a period of 180 months from the date the private fund client commences operations rather than expensing the entire amount in a private fund client's first year of operations as required by U.S. generally accepted accounting principles ("GAAP").

Any expense common to ThornTree or any other private fund clients or accounts managed by us or our affiliates generally is paid *pro rata* by such entities based on the approximate size of the relevant investment relating to such expense or otherwise on assets under management, as appropriate (or in any other manner deemed fair and equitable by ThornTree, in our sole discretion).

The General Partner, ThornTree and their delegates each bear the costs of providing their respective services to the private fund clients, as applicable, including their general overhead (including our general regulatory and compliance expenses and the ongoing costs and expenses associated with registration as an investment adviser under the Advisers Act), salaries of

employees (including research analysts) and office expenses. Although Fund Investors in our private fund clients who are affiliated with ThornTree do not pay management fees or performance-based compensation, they do pay their *pro rata* share of our private fund clients' operating costs.

Withdrawals of capital by a Fund Investor from a private fund client are subject to a redemption fee, payable to the affected private fund, for redemptions made in less than the term the investor agreed to, as described in the relevant Fund Governing Documents. The redemption fee will be retained by the private fund client although the General Partner may waive the redemption fee in what we believe to be appropriate circumstances.

ThornTree or an affiliate may from time to time enter into a side letter or similar agreements with certain Fund Investors that may provide for terms of investment that are more favorable than the terms described in the applicable Fund Governing Document. Such terms may include, among other things, (i) most favored nations treatment; (ii) rights or terms necessary in light of particular legal, regulatory or public policy characteristics of a Fund Investor; (iii) reporting obligations; (iv) waiver of certain confidentiality obligations; (v) the consent to transfers by an Investor; (vi) rights applicable to particular investments (which may increase the percentage interest of other Fund Investors with respect to such investments), in limited regulatory and/or policy related circumstances; (vii) preferential withdrawal rights; (viii) more favorable Management Fee and/or Incentive Allocation terms; and (ix) enhanced transparency and position reporting. When a Fund Investor is granted different or additional terms as describe above, such terms (i) will be more favorable than the comparable terms (if any) described in Fund Governing Documents, (ii) need not be offered to any other investor in a private fund clients and (iii) need not be communicated to other Fund Investors.

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

ThornTree or its affiliates receive annual performance-based allocations from Clients, which are based on a percentage of the net capital appreciation of their assets, subject to the recovery of prior losses. These allocations may create an incentive for ThornTree to make more speculative investments than would otherwise be made, or make decisions regarding the timing and manner of realization of investments differently than if such allocations were not received. To the extent that any Clients did not pay performance-based fees, we could have an incentive to favor our performance-based compensation Clients when allocating investment opportunities. Similarly, if different Clients have Fund Investors with different high water marks for purposes of calculating incentive allocations, we could have an interest in favoring a private fund client or Fund Investors that are most likely to pay performance-based compensation. The payment by clients of performance allocation may also create an incentive for ThornTree to disproportionately allocate time, services or functions to clients paying performance allocations, or allocate investment opportunities to such Fund Investors. The potential to earn performance-based compensation could also give us an incentive to invest client assets in an aggressive or speculative manner. Finally, performance-based compensation at times is based in part on unrealized gains and losses, so we may have an incentive to inflate the value of client assets through fair valuation determinations. Despite the presence of these conflicts of interest, we seek to act fairly when we allocate investment opportunities and value client assets. We have also adopted written policies and procedures that are designed to ensure fair allocations and valuations over time. Current and

prospective Clients and Fund Investors are invited to discuss our allocation and valuation policies and procedures with us.

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

ThornTree provides investment advisory services to our private fund clients. Details concerning applicable investor suitability criteria are set forth in the respective Fund Governing Documents and subscription materials. The minimum commitment for a Fund Investor is generally \$1,000,000. However, ThornTree and/or its affiliates maintain discretion to accept less than the minimum investment threshold. Each Fund Investor is required to meet certain suitability qualifications, such as being an “accredited investor” within the meaning set forth in Regulation D under the Securities Act, as amended, and a “qualified purchaser” as defined in Section 2(a)(51) of the Investment Company Act, as amended. This brochure is not an offer to invest in our private funds. Any offer to invest in our private funds will only be made through the provision of their confidential offering documents. Our private funds are not registered under the Securities Act of 1933 or the Investment Company Act of 1940.

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

Our investment objective is to generate superior risk-adjusted returns over the course of various market cycles through a concentrated portfolio consisting primarily of long and short equity investments. We seek to construct a concentrated long/short portfolio with a focus on companies that we identify as competitively advantaged, in issuers we feel have strong and proven management teams. The methods of analysis we employ include, among others, fundamental bottom-up research. We also consider near-term traditional valuation metrics and seek companies that we feel are inexpensive relative to our growth expectations. We also aim to maintain a conservative valuation philosophy to create a value oriented portfolio, targeting companies in industries we feel are poised for management-led earnings growth. Short positions or investment opportunities are developed through the same selection process to determine companies that we believe will encounter intractable situations and decline in value.

We also borrow when we deem it appropriate, including to enhance returns, make investments or satisfy withdrawal requests that would otherwise result in the premature liquidation of investments. The use of leverage can increase the losses of a Fund Investor and a private fund client. For Private Investments we anticipate employing the same selection criteria and strategy that is carried out for the public equities. We also expect to engage in certain hedging strategies aimed to limit volatility and systematic risks in both long and short investments, including through the use of equities, equity and sector indices, commodities, credit, currencies, futures and other marketable securities.

The descriptions of specific investment strategies and methods that may be engaged in by us should not be understood as in any way to limit our investment activities. We may engage in investment strategies and methods not described that we consider appropriate; provided, however, we expect to inform Fund Investors of any material change in our overall strategy or approach. There can be no assurance that the investment objective of the Client will be achieved. Fund Investors must be prepared to lose their entire investment. There are no material restrictions on the strategies, leverage, markets or instruments that may be incorporated into our portfolio or the

percentage of assets that may be committed to any particular issuer, strategy type, market or instrument. By investing with ThornTree, Fund Investors are relying on the discretionary market judgment of Mr. Moore, without any meaningful diversification, leverage, type of trading or strategy concentration limitations. An investment in a private fund client is speculative and involves substantial risks, including, without limitation, general market and investment risks, risks associated with certain instruments, trading techniques and strategies, risks associated with derivatives, structural risks and tax risks. Prospective Clients or Fund Investors are encouraged to consult their own financial, legal, and tax advisers regarding their individual circumstances and the suitability of an investment.

**Investing in securities including Private Investments, listed equities, derivatives, and commodity interests involves risk of loss that Clients and Fund Investors should be prepared to bear. An investment with ThornTree is not a complete investment program and should represent no more than a portion of a Fund Investor's portfolio management strategy.**

The following risk factors do not purport to be a complete enumeration or explanation of the risks involved in an investment with ThornTree.

***Limited Operating History***

There is limited operating history for ThornTree or the General Partner. There is also minimal operating history by which to evaluate our likely future performance. While the Founder has substantial experience investing in the types of opportunities a private fund client will pursue, there can be no assurance that a private fund client will generate performance results equivalent to the past results of the Founder.

***Devotion of Time***

ThornTree and its affiliates may in the future manage assets for other Clients and may in the future manage separate accounts. ThornTree and its affiliates may devote substantial time and resources to doing so.

***Potential Inability to Trade or Report Due to Systems Failure***

ThornTree's strategies will be dependent to a significant degree on the proper functioning of its internal and external computer systems. Accordingly, systems failures, whether due to third-party failures upon which such systems are dependent or the failure of ThornTree's hardware or software, could disrupt trading or make trading impossible until such failure is remedied. Any such failure, and consequential inability to trade (even for a short time), could, in certain market conditions, cause a private fund client to experience significant trading losses or to miss opportunities for profitable trading. Any such failures also could cause a temporary delay in reports to Fund Investors.

***Cybersecurity Breaches***

A private fund client and ThornTree are subject to risks associated with a breach in its cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from "hacking" by other computer users, other unauthorized access and the resulting damage and disruption of hardware and software systems, loss or corruption of data, as well as misappropriation of



confidential information. If a cybersecurity breach occurs, a private fund client may incur substantial costs, including those associated with: forensic analysis of the origin and scope of the breach; increased and upgraded cybersecurity; investment losses from sabotaged trading systems; identity theft; unauthorized use of proprietary information; litigation; adverse investor reaction; the dissemination of confidential and proprietary information; and reputational damage. Any such breach could expose the General Partner, ThornTree and Clients to civil liability, as well as regulatory inquiry and/or action. In addition, any such breach could cause substantial withdrawals. In addition, Fund Investors could be exposed to additional losses as a result of unauthorized use of their personal information.

***Financing Arrangements; Availability of Credit***

Our use of leverage will depend on the availability of credit in order to finance its portfolio. There can be no assurance that a private fund client will be able to maintain adequate financing arrangements under all market circumstances. As a general matter, the banks and dealers that provide financing to a private fund client can apply essentially discretionary margin, haircut, financing, security and collateral valuation policies. Changes by banks and dealers in such policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances or governmental, regulatory or judicial action, may result in margin calls, loss of financing, forced liquidation of positions at disadvantageous prices, termination of swap and repurchase agreements and cross defaults to agreements with other dealers. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants at or about the same time. The imposition of such limitations or restrictions could compel a private fund client to liquidate all or part of its portfolio at disadvantageous prices. The financing available to a private fund client from banks, dealers and other counterparties is likely to be restricted in disrupted markets.

***Market Risks in General***

ThornTree's strategies are subject to some dimension of market risk, including, but not limited to, directional price movements, deviations from historical pricing relationships, changes in the regulatory environment and changes in market volatility. Certain strategies to be employed by us have from time to time incurred sudden and dramatic losses as a result of such market events. The particular or general types of market conditions in which a private fund client may incur losses or experience unexpected performance volatility cannot be predicted, and a private fund client may materially underperform other investment funds with substantially similar investment objectives and approaches.

***Volatility***

The prices of certain instruments that may be traded by a private fund client have been subject to periods of excessive volatility recently and in the past, and such periods can be expected to continue or recur. Price movements are influenced by many unpredictable factors, such as market sentiment, inflation rates, interest rate movements and general economic and political conditions.

***Market Disruptions; Governmental Intervention; Dodd-Frank***

The global financial markets have in the past several years undergone pervasive and fundamental disruptions that have led to extensive and unprecedented governmental intervention. Such intervention has in certain cases been implemented on an "emergency" basis, suddenly and

substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition — as one would expect given the complexities of the financial markets and the limited time frame within which governments have felt compelled to take action — these interventions have typically been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies. A private fund client may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to a private fund client from its banks, dealers and other counterparties is typically reduced in disrupted markets. Such a reduction may result in substantial losses to a private fund client. Market disruptions may from time to time cause dramatic losses for a private fund client, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk. The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") seeks to regulate markets, market participants and financial instruments that previously have been unregulated and substantially alters the regulation of many other markets, market participants and financial instruments. Because many provisions of Dodd-Frank require rulemaking by the applicable regulators before becoming fully effective and Dodd-Frank mandates multiple agency reports and studies (which could result in additional legislative or regulatory action), it is difficult to predict the impact of Dodd-Frank on a private fund client, ThornTree, and the markets in which they trade and invest. Dodd-Frank could result in certain investment strategies in which a private fund client engages or may have otherwise engaged becoming non-viable or non-economic to implement. Dodd-Frank and regulations adopted pursuant to Dodd-Frank could have a material adverse impact on the profit potential of a private fund client. The "Volcker Rule" component of Dodd-Frank materially restricts proprietary speculative trading by banks, "bank holding companies" and other regulated entities. As a result, there has been a significant influx of new portfolio managers into private investment funds who had previously traded institutional proprietary accounts. Such influx can only increase the competition for a private fund client from other talented portfolio managers trading in a private fund client's investment sector.

#### ***EU Directive on Alternative Investment Fund Managers***

Since July 22, 2013, the EU Directive on Alternative Investment Fund Managers ("AIFMD") has applied to alternative investment fund managers ("AIFMs") that manage and/or actively market alternative investment funds ("AIFs") within the EEA. It is anticipated that a private fund client may in the future be subject to certain requirements under AIFMD to the extent that Interests of a private fund client are offered in the EEA. AIFMD requires certain disclosures for prospective Fund Investors that are domiciled or that maintain a registered office in the EEA. If a private fund client becomes subject to these requirements, it will provide AIFMD-required disclosure to all existing and prospective Fund Investors.

#### ***European Market Infrastructure Regulation***

On August 16, 2012, the European Market Infrastructure Regulation (EU No. 648/2012) ("EMIR") entered into force. EMIR introduces certain requirements in respect of derivative contracts, which will apply primarily to "financial counterparties" ("FCs") such as European

Union (“EU”) authorized investment firms, credit institutions, insurance companies, UCITS and alternative investment funds managed by EU authorized alternative investment fund managers, and “non-financial counterparties” (“NFCs”) which are entities established in the EU that are not financial counterparties. NFCs whose transactions in OTC derivative contracts exceed EMIR’s prescribed clearing threshold (“NFC+s”) are generally subject to more stringent requirements under EMIR than NFCs whose transactions in OTC derivative contracts do not exceed such clearing threshold (including because such contracts are excluded from the threshold calculation on the basis that they are concluded in order to reduce risks directly relating to the NFC’s commercial activity or treasury financing activity) (“NFC-s”).

Broadly, EMIR’s requirements in respect of derivative contracts are (i) mandatory clearing of OTC derivative contracts declared subject to the clearing obligation; (ii) risk mitigation techniques in respect of uncleared OTC derivative contracts; and (iii) reporting and record-keeping requirements in respect of all derivative contracts. EMIR imposes certain obligations on non-EU counterparties, such as a private fund client to the extent that those non-EU counterparties would be classed as an FC or an NFC+ if they had been established in the EU. These obligations are (i) to clear specified OTC derivative contracts through a duly authorized central counterparty when transacting with FCs or NFC+s or (in limited circumstances) when transacting with other non-EU counterparties; and (ii) (in limited circumstances) to comply with certain operational and counterparty risk mitigation procedures with respect to uncleared OTC derivative contracts when transacting with other non-EU counterparties.

As FCs and NFCs are required to comply with EMIR’s risk mitigation obligations regardless of the identity of their counterparties, non-EU counterparties, such as a private fund client, are likely to become indirectly subject to such requirements when they transact with EU counterparties, which will require compliance by their non-EU counterparties in order to satisfy their own obligations under EMIR. Certain risk mitigation obligations under EMIR (such as the obligation to reconcile portfolios and confirm transactions in a timely fashion) have already been implemented through secondary measures, while others, such as the requirement to exchange collateral, are still being finalized. The EU regulatory framework and legal regime relating to derivatives is set not only by EMIR but also by a new Directive and Regulation containing a package of reforms to the existing Markets in Financial Instruments Directive (Directive 2004/39/EC), collectively referred to as (“MiFID II”). EU authorities are still in the process of drafting the various “Level 2” measures required to implement MiFID II, and as such certain aspects of the MiFID II regime have not yet been finalized or become effective. MiFID II is expected to require transactions between FCs and NFC+s in sufficiently liquid OTC derivatives to be executed on a trading venue which meets the requirements of the MiFID II regime.

It is difficult to predict the full impact of regulatory developments on a private fund client. Prospective Fund Investors should be aware that the regulatory changes arising from EMIR and MiFID II may in due course significantly raise the costs of entering into derivative contracts and may adversely affect a private fund client’s ability to engage in transactions in derivatives.

### ***EU Short Selling Regulation***

The EU regulation (the “SSR”) on short selling and certain aspects of credit default swaps (“CDS”) applies to short sales of/short positions relating to (1) the issued share capital of

companies whose shares are admitted to trading on a regulated market or multilateral-trading facility (“MTF”) in the European Economic Area (the “EEA”) (unless the principal trading venue for the relevant shares is located in a country outside the EEA) (“EEA listed shares”); and (2) debt instruments issued by an EEA sovereign issuer (“EEA sovereign debt”). The SSR currently applies in respect of member states of the EU and will apply to the additional EEA jurisdictions once further implementation steps have been taken.

The SSR provides for the disclosure of net short positions in EEA listed shares and EEA sovereign debt. It applies to all natural or legal persons, irrespective of regulatory status, located inside and outside the EEA. The SSR also contains prohibitions on uncovered or “naked” short sales of EEA listed shares and EEA sovereign debt in certain circumstances, as well as a prohibition on uncovered credit default swaps referencing EEA sovereign debt (“naked CDS”). The SSR provides for the possibility of an EEA member state’s national regulator temporarily suspending the prohibition where it believes that its sovereign debt market is not functioning properly and that the prohibition may have a negative impact on the sovereign CDS debt market. When the prohibition is suspended in this way, naked CDS positions must be included in the net short position calculation for EEA sovereign debt and will be disclosable as part of the more general disclosure relating to short positions in EEA sovereign debt. National regulators, and in certain circumstances the European Securities and Markets Authority, are able to take additional emergency measures in some situations. The SSR may prevent ThornTree from fully expressing its negative views in relation to EEA listed shares and reduces the flexibility of ThornTree to use CDS referencing EEA sovereign debt for risk management or investment purposes. Accordingly our ability to implement its investment strategy and to fulfill its investment objective may be constrained.

### ***Institutional and Counterparty Risk***

Institutions, such as brokerage firms, banks and broker dealers, generally have custody of a private fund client’s portfolio assets and may hold such assets in “street name.” Bankruptcy or fraud at one of these institutions could impair the operational capabilities or the capital position of a private fund client. A private fund client attempts to limit its investment transactions to well capitalized and established banks and brokerage firms in an effort to mitigate such risks.

Notwithstanding the foregoing, markets in which ThornTree may effect transactions (e.g., swaps, and in particular, total return swaps) may include OTC or “interdealer” markets, and may also include unregulated private markets. The participants in such markets are typically not subject to the same level of credit evaluation and regulatory oversight as are members of the exchange based markets. This exposes a private fund client to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing a private fund client to suffer a loss. Such counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or in instances where we have concentrated our transactions with a single or small group of counterparties. While Dodd-Frank is intended in part to reduce counterparty risk related to derivatives transactions that have previously been traded on OTC markets, its success in this regard will depend on the implementation of many rules and regulations, a process that may take several years. In addition to the risk of a counterparty or broker defaulting, there also is the risk that major institutional Fund Investor or a

Client may be compelled to withdraw or redeem or that a Client's counterparties or brokers will be required to restrict the amount of credit previously granted to the Client due to their own financial difficulties, resulting in forced liquidation of substantial portions of the Client's portfolio.

The recent events surrounding the bankruptcies or similar proceedings with respect to various parties have demonstrated the risk that assets which a trader such as a private fund client believed were custodial under statutory and regulatory protections could be subject to various risks and not subject to certain protections. The banks or brokerage firms selected to act as a private fund client's custodians may become insolvent, causing a private fund client to lose all or a portion of a private fund clients or securities held by those custodians. ThornTree is not restricted from dealing with any particular counterparty or from concentrating any or all transactions with one counterparty. The ability of ThornTree to transact business with any one or number of counterparties, the lack of any meaningful or independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by a private fund client.

#### ***Concentration on Equities***

A private fund client will concentrate its portfolio in equity securities. The equity markets are speculative and highly issuer-specific. Mismanagement or misconduct by corporate officers can cause the complete loss of an equity investment, and the equity markets may be particularly susceptible to subjective investment factors and market sentiment. A private fund client's concentration on equities (despite the long/short character of a private fund client's portfolio) will cause a private fund client to be less diversified and presumably more vulnerable to the risk of major losses than if it had a more diversified strategy. Many alternative investment strategies invest in securities other than common stocks — conventional debt, convertible debt, preferred stock, etc. The investment opportunities that such strategies attempt to identify are in many cases based on entirely different factors than those which ThornTree incorporates into its strategy, and may be profitable during periods in which the prospects for our strategy being successful are materially diminished by prevailing market conditions and/or other factors.

#### ***Directional Investments***

Certain of the positions that will be taken or sectors that will be invested in by a private fund client will be designed to profit from forecasting absolute price movements in a particular instrument. Predicting future prices is inherently uncertain and the losses incurred, if the market moves against a position or sector, will often not be hedged. The speculative aspect of attempting to predict absolute price movements is generally perceived to exceed that involved in attempting to predict relative price fluctuations.

#### ***Importance of Individual Judgment***

The individual judgment and discretion of ThornTree's personnel are fundamental to the implementation of its strategies. There can be no assurance that such individual judgment will be accurate, achieve profits or avoid losses.

#### ***No Material Restrictions***

A private fund client opportunistically implements whatever strategies it believes from time to time may be best suited to prevailing market conditions and to ThornTree's investment approach, without material restrictions. Such strategies may involve higher levels of risk than the ones discussed herein. There can be no assurance that ThornTree will be successful in applying any strategy to a private fund client's investing.

***No Diversification Policies***

Although ThornTree has a risk management framework relating to portfolio concentration, ThornTree has no specified diversification policies as to the percentage of the assets that may be invested in any particular country, asset class, issuer, instrument, market or strategy. A private fund client's actual portfolio may become more concentrated than ThornTree's risk management framework would otherwise dictate due to market movements, and ThornTree may amend its risk management policies without providing prior notice to or receiving the consent of the Fund Investors. Any concentrated position could ultimately result in significant losses to a private fund client and a greater reduction in the net asset value of a private fund client than if a private fund client was more diversified.

***Availability of Investment Opportunities***

There can be no assurance that ThornTree will be able to find suitable opportunities consistent with its investment approach. Market conditions may limit the availability of investment opportunities. Such limitations may cause delays in deploying a private fund client's capital and may negatively impact a private fund client's returns.

***Material Non-Public Information***

From time to time, ThornTree may come into possession of what it reasonably believes may be determined to be material non-public information concerning the issuer of a private fund client's investment or any of such issuer's affiliates. Under applicable securities laws, this may limit ThornTree's flexibility to buy or sell such investment for a private fund client and other accounts and funds managed by ThornTree. Such limitations on ThornTree's ability to trade could have an adverse affect on a Client. Although ThornTree has adopted procedures to monitor the receipt of material non-public information, there is no guarantee that ThornTree will know whether an employee of ThornTree is in possession of material non-public information or will be able to prevent such information from being used for the benefit or detriment of a private fund client. Receipt of material non-public information about a private fund client's investments may restrict the ability of a private fund client to satisfy withdrawal requests. If a withdrawal request is received by a private fund client during a period when trading restrictions are imposed on a private fund client due to ThornTree's reasonable determination that it is in possession of material non-public information regarding a private fund client's investment, a private fund client may suspend withdrawals.

***Insider Status***

The acquisition by a private fund client of more than 10% of the equity securities of a public company or the service by ThornTree or any other officer or employee of ThornTree as an executive officer or director of a company may subject a private fund client to liability for "short-swing profits" under Section 16(b) of the Exchange Act. Under Section 16(b), holders of more than 10% of any class of equity securities of a company registered under Section 12 of the

Exchange Act and certain officers and directors of such issuer are prohibited from any purchase and sale, or any sale and purchase, of any equity or derivative security of such issuer within any period of less than six months. If a private fund client engages in a transaction that results in short-swing profits, a private fund client may be required to return the amount of such profit to the issuer, which could adversely affect the overall return on investment realized by a private fund client. Measures to avoid short-swing liability may limit the ability of a private fund client to buy or sell securities of the relevant portfolio company or companies. Antitrust or other regulatory complications may impose filing fees and other additional expenses and may adversely affect a private fund client's ability to acquire or dispose of investment positions.

***Holding Period of Investment Positions***

ThornTree typically may not know the maximum or, often, even the expected duration of any particular position at the time of initiation. The length of time for which a position is maintained varies significantly, based on ThornTree's subjective judgment of the appropriate point at which to liquidate a position so as to augment gains or reduce losses.

***Reliance on Corporate Management and Financial Reporting***

ThornTree will rely on the financial information made available by the issuers in which a private fund client will invest. ThornTree has no ability to independently verify the financial information disseminated by the numerous issuers in which a private fund client may invest and is dependent upon the integrity of both the management of these issuers and the financial reporting process in general. Corporate mismanagement, fraud and accounting irregularities relating to the issuers of investments held by a private fund client may result in material losses. Equity prices are particularly vulnerable to corporate mismanagement.

***Trading on Exchanges Outside of the United States***

A private fund client may trade futures interests on exchanges located outside the United States, where the protections provided by U.S. regulations do not apply. Some non-U.S. commodity exchanges, in contrast to U.S. exchanges, are "principals' markets" in which performance with respect to a futures interest contract is the responsibility only of the individual member with whom the trader has entered into the contract and not of the exchange or its clearinghouse, if any. In the case of trading on non-U.S. exchanges, a private fund client is subject to the risk of the inability of or refusal by its counterparties to perform with respect to their contracts with the Client. A private fund client also may not have the same access to certain trades as do various other participants in non-U.S. markets.

***International Investing***

Investing outside the United States involves political and economic considerations that create greater risks than investing in the United States. These risks include, among other things, greater risks of expropriation, nationalization and general social, political and economic instability; the small relative size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion, imposition of withholdings and other taxes and certain government policies that may restrict a private fund client's investment opportunities. Other risks include: (i) less publicly available information; (ii) varying levels of governmental regulation and supervision; and (iii) the difficulty of enforcing legal rights in a non-

U.S. jurisdiction and uncertainties as to the status, interpretation and application of laws. Moreover, non-U.S. companies are generally not subject to uniform accounting, auditing and financial reporting disclosure standards, practices and requirements comparable to those applicable to United States companies. Non-U.S. markets may also have different clearance and settlement procedures, and in certain markets there have been times when settlements have failed to keep pace with the volume of securities transactions, making it difficult to conduct such transactions. Delays in settlement could result in periods when assets of a private fund client are uninvested and no return is earned thereon. The inability of a private fund client to make intended security purchases due to settlement problems or the risk of intermediary counterparty failures could cause a private fund client to miss investment opportunities. The inability to dispose of a security due to settlement problems could result either in losses to a private fund client due to subsequent declines in the value of such structured credit security or, if a private fund client has entered into a contract to sell the security, could result in possible liability to the purchaser. Transaction costs of buying and selling non-U.S. securities, including brokerage, tax and custody costs, also are generally higher than those involved in U.S. transactions. Furthermore, non-U.S. financial markets, while generally growing in volume, have, for the most part, substantially less volume than U.S. markets, and securities of many non-U.S. companies are less liquid and their prices more volatile than securities of comparable U.S. companies. The economies of individual non-U.S. countries may also differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, volatility of currency exchange rates, depreciation, capital reinvestment, resources self-sufficiency and balance of payments position.

***Emerging Markets Investing Involves Particular Risks***

A private fund client may invest in undeveloped, non-U.S. countries that are considered to be “emerging markets.” These markets present unusual risks, including government instability, political risk, lack of or less than transparent priority, the imposition of currency controls, expropriation risk, the application of various laws and regulations, including anti-money laundering laws and non-U.S. tax laws. Fundamental investing strategies in emerging markets are subject to increased risks due to the risk of other market participants having better access to relevant market information.

***Hybrid and Other Strategies***

Many of the strategies which ThornTree may employ combine elements of more than one of the foregoing general strategy types or may represent a completely different strategy type. Often, in the course of implementing a particular strategy an opportunistic investment representing a different investing approach will be made. For example, in seeking to identify a relatively mispriced pair of assets, ThornTree may conclude that an asset is sufficiently over- or underpriced to merit taking an outright directional position. ThornTree’s approach may combine a range of different investing techniques, both implementing different strategies in different markets and combining different strategies, in the same or related markets.

***Special Situations***

A private fund client may have investments in issuers involved in (or the target of) acquisition attempts or tender offers or issuers involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of



business enterprise, there exists the risk that the transaction in which such business enterprise is involved will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to a private fund client of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, a private fund client may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled issuers in which a private fund client may invest, there is a potential risk of loss by the Fund of its entire investment in such issuers.

### ***Equity Investments***

A private fund client's equity investments may involve substantial risks and may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. There are no absolute restrictions in regard to the size or operating experience of the companies in which a private fund client may invest (and relatively small companies may lack management depth or the ability to generate internally, or obtain externally, a private fund clients necessary for growth and companies with new products or services could sustain significant losses if projected markets do not materialize). Equity prices are directly affected by issuer specific events, as well as general market conditions. Equity investments are subordinate to the claims of an issuer's creditors and, to the extent such securities are common securities, preferred stockholders. Dividends customarily paid to equity holders can be suspended or cancelled at any time. In addition, in many countries investing in common stocks is subject to heightened regulatory and self-regulatory scrutiny as compared to investing in debt or other financial instruments. For the foregoing reasons, investments in equity securities can be highly speculative and carry a substantial risk of loss of principal.

### ***Preferred Stock***

Preferred stock generally has a preference as to dividends and upon the event of liquidation over an issuer's common stock, but it ranks junior to debt securities in an issuer's capital structure. Preferred stock generally pays dividends in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer's common stock until all unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.

### ***Depository Receipts***

A private fund client may invest in Depository Receipts (as defined below), which represent an ownership interest in securities of foreign companies that are deposited with a depository. Depository Receipts are not necessarily denominated in the same currency as the underlying securities. Depository Receipts include American Depository Receipts ("ADRs"), Global Depository Receipts ("GDRs") and other types of depository receipts (which, together with ADRs and GDRs, are hereinafter collectively referred to as "Depository Receipts"). ADRs are dollar-denominated Depository Receipts typically issued by a U.S. financial institution which evidence an ownership interest in a security or pool of securities issued by a foreign issuer. ADRs are listed and traded in the United States. GDRs and other types of Depository Receipts are typically issued

by foreign banks or trust companies, although they also may be issued by U.S. financial institutions, and evidence ownership interests in a security or pool of securities issued by either a foreign or a U.S. corporation. Generally, Depositary Receipts in registered form are designed for use in the U.S. securities market and Depositary Receipts in bearer form are designed for use in securities markets outside the United States. Because a Depositary Receipt represents an ownership interest in securities of a foreign company, a Depositary Receipt is subject to similar risks faced by such underlying security and the asset class to which it belongs.

### ***Exchange Traded Funds***

A private fund client may invest in exchange traded funds (“ETFs”) from time to time. ETFs represent shares of ownership in either funds or unit investment trusts that hold portfolios of common stocks, bonds or other instruments, which are designed to generally correspond to the price and yield performance of an underlying index. A primary risk factor relating to ETFs is that the general level of stock or bond prices may decline, thus affecting the value of an equity or fixed income ETF, respectively. An ETF may also be adversely affected by the performance of the specific sector or group of industries on which it is based. Moreover, although ETFs are designed to provide investment results that generally correspond to the price and yield performance of their underlying indices, ETFs may not be able to exactly replicate the performance of the indices because of various sources of tracking error, including the expenses associated with ETFs and a number of other factors.

### ***Investment in Small Capitalization and Mid-Capitalization Securities***

The pursuit of a private fund client’s investment strategy may result in a portion or all of a private fund client’s assets being invested in securities of small- and mid-cap issuers. While in ThornTree’s opinion the securities of a small or mid cap issuer may offer the potential for greater capital appreciation than investments in securities of large cap issuers, securities of small and mid-cap issuers may also present greater risks. For example, some small and mid-cap issuers often have limited product lines, markets or financial resources. They may be subject to high volatility in revenues, expenses and earnings. They may be dependent for management on one or a few key persons, and can be more susceptible to losses and risks of bankruptcy. Their securities may be thinly traded (and therefore have to be sold at a discount from current market prices or sold in small lots over an extended period of time), may be followed by fewer investment research analysts and may be subject to wider price swings and thus may create a greater chance of loss than when investing in securities of larger cap issuers. In addition, small and mid-cap issuers may not be well known to the investment public and may have only limited institutional ownership. The market prices of securities of small and mid-cap issuers generally are more sensitive to changes in earnings expectations, to corporate developments and to market rumors than are the market prices of large cap issuers. Transaction costs in securities of small and mid-cap issuers may be higher than in those of large cap issuers.

### ***Derivatives in General***

A private fund client may make use of various derivative instruments, such as convertible securities, options, futures, forwards and interest rate, credit default, total return and equity swaps. The use of derivative instruments involves a variety of material risks, including the extremely high degree of leverage sometimes embedded in such instruments. The derivatives markets are frequently characterized by limited liquidity, which can make it difficult as well as costly to close

out open positions in order either to realize gains or to limit losses. The pricing relationships between derivatives and the instruments underlying such derivatives may not correlate with historical patterns, resulting in unexpected losses. Use of derivatives and other techniques such as short sales for hedging purposes involves certain additional risks, including (i) dependence on the ability to predict movements in the price of the securities hedged; (ii) imperfect correlation between movements in the securities on which the derivative is based and movements in the assets of the underlying portfolio; and (iii) possible impediments to effective portfolio management or the ability to meet short term obligations because of the percentage of a portfolio's assets segregated to cover its obligations. In addition, by hedging a particular position, any potential gain from an increase in the value of such position may be limited.

### ***Over-the-Counter Transactions***

In addition to trading on U.S. futures exchanges, a private fund client may trade other products, some of which may trade on the OTC market. These transactions present certain risks different from the risks of trading on U.S. exchanges. The OTC market is unregulated and, accordingly, there are certain risks related to trading OTC instruments — including the absence of daily price limits and the risk of counterparty default — in addition to the risks of trading futures contracts.

Dodd-Frank includes provisions that comprehensively regulate the OTC derivatives markets for the first time. Dodd-Frank will ultimately mandate that a substantial portion of OTC derivatives must be executed in regulated markets and be submitted for clearing to regulated clearinghouses. OTC trades submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearinghouse, as well as margin requirements mandated by the CFTC, SEC and/or U.S. Federal prudential regulators. OTC derivatives dealers may – and typically do – demand the unilateral ability to increase collateral requirements for cleared OTC trades beyond any regulatory and clearinghouse minimums. The regulators also have broad discretion to impose margin requirements on non-cleared OTC derivatives and new requirements apply to the holding of customer collateral by OTC derivatives dealers. These requirements may increase the amount of collateral a private fund client is required to provide and the costs associated with providing it. OTC derivative dealers also are required to post margin to the clearinghouses through which they clear their customers' trades instead of using such margin in their operations, as was widely permitted before Dodd-Frank. This has increased and will continue to increase the OTC derivative dealers' costs, and these increased costs are generally passed through to other market participants in the form of higher upfront and mark-to-market margin, less favorable trade pricing, and the imposition of new or increased fees, including clearing account maintenance fees. With respect to cleared OTC derivatives, a private fund client will not face a clearinghouse directly but rather will do so through an OTC derivatives dealer that is registered with the CFTC or SEC and that acts as a clearing member. A private fund client may therefore face the indirect risk of the failure of another clearing member customer to meet its obligations to its clearing member, which may, in turn, result in losses to a private fund client. Such scenario could arise due to a default by the clearing member on its obligations to the clearinghouse triggered by a customer's failure to meet its obligations to the clearing member. The CFTC also now requires certain derivative transactions that were previously executed on a bilateral basis in the OTC markets to be executed through a regulated futures or swap exchange or execution facility. The SEC is also expected to impose similar requirements on certain security-based derivatives in the near future, though it is not clear when or if these parallel SEC requirements will go into effect. Such requirements may make it more difficult and costly for

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investment funds, including a private fund client, to enter into highly tailored or customized transactions. They may also render certain strategies in which a private fund client might otherwise engage impossible or so costly that they will no longer be economical to implement. If a private fund client decides to execute derivatives transactions through such exchanges or execution facilities—and especially if it decides to become a direct member of one or more of these exchanges or execution facilities—a private fund client would be subject to the rules of the exchange or execution facility, which would bring additional risks and liabilities, and potential requirements under applicable regulations and under rules of the relevant exchange or execution facility. OTC derivative dealers are now required to register with the CFTC and will ultimately be required to register with the SEC. Registered swap dealers will also be subject to new minimum capital and margin requirements and are subject to business conduct standards, disclosure requirements, reporting and recordkeeping requirements, transparency requirements, position limits, limitations on conflicts of interest, and other regulatory burdens. These requirements further increase the overall costs for OTC derivative dealers, which costs may be passed along to market participants as market changes continue to be implemented. The overall impact of Dodd-Frank on a private fund client and ThornTree remains highly uncertain and it is unclear how the OTC derivatives markets will adapt to this new regulatory regime, along with additional, sometimes overlapping, regulatory requirements imposed by non-U.S. regulators.

### *Swaps*

A private fund client may enter into swap agreements and other types of over-the-counter transactions with broker-dealers or other financial institutions. Depending on their structures, swap agreements may increase or decrease a private fund client's exposure to various securities. The values of a private fund client's swap positions would increase or decrease depending on the changes in value of the underlying assets. Total return swaps typically involve commitments to pay interest in exchange for a market-linked return, both based on notional amounts. Depending on the change in the value or level of the underlying instrument, a private fund client will either receive or make a payment based on the amount of the change. To the extent the total return of the instrument, basket of instruments, or index underlying the transaction exceeds or falls short of the offsetting interest rate obligation, a private fund client will receive a payment from or make a payment to the counterparty, respectively. The use of swaps involves investment techniques and risks different from and potentially greater than those associated with ordinary securities transactions. Swaps involve the risk that the price of the swap used by a private fund client to calculate net asset value does not accurately reflect its fair market value, which could have a favorable or unfavorable effect on the net asset value of a private fund client. Many swaps are complex and often valued based on quotations given by a private fund client's swap counterparty, who has adverse interests to a private fund client with respect to the value of the swap. In certain cases, a private fund client's swap counterparty may be the only source of value quotations for a swap, while in other cases, multiple quotes may be available. As a result of the foregoing factors, a private fund client may not be able to close out swaps at the price used by a private fund client to calculate its net asset value. Also, under certain circumstances, if a swap counterparty undervalues a private fund client's interest in a swap, it could require a private fund client to transfer greater amounts of collateral to the counterparty than if the swap was valued at fair market value. Because the master and credit support agreements for over-the-counter swap transactions are individually negotiated with a specific counterparty, there exists the risk that the parties may interpret contractual terms (e.g., the definition of default) differently when a private

fund client seeks to enforce its contractual rights. If that occurs, a private fund client may be forced to seek to enforce its contractual rights through legal proceedings, which may be costly and time consuming. There is currently little case law characterizing total return swaps and other derivatives, interpreting their provisions and characterizing their tax treatment. There can be no assurance that future decisions construing similar provisions to those in many of a private fund client's swap agreements or other related documents or additional regulations and laws governing such derivatives will not have a material adverse effect on a private fund client. In addition, Dodd-Frank includes provisions that comprehensively regulate swap agreements, including total return swaps, and that require many swap agreements to be executed in regulated markets and submitted for clearing to regulated clearinghouses. The regulators also retain discretion to impose margin requirements and position limits on non-cleared OTC swap agreements, which may include total return swaps. Regulations implemented pursuant to Dodd-Frank may prevent a private fund client from entering into certain transactions or render certain transactions which a private fund client might otherwise enter into so costly that they will no longer be economical.

### ***Credit Default Swaps***

In certain situations, a private fund client may purchase and sell credit derivatives contracts - primarily CDS. ThornTree's investment approach is equity-focused, but from time to time trading the CDS on an issuer basis may be a more efficient means of expressing ThornTree's opinion on a particular issuer than taking long or short positions in such issuer's common stock. The typical credit default swap contract generally requires the seller to pay to the buyer, in the event that a particular reference entity experiences specified credit events, a specified notional amount in exchange for securities issued by such reference entity. In return, the buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract. The market for credit default swaps has been materially restricted by Dodd-Frank.

### ***Options***

Trading options is highly speculative and may entail risks that are greater than investing in other securities. Prices of options are generally more volatile than prices of other securities. In trading options, ThornTree speculates on market fluctuations of securities and securities exchange indices while investing only a small percentage of the value of the securities underlying such option. A change in the market price of the underlying securities or underlying market index will cause a much greater change in the price of the option contract. In addition, to the extent that ThornTree purchases options that it does not sell or exercise, a private fund client will suffer the loss of the premium paid in such purchase. To the extent ThornTree sells options and must deliver the underlying securities at the option price, a private fund client has a theoretically unlimited risk of loss if the price of such underlying securities increases. If the Investment Manager must buy those underlying securities, a private fund client risks the loss of the difference between the market price of the underlying securities and the option price. Any gain or loss derived from the sale or exercise of an option will be reduced or increased, respectively, by the amount of the premium paid. The expenses of option investing include commissions payable on the purchase and on the exercise or sale of an option. Furthermore, the risk of nonperformance by the obligor on an option may be greater and the ease with which ThornTree can dispose of such an option may be less than in the case of an exchange traded option. ThornTree may cause a private fund client to buy or sell OTC options—options on securities that are not traded on a securities exchange and are not issued or cleared by an internationally recognized clearing corporation. The

risk of nonperformance by the obligor on such an option may be greater, and the ease with which ThornTree can dispose of such an option may be less, than in the case of an exchange traded option issued by an internationally recognized clearing corporation.

### ***Warrants and Rights***

A private fund client may invest in warrants and rights. Warrants are securities that are usually issued together with a debt security or preferred stock and that give the holder the right to buy a proportionate amount of common stock at a specified price until a stated expiration date. Buying a warrant generally can provide a greater potential for profit or loss than an investment of equivalent amounts in the underlying common stock. The market value of a warrant does not necessarily move with the value of the underlying securities. If a holder does not sell the warrant, it risks the loss of its entire investment if the market price of the underlying security does not, before the expiration date, exceed the exercise price of the warrant. Investing in warrants is a speculative activity. Warrants pay no dividends and confer no rights (other than the right to purchase the underlying securities) with respect to the assets of the issuer. A right is a privilege granted, typically to existing shareholders of a corporation, to subscribe for shares of a new issue of stock before it is issued. Rights normally have a short life, usually two to four weeks, may be freely transferable and generally entitle the holder to buy the new common stock at a lower price than the public offering price.

### ***Futures/Commodities***

Trading commodities and commodity interests (e.g., futures contracts on commodities, securities indices or currencies) is highly speculative and may entail risks that are greater than the risks associated with investing in equity securities. Prices of commodity interests are generally more volatile than prices of equity securities. Futures trading will have effects on a private fund client's portfolio similar to the effects of leverage. The Fund may participate in market price fluctuations of securities or commodity interests underlying futures (or options on futures), while investing only a small percentage of the value of those underlying securities or commodity interests. A private fund client may open a futures position by placing with a futures commission merchant an initial margin that is small relative to the value of the futures contract, making the transaction "leveraged." If the market moves against a private fund client's position or margin levels are increased, a private fund client may be called upon to pay substantial additional funds on short notice to maintain its position. If a private fund client were to fail to make such payments, its position could be liquidated at a loss, and a private fund client would be liable for any resulting deficit in its account. Futures positions may be illiquid because, among other things, most commodity exchanges limit fluctuations in certain futures contract prices during a single day. Once the price of a contract for a particular future has increased or decreased by an amount equal to the "daily limit," positions can be neither taken nor liquidated unless traders are willing to effect trades at or within the limit. Such an occurrence could prevent ThornTree from liquidating unfavorable positions and subject a private fund client to substantial losses. In addition, ThornTree may not be able to effect futures contract trades at favorable prices if trading volume in those contracts is low. ThornTree's futures activities will involve futures and options traded in U.S. and non-U.S. markets. The risks of trading futures in non-U.S. markets may be greater than trading in futures on U.S. exchanges. For example, non-U.S. futures are cleared on and subject to the rules of a non-U.S. board of trade. Neither the CFTC nor the National Futures Association regulates activities of any other non-U.S. board of trade, including execution, delivery and

clearing of transactions, nor do they have any enforcement authority over non-U.S. boards of trade. In addition, funds provided as margin for non-U.S. futures and options may not be provided the same protections as funds received in respect of U.S. transactions.

### ***Convertible Securities***

Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or a different issuer within a particular period of time at a specified price or formula. Convertible securities generally: (i) have higher yields than the dividends on the underlying common stocks, but lower yields than non-convertible securities of a comparable duration; (ii) are less volatile in price than the underlying common stock due to their fixed income characteristics; (iii) have a significant option component to their value which is directly impacted by the prevailing market volatility and interest rates; and (iv) provide the potential for capital appreciation if the market price of the underlying common stock increases. The market for convertible securities is typically materially less liquid than that for the underlying common stock and the value of convertible securities more directly at risk to increases in interest rates. A convertible security may be subject to redemption at the option of the issuer. If a convertible security held by a private fund client is called for redemption, a private fund client will be required either to permit the issuer to redeem the security or convert it into the underlying common stock. Either of these actions could have an adverse effect on the value of the position.

### ***PIPE Transactions***

A private fund client may make private investments in public equity (a “PIPE transaction”). Fund Investors in PIPE transactions purchase securities directly from a publicly-traded entity in a private placement transaction, typically at a discount to the market price of the entity’s securities. Because the sale of the securities is not registered under the Securities Act, the securities are “restricted” and cannot be immediately resold by the Fund Investors into the public markets, and thus may present the risk that an investor may not be able to liquidate those securities in light of the investor’s need to raise cash. Accordingly, the publicly-traded entity typically agrees as part of the PIPE deal to register the restricted securities with the SEC. There is no assurance that such securities will ever be registered with the SEC and there may be a significant delay before such PIPE securities may be sold, resulting in losses to a private fund client which may be substantial.

### ***Illiquid Investments***

A private fund client may from time to time invest in restricted, as well as thinly traded, instruments and securities (including Private Investments). There may be no trading market for these securities and instruments, and a private fund client might only be able to liquidate these positions, if at all, at disadvantageous prices. As a result, a private fund client may be required to hold such securities despite adverse price movements. In addition, if a private fund client makes a short sale of an illiquid security or instrument, it may have difficulty in covering the short sale, resulting in a potentially unlimited loss on that position. Despite its good faith efforts at fair valuation, ThornTree’s valuation of these positions may prove to be materially inaccurate and to have resulted in inflated Management Fees paid to ThornTree and Incentive Allocations made to the General Partner, inflated withdrawal proceeds paid out to withdrawing Fund Investors and diminished relative holdings accorded to new subscribers.

### ***Short Sales***

ThornTree will sell securities short. A short sale is effected by selling a security which a private fund client does not own. In order to make delivery to the buyer of a security sold short, a private fund client must borrow the security. In so doing, it incurs the obligation to replace that security, whatever its price may be, at the time it is required to deliver it to the lender. A private fund client must also pay to the lender of the security any dividends or interest payable on the security during the borrowing period and may have to pay a premium to borrow the security. This obligation must be collateralized by a deposit of cash or marketable securities with the lender. Short selling is subject to a theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. There can be no assurance that the securities necessary to cover the short position will be available for purchase by a private fund client. In addition, purchasing securities to close out the short position can itself cause the price of the relevant securities to rise further, thereby increasing the loss incurred by a private fund client. Furthermore, a private fund client may prematurely be forced to close out a short position if a counterparty from which a private fund client borrowed securities demands their return, resulting in a loss on what might otherwise have been ultimately a profitable position. The U.S. government and certain foreign jurisdictions have at times taken measures to impose restrictions on the ability of Fund Investors to enter into short sales, including a complete prohibition on taking short positions in respect of certain issuers. Such restrictions may negatively affect the ability of a private fund client to implement its strategies. It cannot be determined how future regulations may limit a private fund client's ability to engage in short selling and how such limitations may impact a private fund client's performance.

### ***Hedging***

Hedging techniques involve one or more of the following risks: (i) imperfect correlation between the performance and value of the instrument and the value of a private fund client securities or other objective of ThornTree; (ii) possible lack of a secondary market for closing out a position in such instrument; (iii) losses resulting from interest rate, spread or other market movements not anticipated by the Investment Manager; (iv) the possible obligation to meet additional margin or other payment requirements, all of which could worsen a private fund client's position; and (v) default or refusal to perform on the part of the counterparty with which a private fund client trades. Furthermore, to the extent that any hedging strategy involves the use of OTC derivatives transactions, such a strategy would be affected by implementation of various regulations, including those adopted pursuant to Dodd-Frank. ThornTree will not, in general, attempt to hedge all market or other risks inherent in a private fund client's positions, and hedges certain risks, if at all, only partially. Specifically, ThornTree may choose not, or may determine that it is economically unattractive, to hedge certain risks, either in respect of particular positions or in respect of a private fund client's overall portfolio. A private fund client's portfolio composition will commonly result in various directional market risks remaining unhedged. ThornTree may rely on diversification to control such risks to the extent that ThornTree believes it is desirable to do so; however, a private fund client is not subject to formal diversification policies. The ability of a private fund client to hedge successfully will depend on the ability of ThornTree to predict pertinent market movements, which cannot be assured. ThornTree is not required to hedge and there can be no assurance that hedging transactions will be available or, even if undertaken, will be effective. In addition, it is not possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those



securities is likely to fluctuate as a result of independent factors not related to currency fluctuations. Moreover, it should be noted that the portfolio will always be exposed to certain risks that cannot be hedged, such as counterparty credit risk. Furthermore, by hedging a particular position, any potential gain from an increase in the value of such position may be limited.

### ***Currency Exchange Exposure and Currency Hedging***

Because a private fund client may invest in non-U.S. securities that are denominated or quoted in non-U.S. currencies, whereas the functional currency of a private fund client is denominated in U.S. dollars, performance may be significantly affected, either positively or negatively, by fluctuations in the relative currency exchange rates and by exchange control regulations. To the extent a private fund client seeks to hedge its currency exposure, it may not always be practicable to do so. Moreover, hedging may not alleviate all currency risks. Furthermore, the Fund may incur costs in connection with conversions between various currencies. Currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to a private fund client at one rate, while offering a lesser rate of exchange should a private fund client desire immediately to resell that currency to the dealer. A private fund client will conduct its currency exchange transactions either on a spot (i.e., cash) basis at the spot rate prevailing in the currency exchange market, or through entering into a number of different types of hedging transactions including, without limitation, forward, futures or commodity options contracts to purchase or sell currencies, and entering into foreign currency borrowings. To the extent a private fund client enters into currency forward contracts (agreements to exchange one currency for another at a future date), these contracts involve a risk of loss if a private fund client fails to predict accurately the direction of currency exchange rates. In addition, forward contracts are not guaranteed by an exchange or clearinghouse. Therefore, a default by the forward contract counterparty may result in a loss to a private fund client for the value of unrealized profits on the contract or for the difference between the value of its commitments, if any, for purchase or sale at the current currency exchange rate and the value of those commitments at the forward contract exchange rate. Furthermore, while the markets for currency forward contracts are not currently regulated, they may in the future become subject to regulation under Dodd-Frank, a development which may entail increased costs and result in burdensome reporting requirements. There can be no guarantee that instruments suitable for hedging currency shifts will be available at the time ThornTree wishes to use them or will be able to be liquidated when the Investment Manager wishes to do so. In addition, ThornTree may choose not to enter into hedging transactions with respect to some or all of its positions that are exposed to currency exchange risk.

### ***Leverage***

Losses incurred on a private fund client's leveraged investments will increase in direct proportion to the degree of leverage employed. A private fund client will also incur interest expense on the borrowings used to leverage its positions. Neither a private fund client nor the Client has any formal borrowing limits. The use of leverage also may result in the forced liquidation of positions (which may otherwise have been profitable) as a result of margin or collateral calls. To the extent the assets of a private fund client have been leveraged through the borrowing of money, the purchase of securities on margin or otherwise, the interest expense and other costs and premiums incurred in relation thereto may not be recovered. If gains earned by a private fund client's

portfolio fail to cover such costs, the net asset value of a private fund client may decrease faster than if there had been no borrowings.

### ***Securities Lending***

A private fund client may lend securities from its portfolio to brokers, dealers and other financial institutions that need to borrow securities to complete certain transactions as a means of earning additional income. A private fund client is entitled to payments in amounts equal to the interest, dividends or other distributions payable on the loaned securities, which affords a private fund client an opportunity to earn interest on the amount of the loan and current income on the loaned securities themselves. However, ThornTree does not vote proxies on securities that are lent. In addition, a private fund client might experience a loss if any institution with which a private fund client has engaged in a portfolio loan transaction breaches its agreement with a private fund client. If the borrower becomes insolvent or bankrupt, a private fund client could experience delays and costs in recovering loaned securities. To the extent that, in the meantime, the value of the loaned securities declines, a private fund client could experience further losses.

### ***Portfolio Valuation***

Because of overall size, concentration in particular markets, liquidity issues, and, although not typical, the possible use of models, the value at which a private fund client's investments can be liquidated may differ, sometimes significantly, from the interim valuations arrived at using the methodologies described in this Memorandum. In addition, the timing of liquidations may also affect the values obtained on liquidation. Because the secondary market for the assets in which a private fund client may invest is limited, it may be difficult to value such assets. Market quotations (or other third party pricing information) may not be readily available for some of a private fund client's assets, or may be volatile and/or subject to large spreads between bid and ask prices, and valuation may require more research than for other types of investments. In addition, elements of judgment may play a greater role in such valuations than for securities with a more active secondary market, because there is less objective market value data available. In light of the foregoing, there is a risk that an Investor who withdraws all or part of its investment while a private fund client holds such private, thinly traded or illiquid investments will be paid an amount less than it would otherwise be paid if the actual value of such investments were higher than the value assigned by the Fund. Similarly, there is a risk that an Investor might, in effect, be overpaid and have to pay back excess amounts of such withdrawal if the actual value of such investment were lower than the value assigned by the Fund. Whether such Investor will have to pay back the excess will be determined by the General Partner in its sole discretion. In addition, there is a risk that an investment in a private fund client by a new Investor (or an additional investment by an existing Investor) could dilute the value of such investments.

### ***Use of "Manager Marks"***

ThornTree is permitted to establish "fair value" of non-exchange listed investments. There can be no assurance that the fair value of such investments will be fully realizable upon their ultimate disposition. Because of the inherent uncertainty of the estimated values of unrealized gains and losses, the net asset value as determined as of the last Business Day of each month may differ significantly from the actual net asset value upon liquidation of such investments, and the differences could be material. ThornTree has a conflict of interest in making any such valuations because the valuations directly affect net asset value and thus the amount of compensation

received by its affiliate, the General Partner. Prospective Fund Investors should understand that any such manager marks are not subject to independent review, except as may be done in connection with the audit at year-end or as may be initiated by the Investment Manager in its sole discretion or as part of the month-end net asset value calculation process.

***Asset Valuation-Thinly Quoted Securities and Derivatives***

It is not unusual for broker-dealers affiliated with an issuer of a particular security or derivative to provide “bid” and “ask” quotations for such investment on a preliminary or “soft” basis. Such preliminary quotations may or may not reflect the “bid” or “ask” prices at which such broker-dealer would be willing to effect actual transactions. Broker-dealers unaffiliated with the issuer of such security or derivative, if providing quotes, may be even less likely to execute transactions (particularly sales transactions by ThornTree) at or near preliminary quotes. In the absence of actual sale transactions, it is difficult for ThornTree to test the reliability of preliminary quotes even when multiple broker-dealers are providing “bid” and “ask” prices.

***Reliance on Key Personnel***

The operations of a private fund client, the General Partner and ThornTree are substantially dependent upon the skill, judgment and expertise of the Founder. The death, disability or other unavailability of the Founder could be material and adverse to a private fund client.

***Incentive Allocation Arrangement***

The General Partner, an affiliate of ThornTree, could receive substantial allocations if a private fund client generates net profits. Prospective Fund Investors should note that (i) the fact that the Incentive Allocation is allocated only out of net profits may create an incentive for ThornTree to make investments that are riskier or more speculative than would be the case if the General Partner were compensated solely based on a flat percentage of capital and (ii) the General Partner may receive increased allocations because the Incentive Allocation will be calculated on a basis that includes unrealized appreciation as well as realized gains. If the General Partner receives an Incentive Allocation in any year and subsequently suffers a net loss, the General Partner is entitled to retain any and all Incentive Allocations received by it.

***Significant Restrictions on Withdrawals***

The Interests (as defined under “Summary Certain Fund Terms—Partnership Interests”) are illiquid, generally non-transferable and subject to significant restrictions on withdrawal. Accordingly, an investment in a private fund client should be considered illiquid and not a readily available source of liquid funds.

***Exchange-Rate Risk***

Because a private fund client will determine its net asset value in United States dollars, with respect to trading on non-U.S. markets it is subject to the risk of fluctuation in the exchange rate between the local currency and dollars and to the possibility of exchange controls.

***Possible Effect of Withdrawals***

Substantial withdrawals could require a private fund client to liquidate its positions more rapidly than otherwise desirable to raise the necessary cash to fund withdrawals and achieve a market

position appropriately reflecting a smaller asset base. These factors could adversely affect the value of the Interests withdrawn and of the Interests that remain outstanding.

***Private Investments***

A private fund client may invest in Private Investments, or companies whose interests are not publicly traded. Unless such a company subsequently succeeds in obtaining approval from the relevant authorities to list its shares on a recognized exchange, this avenue to liquidity will not be available to a private fund client, which must then rely on other means to achieve liquidity. In addition, a private fund client may be precluded from selling its interests in a public portfolio company for some time after such portfolio company's initial public offering. Further, other legal, contractual or practical limitations may limit the ability to sell Private Investments. For example, the issuers may be privately held, a private fund client may own a relatively large percentage of the issuer's outstanding securities or may have agreed to contractual restrictions on resale, or other Fund Investors, financial institutions or management may be relying on a private fund client's continued investment. Sales also may be limited by financial market conditions, which may be unfavorable for sales of securities of particular issuers or issuers in particular markets. These limitations on liquidity of Private Investments could prevent a successful sale or result in the delay of any sale or reduction in the amount of proceeds that might otherwise be realized. In addition, in some cases, a private fund client may be prohibited or limited by contract from selling certain Private Investments for a period of time, and as a result, may not be permitted to sell an investment at a time it might otherwise desire to do so. A private fund client may have access to non-public information regarding certain Private Investments, the possession of which also could limit a private fund client's ability to sell such investments. A Fund Investor may not withdraw amounts allocated to Private Investments.

***Accounting for Uncertainty in Income Taxes. ASC 740, "Income Taxes" (in part formerly known as "FIN 48")***

ASC 740 provides guidance on the recognition of uncertain tax positions and prescribes the minimum recognition threshold that a tax position is required to meet before being recognized in an entity's financial statements. It also provides guidance on recognition, measurement, classification and interest and penalties with respect to tax positions. A prospective Investor should be aware that, among other things, ASC 740 could have a material adverse effect on the periodic calculations of the net asset value of a private fund client, including reducing the net asset value of a private fund client to reflect reserves for income taxes that may be payable by the Fund. This could cause benefits or detriments to certain Fund Investors, depending upon the timing of their entry and exit from a private fund client.

***U.S. Source Payments to the Client May Be Subject to Withholding Under FATCA***

The Foreign Account Tax Compliance provisions of the Hiring Incentives to Restore Employment Act ("FATCA") provide that a 30% withholding tax will be imposed on payments to the Client of U.S. source income and proceeds from the sale of property that could give rise to U.S. source interest or dividends unless the Client enters into an agreement with the IRS to disclose the name, address and taxpayer identification number of certain U.S. persons that own, directly or indirectly, an interest in the Client, as well as certain other information relating to such interest. The IRS has released regulations that provide for the phased implementation of the foregoing withholding and reporting requirements. On November 29, 2013, the United States Department of the Treasury

signed a Model 1 non-reciprocal intergovernmental agreement (the “Model 1 IGA”) with the Cayman Islands. The Model 1 IGA modifies the foregoing requirements but generally requires similar information to be disclosed to the Cayman Islands government and ultimately to the IRS. Although the Client will attempt to satisfy any obligations imposed on it to avoid the imposition of this withholding tax, no assurance can be given that the Client will be able to satisfy its obligations under FATCA. If the Client becomes subject to a withholding tax as a result of FATCA, the return of all Fund Investors may be materially affected. Prospective Fund Investors are encouraged to consult with their own tax advisors regarding the possible implications of FATCA on their investment in a private fund client.

Please refer to each Fund’s Governing Documents for a more detailed description of such risks.

### **Item 9: Disciplinary Information**

Neither ThornTree nor any of its officers, directors, or employees or other management persons, has been involved in any legal or disciplinary events that would require disclosure in response to this Item.

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

ThornTree Capital Partners LP and ThornTree Capital GP LLC are controlled by the same owners. As noted above in **Item 4 Advisory Business**, ThornTree Capital GP LLC serves as the general partner to our private fund clients. Neither our firm, nor any of our officers or employees, has any other industry affiliations or outside business activities that we believe would be material to a prospective client or investor’s evaluation of our firm. Pursuant to an exemption from the Commodity Futures Trading Commission, ThornTree Capital GP LLC is not required to register with the CFTC as a commodity pool operator or as a commodity trading advisor.

ThornTree may from time to time offer certain persons, including existing Fund Investors or Clients (including employees or affiliates of ThornTree), strategic investors or other third parties, the opportunity to co-invest in particular investments alongside of a private fund client or Clients, subject to certain restrictions. In each case where co-investors participate in an investment, such co-investors will bear their *pro rata* share of any expenses associated with such investment. Private fund clients may also make follow-on investments in Private Investments (each, a “Follow-on Investment”). In accordance with our fiduciary duty, we will seek to allocate all investment opportunities to our Clients in a fair and equitable basis and in accordance with all relevant guidelines and restrictions as outlined in the applicable Fund Governing Documents and agreements with existing Clients and Fund Investors. If a particular investment opportunity falls within the investment objective of more than one ThornTree entity, then we will allocate such opportunity (including co-investment opportunities and Follow-on Investments) on a basis that ThornTree reasonably determines in good faith to be fair and reasonable. In allocating co-investment opportunities, ThornTree considers factors such as an investor’s expressed desire to participate in co-investments, the strategic value of a particular investor co-investing in the opportunity in question and similar items. In addition to ThornTree’s right to permit one or more investors to invest in transactions in which a ThornTree Client invests, existing and prospective investors should note that ThornTree may offer co-investment opportunities in its sole discretion, is not expected to offer co-investment to all existing Client or Fund Investors and may allocate any such opportunities in its sole discretion. The General Partner will also determine, in its sole

discretion, whether a Fund Investor that did not participate in the original Private Investment will be entitled to participate in a Follow-on Investment. The allocation of co-investment opportunities and Follow-on Investments may involve a benefit to ThornTree including, without limitation, fees and additional investment in private fund clients or a new Client relationship. Current and prospective Clients and Fund Investors are invited to discuss our co-investment policies and procedures with us.

In addition, ThornTree and affiliates (and their families) may, directly or through investments in other investment funds or otherwise, have personal or other interests in the securities in which a Client invests as well as interests in investments in which a Client does not invest. ThornTree and affiliates (and their families) also have personal or business relationships with brokers, service providers, Fund Investors, corporate management, directors or other parties with whom ThornTree or the Clients themselves have relationships. As a result, ThornTree employees may have conflicts of interest in allocating their time and activity between the Clients and other entities, in allocating investments among the Clients and other entities, and in effecting transactions, evaluating investments or potential investments, or retaining or evaluating services for the Clients and other entities, including ones in which the ThornTree (and their families) may be employed, were previously employed, or have a greater financial interest. Although ThornTree will seek to limit any such conflicts and will act in a manner that is in accordance with their fiduciary duties to the Clients, these potential conflicts of interest may have an impact on an employee's ability to perform his responsibilities on behalf of a Client.

ThornTree and its affiliates may also provide certain information to investors or prospective investors in response to questions, requests, portfolio reviews, and/or in connection with due diligence or portfolio monitoring meetings or other communications. Such information will generally not be distributed to other investors and prospective investors who do not request such information. Each Fund Investor or prospective investor is responsible for asking such questions or requesting information as it believes is necessary in order to make its own initial and ongoing investment decisions and must decide for itself whether the limited information typically provided by ThornTree is adequate for its investment evaluation.

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

ThornTree has adopted a written Code of Ethics (the “Code”) that is applicable to all employees. The Code is designed to ensure that our firm and our employees understand the need to act with competence, dignity, integrity, and in an ethical manner, when dealing with Clients, the public, prospects, third-party service providers and fellow Employees. Among other things, the Code requires ThornTree and its employees to act in Clients’ best interests, abide by all applicable regulations, report conflicts of interest, report suspected violations of the Code, and pre-clear and report on various types of personal securities transactions. ThornTree has also imposed certain restrictions on personal securities trading activity that applies to employees, as well accounts in which employees have any beneficial ownership interest, which typically includes accounts held by immediate family members sharing the same household. A copy of ThornTree’s Code of Ethics is available to any client or prospective client upon request.

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ThornTree, its employees and affiliates (collectively “Related Persons”) have investments in private fund clients managed by ThornTree, typically with an election to participate in Private Investments. As a result, Related Persons have an interest in an investment that ThornTree or affiliates will also recommend to Clients, prospective Clients, or Fund Investors. In addition, under certain circumstances, employees may hold personal investments in the same portfolio securities that our private fund clients hold. These personal investments could be in the same security or in different parts or issues of the same issuer’s capital structure. If such an investment poses a conflict of interest, we will seek to act in a way that favors the interests of our clients. The trading records of trades by ThornTree, the General Partner, or employees, or members of their immediate household will not typically be available for review by current or prospective Fund Investors. We have also established procedures under the Code designed to ensure that the personal securities transactions, activities and interests of the employees of ThornTree will not interfere with making decisions in the best interest of Clients while, at the same time, allowing employees to invest for their own accounts. Under the Code, certain classes of securities are permitted without prior approval based upon our determination that these securities would not materially interfere with the best interest of Clients. Although our personal trading policy allows employees to invest in private clients managed by ThornTree we require pre clearance from the Chief Compliance Officer or designee for single name equities, single name derivatives, IPOs, and private placements. Certain securities under the Code are also subject to short-term trading restrictions designed to prevent an employee from enjoying a profit from the purchase and sale, or sale and purchase, of the same (or equivalent) security within thirty (30) calendar days. We will not permit any proposed transaction by an employee if the transaction appears to pose a conflict of interest. Employees are also required to provide reports regarding transactions and holdings in “Reportable Securities” as defined in the Advisers Act.

Our firm and our employees are also strictly prohibited from engaging in insider trading. Under certain circumstances, as described in **Item 8, Methods of Analysis, Investment Strategies, and Risk of Loss** we may determine that we, or one of our employees, have obtained, or may have obtained, material non-public information. ThornTree’s investment research process often includes, without limitation, contacting executive-level officers or directors of a company or personnel that are affiliated with other investment advisers and/or private funds and at times these individuals may also be Fund Investors. These relationships and research methods present conflicts of interest, however, we maintain a “restricted list” that is designed to prevent our Clients and employees from engaging in insider trading as well as train employees on material non-public information and our corresponding policies and procedures. Certain investment professionals of ThornTree serve on the board of directors of private and public corporations. In certain circumstances, such services as well as our investment research process may result in ThornTree’s receipt of material non-public information which may restrict our ability to make investments that otherwise would be in one or more Clients’ interests.

Section 206(3) of the Advisers Act makes it unlawful for any investment adviser, directly or indirectly, acting as principal for its own account, knowingly to sell any security to or purchase any security from a Client without disclosing to the Client in writing the capacity in which the adviser is acting and obtaining the Client’s consent to the transaction. We do not anticipate engaging in principal transactions with Clients. However, we have adopted specific policies and procedures for monitoring the level of proprietary ownership in each private fund client. Should

we decide to engage in a principal transaction with a Client, we will affect the transaction in compliance with Section 206(3) of the Advisers Act.

## **Item 12: Brokerage Practices**

ThornTree has complete discretion in deciding which securities are bought and sold, the amount and price of those securities, the broker-dealers or counterparties to be used for a particular transaction, and commissions or markups and markdowns paid. In selecting brokers and determining commission rates, ThornTree takes into account best price and execution. In selecting brokers to effect portfolio transactions for Clients, ThornTree considers such factors as price; execution capabilities, including efficiency of execution and willingness to execute difficult transactions; financial strength and stability; block trading and block positioning capabilities; reputation; infrastructure; reliability; quality of research products or services; and other value-added services. Neither ThornTree nor any affiliates receive any commissions generated by a private fund client or Client trading activities. ThornTree may benefit indirectly from payments made by a Client (including payments by way of soft dollars) as described further below. Accordingly, if ThornTree determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and products or services provided by such broker, Clients may pay commissions to such broker in an amount greater than the amount another broker might charge for effecting the same transaction. ThornTree has also established commission sharing arrangements with various broker-dealers to assist in administering soft dollar payments to third party research providers that are paid with soft dollars. We also maintain policies and procedures to review the quality of executions, including periodic reviews by our trading and investment professionals.

### Research and Soft Dollar Benefits

Section 28(e) of the Exchange Act provides a “safe harbor” to investment managers who use “soft dollar,” (i.e., commissions generated by their advised accounts) to obtain investment research and brokerage services from companies that provide lawful and appropriate assistance to the manager in connection with the investment decision-making process. It is our policy to use commission dollars generated by client trades to pay for research and brokerage services that provide lawful and appropriate assistance to ThornTree in carrying out its investment decision-making responsibilities, as permitted under the safe harbor of Section 28(e) of the Exchange Act of 1934. ThornTree has arrangements under which it receives products and services in exchange for soft dollars where it reasonably believes that the arrangement falls within the safe harbor of Section 28(e). Where a product or service provided has both “eligible” uses under Section 28(e) (i.e., uses related to ThornTree’s investment decision making process) but also has other uses, ThornTree will make a reasonable allocation between the eligible and non-eligible uses and will use soft dollars only for the eligible portion. In making good faith allocations of costs between “ineligible” administrative benefits and “eligible” research and brokerage services, a conflict of interest exists by reason of ThornTree’s allocation of the costs of such benefits and services between those that primarily benefit ThornTree and those that primarily benefit the Client.

Our use of soft dollars presents a potential conflict of interest because ThornTree is effectively using Client assets to pay for research that we might be able to generate internally or would otherwise have to purchase. This conflict of interest could motivate us to allocate trades to research providers, even if those providers were not offering the best available execution. As



previously mentioned, ThornTree considers the amount and nature of research services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of Clients on the basis of that consideration. In addition, broker-dealers sometimes may suggest a level of business that they would like to receive in return for the various services they provide. Actual brokerage business received by any broker-dealer 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-dealer is not excluded from receiving business because it has not been identified as providing research services. Periodically we will consider the amount and nature of research and research services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of the Clients on the basis of that consideration. Research and brokerage services obtained by the use of commissions arising from Client's portfolio transactions may be used by ThornTree in our other investment activities. Research and brokerage services obtained by the use of commissions arising from Client portfolio transactions generally benefit all ThornTree Clients though they may benefit ThornTree as well.

ThornTree has acquired products or services with client brokerage commissions during the last fiscal year. Services constituting "research" under Section 28(e) that ThornTree receives in connection with Client's trading include, but are not limited to: newswire and quotation services; research reports; financial newsletters and trade journals; software used to analyze securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; economic and market information; portfolio strategy advice; industry and company comments; technical data; recommendations; information on industries, groups of securities, individual companies, political developments, legal developments affecting portfolio securities and technical market action; statistical information; accounting and legal interpretations relating Client transactions; credit analysis; risk measurement analysis, and performance analysis. These research services are received primarily in the form of written reports, calls, and meetings with research analysts. In addition, such research services at times may be provided in the form of access to computer-generated data and meetings arranged with corporate and industry spokespersons, economists, academicians and/or government representatives. Products and services constituting "brokerage" under Section 28(e) that we receive in connection with Client's trading may include, but are not limited to: services related to the execution, clearing and settlement of securities transactions and functions incidental thereto, such as connectivity services between ThornTree and a broker-dealer and other relevant parties such as custodians; trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; trade clearance and settlement; electronic communication of allocation instructions; routing of settlement instructions; post-trade matching of trade information; and services required by the SEC or a self-regulatory organization, such as comparison services, electronic confirms or trade affirmations.

ThornTree may pay bundled commission rates and receive research and brokerage provided by many of its executing and prime brokers. ThornTree need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost as previously described. Commission rates are generally negotiable, and selecting brokers on the basis of considerations that are not limited to commission rates may result in higher transaction costs than would

otherwise be obtainable. ThornTree has entered into arrangements under which certain direct 28(e) eligible expenses of a Client will be paid with soft dollars. ThornTree has entered into such arrangements where it believes that it is administratively or operationally expedient to do so or where such arrangement is more favorable to the Client than an arrangement under which the Client pays for the products or services in question with hard dollars. However, such arrangements may make it more difficult for Fund Investors to evaluate the cost structure of a private fund client because the costs of such products or services are not broken out separately.

#### Brokerage for Client Referrals

In addition to any soft dollar arrangements that ThornTree enters into with brokers, brokers may provide certain research or other products or services to all of their customers, including ThornTree, without being requested to do so. ThornTree or affiliates may also receive introductions to Fund Investors through broker-dealers that are prime brokers or who execute trades on behalf of ThornTree. In these situations, ThornTree receives a benefit because it does not have to pay for the products or services, such as research, or because it will receive additional compensation if a private fund client accepts new investments through the service provider introduction. ThornTree does not believe that it pays any additional fees or higher commissions as a result of these introductions or other products or services. ThornTree seeks best execution on all transactions. However, ThornTree may have an incentive to select a counterparty, an executing, or prime broker based on ThornTree or an affiliate receiving Fund Investor referrals or other products or services from that counterparty. ThornTree does not consider Client or Fund Investor referrals from broker-dealers when making brokerage allocation decisions. Any products or services that ThornTree receives from broker-dealers or counterparties may be used in connection with its management of all client accounts, not just selected accounts.

#### Directed Brokerage

Our Clients generally do not direct us to trade through any particular counterparty. A Client's insistence on the use of one or more particular counterparties in connection with the trading of its account can have a materially adverse effect on the quality of execution that is available to the client. Among other things, Clients that direct our use of trading counterparties may pay higher transaction costs, be excluded from aggregated orders, and trade after our other Clients have traded.

#### Order Aggregation

ThornTree will generally execute transactions on an aggregated basis when aggregation is expected to be in the best interest of all participating Clients. When aggregating orders as well as allocating the executions, ThornTree will treat all participating Clients in a fair and equitable manner taking into account all relevant factors, including, without limitation, each Client's account size, diversification, cash availability, investment objectives, guidelines and restrictions, risk profile, pending subscriptions and redemptions, and eligibility to participate in the investment. Generally, all client trades will be allocated on a *pro rata* basis, according to the size of the Client assets. Participating accounts may also receive a *pro rata* portion of block executions, or receive the average price associated with a ThornTree aggregated order. We typically allocate partially filled orders *pro rata* based on the size of each participating Client's initial order. However, we may deviate from our general allocation policy to avoid de minimis position sizes, or in other circumstances if we determine that a deviation is fair to all affected

Clients. Instances in which Client orders may not be aggregated include, but are not limited to, the following: (1) ThornTree determines that the aggregation is not appropriate because of market conditions; (2) situations where ThornTree must effect the transactions at different times or prices, making aggregation unfeasible; and (3) A determination is made by ThornTree not to aggregate orders because of tax, legal, regulatory or administrative reasons.

### **Item 13: Review of Accounts**

The Managing Partner generally reviews the portfolio of the private fund clients on a daily basis for internal portfolio management and risk management purposes. ThornTree's investment personnel also hold ad hoc meetings as necessary to discuss any applicable topics, such as investment ideas, economic developments, current events, investment strategies, and positions. A review of a Client account may also be triggered by any unusual activity or special circumstance. The CCO or designee also reviews ThornTree's accounts periodically to ensure compliance with Clients' investment objectives and any investment restrictions.

Each Fund Investor is generally provided with monthly performance estimates, a quarterly performance report, an estimate of a Fund Investor's capital account performance during the preceding quarter, and an overview of ThornTree's views on the market and the near- to mid-term prospects of the private fund client. We also furnish to each Fund Investor a report as of the end of that fiscal year, which will include the following information: (i) the audited balance sheet and income statement of the Fund; (ii) the Fund Investor's closing capital account balance; (iii) the percentage change in the net asset value of such Fund Investor's interest during the preceding fiscal year; and (iv) a copy of Schedule K-1 to the Fund's federal income tax return for the preceding fiscal year, in a form sufficient to enable that Fund Investor to determine its share, for federal, state and local income tax purposes, of all items of Fund income, gain, loss, deduction, preference and credit.

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

ThornTree does not receive any economic benefits from non-clients in connection with the provision of investment advice to clients.

If a Fund Investor subscribes as a result of the services of a placement agent, no placement fee to be paid to such agent will be borne by a ThornTree private fund client. Although ThornTree does not have any cash solicitation arrangements to the extent it enters into any such arrangements they will be made in compliance with Rule 206(4)-3 under the Investment Advisers Act if applicable.

### **Item 15: Custody**

ThornTree is deemed to have custody of private fund clients' assets because of the authority that ThornTree and/or its affiliated entities have over those assets. Our private fund clients' financial statements are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the audited financial statements are distributed to each Fund Investor. The audited financial statements are prepared in accordance with GAAP and distributed within 120 days of a private fund clients' fiscal year end. Our private fund clients' cash and securities are generally held by banks and broker/dealers that meet the definition of a "qualified custodian" under the SEC's

“custody rule.” Certain Client assets, such as Private Investments may not be reflected on the books and records of our clients’ qualified custodians though these assets would be subject to the aforementioned annual audit.

### **Item 16: Investment Discretion**

Our private fund client Fund Governing Documents grant ThornTree full discretionary authority to determine, without obtaining specific consent from Fund Investors, the securities and the amounts to be bought or sold on behalf of a private fund client, to conduct the day-to-day investment operations of our private fund clients, and to invest our private fund clients’ assets as we believe is appropriate and in the Client’s best interests. Fund Investors do not have authority to impose restrictions on ThornTree’s investment discretion. By completing subscription documents to acquire an interest in one of our private fund clients, investors give us complete authority to manage their investments in accordance with the Fund Governing Documents they received.

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

ThornTree is responsible for voting Client proxies. We have developed written policy and procedures governing our proxy voting activities. In general, the policy requires ThornTree to vote proxies in a matter it determines, in its’ discretion, is in the best interest of the respective Client. To that end, we endeavor to vote proxies in the manner that we determine in good faith to be most likely to enhance the value of the Clients’ investment. Under certain circumstances, we may abstain from voting specific proxies if we believe that doing so is in the best interests of the Clients. For example, we generally will abstain from voting proxies where (i) Clients no longer hold the securities at the time of the vote (whether or not they held them on the record date of the vote), or (ii) ThornTree, on behalf of Clients, has a net short position in such issuer. In addition, ThornTree maintains a record of all proxy votes cast on behalf of Clients. If a material conflict of interest is identified it will be reviewed by the Chief Compliance Officer. As necessary when a material conflict of interest exists, we may engage an outside proxy voting service, service provider, or consultant to assist with a recommendation. A copy of ThornTree’s proxy voting policies and procedures is available upon written request.

Barring a contractual obligation we refrain from participating in class actions where we believe that either the recovery amounts are likely to be de minimis or we have reservations on the security measures to protect our data submission in connection with the proof of claim. Consequently, we generally do not participate in class actions on behalf of Clients. If we do participate and later receive any recovery amounts, they will be distributed to the applicable Clients at the time the recovery amounts are received from the settlement agent.

### **Item 18: Financial Information**

ThornTree has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.