

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



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This Brochure provides information about the qualifications and business practices of Trinitas Capital Management, LLC (“TCM”). If you have any questions about the contents of this Brochure, please contact us at (214) 706-9179 or [anelson@trinitascmlc.com](mailto:anelson@trinitascmlc.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Registration of an investment adviser does not imply any level of skill or training.

Additional information about TCM also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This Item 2 discusses only material changes made to this Form ADV Part 2A (“**Brochure**”) since March 30, 2016, when TCM filed its last annual update Brochure. Persons previously receiving that Brochure should consider the following material change:

- The description of TCM’s advisory business in Item 4 now reflects TCM’s assets under management as of December 31, 2016 due to the establishment or acquisition of CLOs and assets acquired pursuant to a warehouse credit facility arrangement.

### **Item 3 -Table of Contents**

Item 1 – Cover Page.....	i
Item 2 – Material Changes .....	ii
Item 3 – Table of Contents.....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	2
Item 6 – Performance-Based Fees and Side-By-Side Management .....	3
Item 7 – Types of Clients .....	4
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	5
Item 9 – Disciplinary Information .....	11
Item 10 – Other Financial Industry Activities and Affiliations .....	11
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	11
Item 12 – Brokerage Practices .....	16
Item 13 – Review of Accounts .....	19
Item 14 – Client Referrals and Other Compensation .....	19
Item 15 – Custody .....	20
Item 16 – Investment Discretion .....	20
Item 17 – Voting Client Securities .....	20
Item 18 – Financial Information.....	21

#### **Item 4– Advisory Business**

Trinitas Capital Management, LLC (“TCM”) is a Delaware limited liability company organized on July 27, 2015. TCM has its principal place of business at 8117 Preston Road, Suite 300, Dallas, TX 75225. TCM was formed to provide investment advisory services, initially as a collateral manager for pooled investment vehicles that are collateralized loan obligation funds (“CLOs”). TCM is a privately held company owned by institutional investors, high net worth individuals and family offices. No individual, directly or through subsidiaries, owns 25% or more of TCM. TCM’s largest single investor, owning approximately 15% of TCM, is an affiliate of an insurance company.

The CLOs managed by TCM are generally organized in the Cayman Islands as exempted companies that rely on Section 3(c)(7) of the Investment Company Act of 1940 (the “**1940 Act**”), or other applicable exceptions or exemptions under the 1940 Act, as the basis for their exemption from the registration requirements of the 1940 Act. The investment management relationship between TCM and each CLO will be governed by a collateral management or similar agreement between TCM and the CLO and the constituent documents of the CLO.

The CLOs for which TCM will perform investment advisory services will invest primarily in senior secured bank loans. In assessing senior secured bank loan assets for the CLO, TCM employs an underwriting discipline based on a fundamental and technical analytical strategy, subject to the relevant criteria set forth in the constituent document for each CLO. TCM’s objective in managing the investment portfolio of each CLO is to achieve preservation of principal, diversification by company and industry, and above average current income.

TCM contracts for mid- and back- office services associated with its asset management business, including trading, portfolio analysis, credit review and monitoring, asset valuation, and risk and compliance management. These services are currently provided by Triumph Capital Advisors, LLC (“TCA”), also a registered investment adviser, under an agreement between TCA and TCM, though TCM may engage other investment advisers or other entities to provide such services in the future. Certain investment professionals and other employees or officers of TCM are also investment professionals or employees of other investment advisers. TCM’s investment committee is currently comprised entirely of individuals who are also investment professionals of TCA. Such individuals serve at the discretion and subject to the control and direction of TCM’s board of managers, who are elected by its members. A majority of TCM’s Board of Managers consists of individuals who are not affiliated with TCA. TCM’s relationship with TCA, and the policies and procedures TCM has put in place to address potential conflicts resulting from such relationships, are described in more detail in Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

The offering documents for each CLO will describe the terms and conditions of the CLO, including fees and risk factors, and should be read carefully prior to investment. No offer to sell interests in the CLOs is made by the descriptions in this Brochure, and CLOs are available only to investors that are properly qualified.

TCM may also, in the future, provide additional types of investment advisory services. The addition of any such investment advisory services will be set forth in an amendment to this Brochure prior to TCM offering such services.

As of December 31, 2016, TCM managed approximately \$1.0 billion in client assets, all of which are discretionary and represent assets of TCM's two outstanding CLO clients as of such date and assets acquired pursuant to one warehouse credit facility arrangement.

## **Item 5 - Fees and Compensation**

### **General**

TCM receives management fees in connection with the investment management services it provides to each of the CLOs and may also receive performance fees, carried interest or other incentive compensation related to the performance of each CLO. Such management fees, carried interest, performance fees or other compensation will generally be established at the beginning of the advisory relationship with each CLO. Specific details of such compensation and its method of calculation will be set out in the offering materials, disclosure documents, collateral management agreements and the constituent documents of each CLO. Such compensation, once the relevant CLO is established, is generally not negotiable, though TCM may enter into strategic partnerships, side letter agreements or other arrangements with specific investors in the CLOs whereby such investors receive direct or indirect reductions of management fees or other compensation payable with respect to their investments managed by TCM, in each case consistent with the constituent documents of each CLO.

### **Management Fees**

TCM charges management fees at an annual rate of up to approximately 0.50% of the defined asset value calculated for each CLO for which it provides investment advisory services. Such management fees will generally be structured with a portion of such fees payable as a senior management fee and a portion payable as a subordinated management fee. Management fees will typically be payable quarterly in arrears and will be dependent in part on certain cash distribution constraints set forth in the constituent documents for each CLO. The specific management fees, payment terms, and calculation and valuation methods for each CLO will be

described in detail in the offering documents for each CLO.

### **Performance-Related Compensation**

TCM may also receive performance fees, carried interest or other incentive compensation from the CLOs. Such performance fees are expected to constitute an amount of up to 20% of the CLO's excess cash flow in excess of the relevant preferred return or hurdle rate for each CLO. The specific performance fees, payment terms and calculation and valuation methods for each CLO will be described in detail in the offering documents for each CLO.

### **Other Expenses**

In accordance with the terms of the TCM's collateral management agreements with the CLOs, the CLOs will generally reimburse TCM from time to time for certain out-of-pocket expenses related to the services provided by TCM and third parties to the funds. Among other things, the CLOs may reimburse TCM for fees and expenses relating to establishing the fund, accountants, rating agencies, loan pricing services, software providers, custodial fees, commissions, trade settlement fees, legal and consultant fees and expenses, software or information technology fees and expenses of TCM primarily related to the provision of services to the client account, exchange fees, bank service fees, income withholding or transfer taxes, and fees of other service providers. To the extent such expenses relate to more than one CLO managed by TCM, such expenses will be allocated among fund accounts, typically based on each of the net assets of each CLO for the applicable allocation period.

The CLOs will typically pay other fees in connection with TCM's advisory services relating to the establishment or ongoing operation of the funds. These additional fees may include those of the CLO's trustee, collateral administrator, administrator, accountants, lawyers, rating agencies, and regulators. The CLOs will also bear any brokerage commissions, mark ups/downs or other transaction fees for the CLO's investment and brokerage transactions. As noted above, the CLOs bear expenses related to portfolio transactions. Please see Item 12 for a discussion of TCM's brokerage practices.

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

As discussed in Item 5 above, TCM may receive performance fees, carried interest or other incentive compensation from the CLOs for which it provides investment advisory services. All performance based fees payable to TCM will be in compliance with Section 205 and Rule 205-3 under the Investment Advisers Act of 1940 (the “**Advisers Act**”). In accordance with risk retention requirements promulgated under Section 941 of the Dodd Frank Wall Street and

Consumer Protection Act and Articles 404-410 of the EU Capital Regulation Requirements (as the same may be amended and including any similar or successor statutes or regulations), TCM will typically retain interests in the CLOs that it manages. Such interests will generally consist of securities issued by the CLO that are required to be held by TCM, as asset manager or sponsor, in order for the corresponding CLO to comply with the risk retention requirements described above. These securities may be held through (i) a “vertical slice” equal to a 5% pro-rata percentage of the *face* value of each tranche of the CLO, (ii) a “horizontal slice” equal to 5% of the *fair* value of all of the securities issued in the CLO via the first loss or “equity” tranche or (iii) a combination of the “vertical slice” and “horizontal slice” retention interests set forth above.

Performance-based fees and other economic interests may create an incentive for TCM to favor, or to take increased investment risk with respect to, CLOs for which it receives performance based fees or has other economic interests than for CLOs, if any, where it receives only asset based fees or no fees. Similarly, TCM may have an incentive to favor, or to take increased investment risk with respect to, CLOs from which it receives higher performance-based compensation, or has a greater economic interest, over CLOs where lower performance based compensation is received, or TCM otherwise has a lesser economic interest. TCM has in place policies and procedures to address these conflicts, including policies and procedures to allocate trades and securities to client accounts on a fair and equitable basis, taking into account the client’s investment objectives and strategies as well as other relevant factors including applicable law. These policies and procedures are described in more detail in Item 11.

## **Item 7 – Types of Clients**

TCM was formed with the initial intent of providing investment advisory services to CLOs. Investment in the CLOs is generally only available to institutional investors and certain high net worth individuals that are “accredited investors” and “qualified purchasers” or non-“U.S. persons” within the meaning of the Securities Act of 1933 (the “**Securities Act**”) and the 1940 Act, as applicable. The CLOs may have a specified minimum investment amount set forth in their offering documentation. These minimum amounts may be subject to discretion on the part of TCM to permit a smaller amount with respect to any investor in a particular CLO. TCM anticipates that a broad range of institutional investors and high net worth individuals meeting the criteria set forth above will invest in CLOs managed by TCM.

This Brochure is not an offer (or solicitation of an offer) to invest in CLOs or otherwise obtain TCM’s advisory services. Prior to investing in any CLO, an investor should review the relevant offering materials for important information concerning the objectives, policies, strategies, risks, fees and other important information regarding a CLO as set forth in the prospectus, confidential

private offering circular or private offering memorandum for such CLO. Although this publicly available Brochure describes investment advisory services and products of TCM, persons who receive this Brochure should be aware that it is designed solely to provide information about TCM as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure may differ from information provided in the relevant governing documents for the CLOs. More complete information about each CLO is included in its relevant governing documents. To the extent that there is any conflict between discussions herein and similar or related discussions in any governing documents for a CLO, the relevant governing documents shall govern and control.

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

### **Investment Strategies and Methods of Analysis**

TCM's investment strategy focuses primarily on leveraged credit, specifically senior secured bank loans. As permitted by the constituent documents of a CLO, a particular CLO may also have a secondary focus on other types of leveraged credit such as high yield debt securities.

TCM employs both "top-down" and "bottom-up" analyses when making investments. TCM's top down analysis involves a macro analysis of relative asset valuations, long-term industry trends, business cycles, interest rate expectations, credit fundamentals and technical factors to target specific industry sectors and asset classes in which to invest. TCM's bottom-up analysis includes a rigorous analysis of the credit fundamentals and capital structure of each potential investment and a determination of relative value compared to alternative investments. Potential investments will be analyzed through a thorough review of the fundamentals of the economy in general and then the particular industry and the strengths and weaknesses of each individual credit. Under this approach, the credit performance of each asset will typically be subjected to stress tests to maximize the selection of investments with favorable risk adjusted returns.

TCM follows a defined investment process based on a comprehensive analysis of company creditworthiness, generally including a quantitative and qualitative assessment of a company's business, an evaluation of management performance, an analysis of business strategy, regulatory and legal considerations, industry trends and an examination of capital structure, financial results and projections. The due diligence process typically includes: (i) an assessment of the outlook for the industry based on discussions with industry participants, industry analysts, suppliers to and customers of the industry and relevant trade group representatives; (ii) discussions with company management as to the business outlook, competitive position within the industry and flexibility of capital structure relative to business objectives; (iii) an analysis of fundamental asset values and enterprise value of the company (based on valuation comparisons to other industry participants) to assess the degree to which the investment under consideration



has above average downside protection; (iv) a review of the company's core competencies and competitive advantages and formation of a judgment as to the sustainability of each; (v) preparation of historical and projected financial statements to assess the company's liquidity, fundamental creditworthiness and prospects for future value creation; (vi) a review of any tax, legal or regulatory contingencies that could negatively impact the company's value or ability to continue as a going concern; and (vii) a thorough review of the company's capitalization, its financial flexibility and debt amortization requirements, including an analysis of the terms and covenants of each of the company's outstanding debt and equity securities.

Following each investment, TCM actively monitors investment performance. Subject to a CLOs governing documents, TCM may sell an investment when more attractive investments can be purchased at comparable price points to optimize portfolio composition and target performance. TCM seeks to prioritize concentration and correlation avoidance and will reassess investments relative to the target investment criteria of each CLO.

TCM may consider various sources of information in analyzing investments, including financial newspapers and magazines, optimization studies and reports, trade journals, government publications, inspections of corporate activities, research, material prepared by others, corporate rating services, annual reports, prospectuses, filings with the SEC, other regulatory filings, and company press releases. Other sources of information include meetings and discussions with management of public and private issuers and TCM's contacts within the senior secured bank loan community.

### **Material Risks Relating to Methods of Investment Analysis**

TCM seeks to conduct reasonable and appropriate due diligence based on the facts and circumstances applicable to each investment. The objective of the due diligence process is to identify attractive investment opportunities based on the facts and circumstances surrounding an investment and to identify possible risks associated with that investment. When conducting due diligence and making an assessment regarding an investment, TCM relies primarily on publicly available information and resources. The due diligence process may at times be subjective (such as with respect to newly organized companies for which only limited information is available). Accordingly, TCM cannot be certain that its due diligence investigations with respect to any investment opportunity will reveal or highlight all relevant facts (including fraud) that may be necessary or helpful in evaluating such investment opportunity. Also, TCM cannot be certain that its due diligence investigations will result in investments being successful or that the actual financial performance of an investment will not fall short of the financial projections used when evaluating that investment.

TCM also considers the risks of its investment analysis methods to include the unpredictability of general economic, financial and issuer-specific conditions.

### **Material Risks of Significant Investment Strategies**

All investing in securities involves risk of loss that an investor should be prepared to bear. The securities that TCM invests in are subject to credit, liquidity, interest rate and exchange rate risks, general economic conditions, operational risks, structural risks, the condition of financial markets, political events, developments or trends in any particular industry, changes in prevailing interest rates and periods of adverse performance, among others.

Interests in the CLOs managed by TCM will be offered to investors pursuant to disclosure documents that contain detailed information about the risks of investing in the CLOs, including the risks relating to the securities issued to investors by the CLOs and those relating to the underlying assets held by the CLOs. With respect to each CLO managed by TCM, the summary of fund investment risks in this Brochure is qualified in its entirety by the disclosure document for the particular CLO. Investors should carefully review the offering circular for each CLO before investing in the CLO or making an investment decision to buy, sell or hold the securities issued by the CLO. Investors should be aware that the CLOs managed by TCM will generally be limited to certain types of investments (*e.g.*, leveraged loans, high-yield bonds) and as such will typically not be diversified. CLOs are not intended to provide a complete investment program and TCM expects that the assets it manages do not represent all of an investor's assets. Investors in CLOs managed by TCM are responsible for appropriately diversifying their assets to guard against the risk of loss.

#### *CLO Risks Generally.*

There are numerous risks associated with investment in a CLO, including that interests in a CLO have limited liquidity and there are restrictions on their transfer; the CLO may have limited assets to make payment on the securities; certain securities issued by the CLO are subject to greater risk of nonpayment than more senior tranches; and the holders of securities may have limited rights to proceed against defaulting borrowers. Holders of interests in a CLO are also exposed to the risks of the underlying assets in which the CLO invests, which will consist primarily of senior secured bank loans, with a potential secondary focus on other types of leveraged credit, such as high yield debt securities. These risks are described in more detail below. Investors should carefully review a CLO's private offering memorandum.

#### *Credit Risk*

All of the debt securities in which the CLOs will invest are exposed to credit risk, which is the

possibility that the issuer of a debt security will default on its obligation to pay interest and/or principal which could cause a CLO to lose money. Corporate debt securities rated lower than BBB- are considered to have significant credit risk. A significant portion of the assets of the CLOs managed by TCM will have ratings at or below this level. Debt securities with lower credit ratings generally pay a higher level of income to debt holders, but carry a greater risk of default.

#### *Interest Rate Risk*

Fixed rate debt securities fluctuate in value as interest rates change. The general rule is that if the interest rate rises, the market price of fixed income securities will usually decrease. The reverse is also true - if interest rates fall, the market prices of fixed income securities will generally increase. A debt security with a longer maturity (or a fund holding fixed income securities with a longer average maturity) will typically be more sensitive to changes in interest rates and it will fluctuate more in price than a shorter term maturity. Floating rate instruments, such as the majority of the senior secured bank loans in which the CLOs will invest, see increases in the total payment obligations of the borrowers thereunder during periods of rising interest rates, which could lead to an increase in default rates on such investments.

#### *Liquidity Risk*

Liquidity risk exists when a particular security or other instrument is difficult to trade. A fund's investment in illiquid assets may reduce the returns of the fund because the fund may not be able to sell the assets at the time desired for an acceptable price, or might not be able to sell the assets at all. Liquidity may also be dependent on general market conditions, in addition to asset specific demand. Many of the assets in which the CLOs will invest, including senior secured bank loans, are less liquid than other types of investments.

#### *Risks of Investing in Senior Secured Bank Loans.*

The substantial majority of the investments managed by TCM for the CLOs will be senior secured bank loans. Such loans are typically negotiated by one or more commercial banks or other financial institutions and syndicated among a group of commercial banks and financial institutions and other investors. The loans will typically be to borrowers which have below investment grade ratings and will generally be highly leveraged companies.

Senior secured bank loans typically pay interest based upon floating rates. During periods of rising interest rates, the total payment obligations of the borrowers, issuers or obligors of floating rate debt will increase, perhaps significantly. This in turn could lead to an increase in default rates on such investments.

The investment risks of senior secured bank loans include limited liquidity and secondary market support, the limited supply of some new issue bank loans, the possibility that earnings of the loan obligor may be insufficient to meet its debt service, the declining creditworthiness and potential for insolvency of the obligor of bank loans during periods of economic downturn, spread compression over the reference interest rate available for reinvestment during any period in which prepayments are received, and if subordinated, subordination to the prior claims of other loans or senior lenders. An economic downturn could severely disrupt the market for bank loans and adversely affect the value of outstanding bank loans and the ability of the obligors to repay principal and pay interest.

Senior secured bank loans may become non-performing for a variety of reasons and as a result may require substantial workout negotiations or restructuring that may include a substantial reduction in the interest rate, a substantial reduction of the principal or a substantial extension of the amortization or maturity date of the loan. Any such event will likely cause a significant decrease in the interest collections on the loan and/or a significant decrease in the principal collections on the loans. Although some senior loans in which a portfolio will invest will be secured by specific collateral, there can be no assurance that liquidation of such collateral would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal or that such collateral could be readily liquidated. In the event of bankruptcy of a borrower, the portfolio could experience delays or limitations in its ability to realize the benefits of any collateral securing a senior loan. If a default occurs with respect to a senior secured bank loan, and the holder of the loan sells or otherwise disposes of the loan, the proceeds of the sale or disposition will likely be less than the unpaid principal and interest thereon. Historical information regarding default and recovery rates of senior secured bank loans is limited. Actual default and recovery rates could vary significantly from historical observations. Historical information on the market value volatility of senior secured bank loans is limited, and such loans could be subject to market volatility not apparent from historical volatility studies. Such volatility could be significant at times.

Typically, a CLO managed by TCM will purchase an assignment of, or a participation in, a senior secured bank loan issued under a loan facility to which more than one lender is a party. These loan facilities are most often administered by agent lenders on behalf of the lenders pursuant to a loan agreement. In addition, because of the unique and customized nature of a loan and the private syndication of a loan, certain syndicated loans may not be purchased or sold as easily as publicly traded securities, and the trading volume in the syndicated loan market has been small relative to the market for high-yield bonds. Trading in loans is subject to delays due to their unique and customized nature, and transfers may require extensive documentation, the payment of significant fees and the consent of an agent bank or the underlying obligor. In addition, the investor may incur additional expenses to the extent it is required to seek recovery upon a default or to participate in the restructuring of a loan. In the event a CLO acquires a

participation in a senior secured bank loan, as opposed to an assignment of such loan, the CLO will have a relationship only with the participating institution and not the underlying borrower, which will limit the CLOs ability to directly enforce its rights with respect to such loan.

The senior secured bank loans in which the CLOs will invest are generally prepayable in whole or in part at any time at the option of the obligor thereof at par plus accrued unpaid interest thereon. Prepayments may be caused by a variety of factors which are often difficult to predict. Consequently, there exists a risk that loans purchased by a CLO at a price greater than par may experience a capital loss as a result of such a prepayment.

Some bank loans acquired by the CLOs may be subordinated loans, which are typically subject to intercreditor arrangements, which may prohibit or restrict the ability of the investor to exercise rights against the obligor with respect to their second liens, to challenge any exercise of remedies against the collateral by the first lien lenders with respect to their first liens, to challenge the enforceability or priority of the first liens on the collateral, and to exercise certain other secured creditor rights, both before and during a default or bankruptcy of the obligor. During a bankruptcy of the obligor, the holder of a junior loan may have to give advance consent to any use of cash collateral approved by the first lien creditors, sales of collateral approved by the first lien lenders and the bankruptcy court, and debtor-in-possession financings.

In recent years, a number of judicial decisions in the U.S. have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories. Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the obligor or has assumed a degree of control over the obligor that creates a fiduciary duty owed to the obligor or its other creditors or shareholders. Because of the nature of bank loans, a CLO acquiring a senior secured bank loan could be subject to allegations of lender liability made against it as part of a group of lenders and may be liable for pro rata liabilities of the agent or lead lender.

### *Risk of Investing in High-Yield Bonds*

While the CLOs managed by TCM will invest primarily in senior secured bank loans, they may also, subject to the constituent documents for each CLO, invest a portion of their funds in high-yield bonds. High-yield bonds are rated below investment grade and thus have greater credit and liquidity risk than investment grade obligations. High-yield bonds typically pay a fixed rate of interest and are generally unsecured and may be subordinated to other obligations of the issuer. The lower ratings of high-yield bond obligations reflect a greater possibility that adverse changes in the financial condition of the issuer or in general economic conditions may impair the ability of the issuer to make payments of principal and interest.

Risks of high-yield bonds also include limited liability and secondary market support, substantial market price volatility resulting from changes in prevailing interest rates, subordination to the prior claims of banks and other senior lenders, the operation of mandatory sinking fund or call/redemption provisions during periods of declining interest rates that could cause the investor to reinvest premature redemption proceeds in lower-yielding bonds, the possibility that earnings of the issuer may be insufficient to meet its debt service, and the declining creditworthiness and potential for insolvency of the issuer during periods of rising interest rates or economic downturn.

An economic downturn or an increase in interest rates could severely disrupt the market for high-yield bonds and adversely affect the value of outstanding high-yield bonds and the ability of the issuers thereof to repay principal and interest. The market for both investment grade and high-yield bonds is not liquid at all times and for all issuers. Particular issues may be concentrated in the hands of only a few investors, many of such bonds are not registered under securities laws and most are not listed, and market-making activity, if any, may cease.

#### **Item 9 – Disciplinary Information**

Not Applicable.

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

Not Applicable.

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

##### **Code of Ethics**

TCM maintains a Code of Ethics (the “**Code**”) in accordance with Rule 204A-1 under the Advisers Act. The Code sets out standards of business and personal conduct for each officer and employee of TCM (“**Employees**”) and addresses conflicts that may arise from personal trading by such persons and provides for disciplinary sanctions for Code violations. The Code is available upon written request to the CCO by the CLOs and their current or prospective investors or other current or prospective clients.

The policies and procedures set forth in the Code recognize that as an investment adviser, TCM is in a position of trust and confidence with respect to its clients and has a duty to place the interests of such clients before the interests of TCM and its Employees, which duty includes an obligation to address or mitigate both conflicts of interest and the appearance of any conflicts of interest. The Code sets out standards of business and personal conduct for each Employee and addresses conflicts that arise from personal trading by such persons and provides for disciplinary sanctions for Code violations. The Code also recognizes that as an investment adviser registered under the Advisers Act, TCM has a further obligation to comply with the provisions of the Advisers Act as well as the other U.S. federal securities laws.

The Code includes a code of conduct adopted by TCM which requires Employees to (i) act with integrity, honesty, competence, and in an ethical manner when dealing with the public, regulators, clients, investors, prospective investors and their fellow Employees, (ii) adhere to the highest standards with respect to any potential material conflicts of interest with clients, and (iii) preserve the confidentiality of information that they may obtain in the course of TCM's business and use such information properly and not in any way adverse to the interests of any TCM client, subject to the legality of using such information. All Employees must acknowledge the terms of the Code at the later of the commencement of their employment or adoption of the Code, and thereafter annually, and upon any amendments.

Under the Code and firm policy, Employees are prohibited from trading in securities of any company while in possession of material, non-public information regarding the company. The Code also includes a personal securities investment and reporting policy. This policy, among other things, significantly restricts an Employee's ability to engage in any personal securities transactions and requires Employees to disclose all brokerage or securities accounts in the individual's name or over which the Employee has any direct or indirect beneficial ownership, including accounts over which investment discretion is exercised either directly or indirectly.

The Code restricts Employees' ability to conduct activities outside the firm that may conflict with the interests of TCM clients. As discussed above, the members of TCM's investment committee and its other officers, including its Chief Compliance Officer, also act as investment professionals or in similar roles for TCA, which is anticipated to provide certain mid- and back-office services to TCM. TCM believes that such conflicts have been addressed by the policies and procedures adopted by TCM to govern such inter-relationships. In addition, the service of such individuals in similar roles for both TCA and TCM has been approved by the members of the Board of Managers of TCM who are unaffiliated with TCA. In addition, certain entities affiliated with directors of TCM have engaged in, and may continue to engage in, investing in CLO securities of CLOs of the same type as managed by TCM. Such activity has been approved by the directors of TCM not engaged in such activity and TCM does not feel that such independent investment activity presents a conflict of interest for its clients.

The Code also requires preapproval for gifts and entertainment in excess of certain values that may be received and/or provided by Employees, restricts Employees' ability to make political donations and provides for the imposition of sanctions for Code violations.

TCM's compliance personnel receive and review all trading and other reports and Employee certifications submitted pursuant to the Code to determine that any personal trading (as well as other activities subject to compliance oversight) conducted by Employees and other covered persons is consistent with requirements and restrictions set forth in the Code and does not otherwise indicate any improper trading activities.

Additionally, TCM has adopted inside information barrier policies and procedures to provide for the proper handling of confidential information (i.e., nonpublic information received or created by TCM in connection with its activities) to prevent violations of laws and regulations prohibiting the misuse of such information and to avoid situations that might create an appearance of such misuse.

From time to time, TCM and its supervised persons may come into possession of material, nonpublic and other confidential information which, if disclosed, might affect an investor's decision to buy, sell or hold an investment. Under applicable law, TCM and its supervised persons are prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, regardless of whether such other person is a client of TCM. Accordingly, should such persons come into possession of material, nonpublic or other confidential information with respect to any company, they may be prohibited from communicating such information to, or using such information for the benefit of, clients of TCM, and have no obligation or responsibility to disclose such information to, nor responsibility to use such information for the benefit of, such clients when following policies and procedures designed to comply with applicable law.

The Code is available upon written request to the CCO by the CLOs and their current or prospective investors or other current or prospective clients.

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

### *Principal Transactions*

TCM may, as part of its operations, acquire certain senior secured loan or other assets directly and subsequently transfer such loans or other assets into the accounts of the CLOs and/or CLO warehouses it manages. In accordance with the anti-fraud provisions of the Advisers Act and TCM's internal compliance policies and procedures, TCM provides appropriate disclosure of such



transactions and obtains the prior informed consent of the CLO or other client and the prior written authorization of TCM's CCO before effecting such transactions. In addition, such transactions are only permitted to be effected to the extent the loan asset purported to be transferred to a CLO managed by TCM remains an "eligible loan" that is not in default and is permitted by the indenture or governing documents of the CLO or CLO warehouse to be acquired and held by such CLO or CLO warehouse.

### *Cross Trades*

TCM may cause one CLO it manages to purchase or sell a security or other instrument from or to another CLO. In addition, TCM may from time to time cause CLOs it manages to purchase or sell securities from CLOs managed by TCA or other asset managers providing mid- and back- office services to TCM, which asset managers may employ investment professionals who also act in such capacity for TCM. These trades, though infrequent, are sometimes done to maintain compliance with CLO indentures, which have various collateral tests and concentration requirements. TCM effects these transactions through third-party brokers based on the then-current independent market price and consistent with the valuation procedures established by TCM. TCM will initiate such transactions between CLOs only when it believes that such a transaction would be advantageous to each CLO involved. To the extent that such transactions may be viewed as principal transactions due to TCM's or its affiliates' ownership interest in a particular CLO, TCM will either not effect such transaction or comply with the requirements for principal transactions described above.

### *Financial Interest of TCM and its Affiliates in CLOs*

TCM and its affiliates may invest in CLOs. TCM generally intends to hold an interest in the securities of each of the CLOs it manages sufficient to satisfy the United States and European risk retention requirements promulgated under Section 941 of the Dodd Frank Wall Street and Consumer Protection Act and Articles 404-410 of the EU Capital Regulation Requirements (as the same may be amended and including any similar or successor statutes or regulations). TCM's purchase of such securities in the CLOs it manages may give TCM majority control positions of the equity securities of these CLOs. Any such control position or investment in these equity securities may give TCM an incentive to take actions that may vary from the interests of the holders of the CLO debt securities. Particularly, TCM and its affiliates may have voting rights, including control rights, with respect to matters as to which the holders of securities are entitled to vote, including, without limitation, any vote to direct a redemption or refinancing and any vote to accelerate or not to accelerate the payment of certain CLO securities. In addition, TCM, any of its affiliates and any CLO managed or advised by TCM or its affiliates may at any time acquire CLO securities in any other CLO. TCM and any such person acquiring such securities will act in their own interests with respect to such securities and

such interests may conflict with or be adverse to the interests of other holders of securities in such CLOs. TCM will not take into account its ownership interest in any CLO when making allocation decisions for any particular investment (See “*Allocation of Investment Opportunities*” below).

#### *Allocation of Investment Opportunities*

TCM has adopted policies and procedures designed to fairly manage the allocation of investment opportunities among its client accounts, to the extent practicable and in accordance with each account’s applicable investment strategies, over a period of time. These policies and procedures are in addition to policies and procedures adopted by TCM regarding the allocation of investment opportunities between TCA and TCM (See “*Relationship Between TCM and TCA*” below).

TCM’s allocation methodology may be based on a pro rata allocation or any other method deemed appropriate by TCM’s allocation committee, provided that the method is designed to achieve a fair and equitable allocation of investment opportunities among participating accounts over time. Sensitive allocation issues may arise when TCM is given the opportunity to participate in an offering that is expected to be over-subscribed, or to purchase a limited position in a security. A pro rata allocation generally incorporates, to the extent appropriate, the parameters set by TCM’s allocation committee as well as the investment criteria of the applicable account. Under a pro rata allocation, investments will be allocated among participating accounts pro rata, taking into account any relevant investment criteria, including, for example and without limitation, investment objectives, available capital, applicable concentration limits and other investment restrictions, portfolio diversification, tax efficiencies and potential adverse tax consequences, regulatory restrictions applicable to participating accounts, policies and restrictions (including internal policies and procedures) applicable to participating accounts, the avoidance of odd-lots or cases where a pro rata allocation would result in a de minimis allocation to one or more participating accounts, the potential dilutive effect of a new position, the overall risk profile of a portfolio, and other considerations deemed relevant by TCM. TCM may also take into account whether a client is in a “warehousing” or “ramp-up” phase and over-allocate investment opportunities to such accounts during such period, so long as its overall allocation remains fair and equitable over time.

#### *Relationship Between TCM and TCA*

As noted in Item 4, TCM contracts for the provision of many mid- and back- office services associated with its asset management business, including trading, portfolio analysis, credit review and monitoring, asset valuation, and risk and compliance management. These services are currently provided by TCA under an agreement between TCA and TCM, though TCM may

engage other investment advisers or other entities to provide such services in the future. Certain investment professionals and other employees or officers of TCM are investment professionals or employees of other investment advisers. TCM's investment committee is comprised entirely of individuals who are also investment professionals of TCA. Such individuals are separately engaged and compensated by TCM, and serve at the discretion and subject to the control and direction of TCM's board of managers, who are elected by its members. A majority of TCM's Board of Managers consists of individuals who are not affiliated with TCA.

The relationships between TCM and TCA may create conflicts of interest for their clients, including conflicts arising from the allocation of investment opportunities identified by investment professionals of both TCM and TCA which may be appropriate for clients of both advisers, as both TCM and TCA currently act as collateral managers for CLOs. TCM and TCA intend to address such potential conflicts of interest by submitting each investment opportunity which has been independently approved by the investment committee of each adviser for its clients to a joint allocation committee consisting of individuals who are officers or employees of both entities. Such opportunities will then be allocated among the clients of TCM and TCA in a manner designed to achieve a fair and equitable allocation of investment opportunities among participating accounts without regard to which of TCM or TCA serves as the account's collateral manager. In general, such allocation determinations will follow the procedures and criteria described above under "Allocation of Investment Opportunities".

## **Item 12 – Brokerage Practices**

### **Best Execution and Soft Dollars**

TCM seeks "best execution" for client trades. Best execution generally refers to the execution of portfolio transactions in such a manner that total cost or proceeds in each transaction is the most favorable under the circumstances. The SEC defines best execution as "best qualitative execution," not merely the lowest possible execution cost.

In evaluating the quality of execution and selecting broker-dealers to execute client transactions, TCM considers various factors, such as execution capability, commission rate (or spread), financial responsibility and responsiveness.

TCM (or entities providing mid- and back- office services to TCM, as part of such services), communicates with the various broker-dealers in the market place and maintains a database on all of the assets it manages that is constantly updated throughout the day with real market quotes provided by broker-dealers. Prior to every trade, TCM (or entities providing mid- and back-office services to TCM, as part of such services) reviews this information and recent quotes in the market to identify the broker-dealer that it believes will provide the best overall price and certainty and quality of execution.

In addition to the general factors considered as listed above, there are several additional factors and circumstances that TCM considers when selecting a broker-dealer in the leveraged loan market, including

- *Relevant Market Place.* The senior secured bank loan market, and to a lesser extent the high-yield bond market, is not traded on an exchange where current asset prices are readily available. Further, the senior secured loan market is a private market in which the level of information known by dealers and various investors ranges significantly. TCM strives to maintain solid relationships and information flow with not just the “top-tier” dealers, but substantially all of the active dealers in the market.
- *Liquidity.* Certain investments are highly illiquid, whereby very few dealers are able to make a market in the security or instrument. Further, a dealer might be one-sided (only has an offer or a bid) for a particular position.
- *Assignment Fees.* In some cases, the transfer of a senior secured bank loan may entail the payment an assignment fee to the administrative agent. Depending on the size of the trade and the number of funds the asset will be allocated to/from, these fees can be significant. Trading with the administrative agent with respect to a particular transaction may eliminate these fees.
- *Trade Limitations.* Several factors may preclude the ratable allocation of a trade of a senior secured bank loan among several funds, including minimum hold levels.
- *Agent Bank Considerations.* In addition to the possibility of eliminating assignment fees, there are other potential benefits (or disadvantages) to trading with (or away from) the administrative agent. All trades are disclosed to the trading desk of the administrative agent and allocations of primary transactions are generally favored to those accounts which provide high and consistent trading volume with the administrative agent. Further, the administrative agent typically is the most knowledgeable dealer regarding the trading of an asset, understands who the buyers and sellers are and can provide the “early look” when a certain asset is trading;
- *Idea Generation.* TCM values the insight and research of its dealers. To the extent a dealer provides valuable trade information or insight into a credit, TCM may prefer to execute the trade with that dealer, provided the price is within its understanding of market levels; and

- *Complexity of the Asset or Transaction.* Transactions in senior secured bank loan assets, in particular, can be very complex, requiring an understanding of trading levels and features of numerous tranches and structural differences among the financial instruments of a particular issuer. It is important to transact with dealers that understand these factors.

TCM does not currently (although may do so in the future) make use of any commission sharing arrangements where brokerage business is promised in exchange for proprietary or third party services (“soft dollar” arrangements). TCM, however, may receive research, brokerage products and other services in ordinary course of trading on behalf of CLOs. These bundled services are made available to TCM on an unsolicited basis, without regard to the rates of commissions charged or paid by clients or the volume of business directed to such broker-dealers. To the extent that client brokerage commissions (or markups or markdowns) are used to obtain research, brokerage products or other services, TCM would receive a benefit because it may, in that case, not need to produce or pay for the research, brokerage products or other services received. TCM may have an incentive to select or recommend a broker-dealer based on its interest in receiving research or brokerage products or other services, rather than on its clients’ interest in receiving the most favorable execution.

TCM intends to outsource its trading activity as part of the mid and back office services associated with its asset management business as described above. Currently, it is anticipated that trading activity for TCM will be performed by TCA as part of this services arrangement. In connection therewith, TCM has adopted policies and procedures to seek best execution on client trades as described above, including independent approval of the brokers authorized by TCM to conduct trade activity on its behalf through TCA considering the criteria set forth and review of all trading activity conducted by TCA on its behalf.

### **Trade Aggregation**

TCM may purchase or sell the same investment for more than one client account at the same time. In addition, TCA may effect trades jointly for TCA clients and for TCM clients as part of the mid- and back- office services it provides for TCM. Such joint trades shall be allocated between such entities and their clients as described above Item 11, “Relationship Between TCM and TCA.” Under certain circumstances, TCM believes that aggregation of orders for multiple clients (including aggregated trades where client of TCA are also participants) is consistent with its duty to seek best execution for its clients. For example, aggregation of orders can facilitate more efficient and less costly execution by enabling a broker to “work” a large order throughout the day, rather than dealing with multiple small orders, and avoids competition in the marketplace among what otherwise would be smaller, separate orders of TCM clients (or TCA and TCM clients individually). In any case in which TCM believes that aggregation would

lead to results not in the best interest of its clients (e.g., higher transaction costs taking into account all appropriate factors), it will not affect the transaction on an aggregated basis.

When seeking to execute trades on an aggregate basis (or on an aggregated basis with TCA), TCM will determine the specific allocation for each participating account and the amount of each account's order before entering an aggregated order. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the pre-determined allocation; if the order is partially filled, it will generally be allocated pro rata based on the pre-determined allocation taking into account any applicable exclusions, reductions or augmentations (e.g., for de minimis positions, corrections, etc.).

Subject to certain restrictions or exceptions, when an order for a particular security executed for several accounts is filled at different prices, through multiple trades in a single day, an average price will generally be calculated for all trades, and accounts will receive the average price. In addition, subject to certain restrictions or exceptions, for example where the allocation of such costs would be economically immaterial to the account, all accounts within the aggregated order will share transaction costs on a pro-rata basis.

### **Item 13 – Review of Accounts**

The accounts of each CLO managed by TCM are reviewed weekly by TCM's Chief Investment Officer and not less frequently than quarterly by its investment committee. The nature of the investment committee's review is to assess overall portfolio strategies, performance and compliance with the CLO indentures. Primary responsibility for the execution of these roles resides with the Chief Investment Officer.

The trustee of each of the CLOs provides investors with monthly reports on the performance of the CLO. TCM may also furnish reports to the trustees of the CLOs for which it provides investment advisory services.

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

In the ordinary course of business, TCM or a related person may send corporate gifts or pay for meals and entertainment such as playing golf and attending cultural or sporting events for individuals of firms that do business with TCM or its affiliates. TCM employees also may be the recipients of corporate gifts, meals and entertainment. The giving and receipt of gifts and other benefits are subject to limitations under the Code. See Item 11.

TCM may pay fees to consultants for their advice and services, industry information or data, or

conference attendance. TCM may also, from time to time, enter into agreements with placement agents in connection with the issuance of securities in the CLOs it will manage.

### **Item 15 – Custody**

TCM does not maintain custody of CLO assets. Rather, such assets are held by the trustee of each CLO. As noted in Item 13, the trustee provides investors in the CLO with periodic reports on the composition and performance of the CLO. In the event that TCM were to have custody of client assets as the result of acting as the general partner, manager, administrator or sub-administrator of a private fund established to facilitate the investments of investors in a CLO or CLO warehouse managed by TCA, TCM will engage independent public accountants to audit the financial statements of the private fund and distribute those audited financial statements to the limited partners or members of the private fund within 120 days of the private fund's fiscal year end and upon liquidation of the private fund.

### **Item 16 – Investment Discretion**

TCM generally receives and exercises discretionary authority to manage investments on behalf of each CLO for which it provides investment advisory services. A CLO may have certain investment restrictions regarding the management of the assets of the CLO (*e.g.* concentration limits, credit quality, etc.). TCM's discretionary authority as to the assets of each CLO for which it provides investment advisory services is set forth in the collateral management agreement and other constituent documents of the CLO.

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

The power of attorney granted to TCM in the collateral management agreement and the constituent documents of each CLO may give TCM the authority to vote on modifications to loan terms and covenants without investor guidance.

TCM's policies for voting client investments are, in brief, as follows. TCM votes in a manner that it determines, in its discretion, is in the best interest of its clients and consistent with its duty of care and loyalty to its clients. TCM will generally vote for proposals that it believes maximize the value of the relevant investment. The factors it considers will vary from investment to investment and from client to client, and may include market information, liquidity, the debtor's financial situation, the industry, and client's investment guidelines and the remaining life of the relevant account.

If TCM were to ever deem there to be a conflict between its interests and those of the client with respect to the voting of a client security, TCM would address the conflict by establishing a committee likely including the Chief Investment Officer and the Chief Compliance Officer.

Clients of TCM, as well as investors in CLOs managed by TCM, may obtain (1) information about how TCM voted proxies on their behalf and (2) a copy of TCM's proxy voting policy and procedures, by contacting TCM's Chief Compliance Officer at (214) 706-9179 or [anelson@trinitascmlc.com](mailto:anelson@trinitascmlc.com).

#### **Item 18 – Financial Information**

Not Applicable.