

Callodine Capital Management, LP

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Form ADV Part 2A: Firm Brochure

March 26, 2019

This brochure provides information about the qualifications and business practices of Callodine Capital Management, LP ("*Callodine*"). If you have any questions about the contents of this brochure, please contact us at 617-880-7480. 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.

Additional information about Callodine also is available on the SEC's website at www.adviserinfo.sec.gov.

Registration as a registered investment adviser pursuant to the Investment Advisers Act of 1940, as amended, (the "*Advisers Act*") does not imply any level of skill or training.

This document is not an advertisement for the advisory services of Callodine, nor an offer to sell or the solicitation of an offer to purchase interests in any fund managed by Callodine.

Item 2 – Material Changes

Callodine has updated this Form ADV Part 2A (brochure) as part of the annual amendment process. The information in this brochure does not reflect material changes to the information contained in the Firm's initial filing in July, 2018.

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Item 4 – Advisory Business

Callodine Capital Management, LP was formed in 2018. The principal owner of Callodine is James Morrow (*“principal”*).

Callodine provides advisory services to privately offered pooled investment vehicles exempt from registration under the Investment Company Act of 1940, as amended, organized by Callodine or its affiliates (collectively, the *“Callodine Funds”* or the *“Funds”*) and a separately managed account. We may, in the future, organize additional investment vehicles or manage additional separately managed accounts that follow an investment program similar to or different from the investment program of the Callodine Funds.

The Callodine Funds are organized in a master-feeder structure. Investors invest in our feeder fund: the Callodine Capital Fund, LP, a Delaware limited partnership (the *“Feeder Fund”*). The Callodine Feeder Fund invests in parallel through our master fund, Callodine Capital Master Fund, LP, a Cayman Islands exempted limited partnership (the *“Master Fund”*). The Partnership intends to offer series A and F limited partnership interests as described in the Funds’ offering documents. In addition, Series SI Interests have been offered to one strategic investor. All Interests will invest in the same underlying assets, provided that certain terms associated with each Series will be different, including with respect to the Management Fee and the Performance Allocation percentages described in Item 5 and Item 6.

Callodine manages the Funds in a manner consistent with the investment strategy described in the Funds’ offering documents. In addition to day-to-day trading responsibilities, Callodine bears primary responsibility for making investment decisions for the Funds and developing investment strategies consistent with the investment objectives, policies and restrictions applicable to the Funds. Investment advice is provided directly to the Master Fund, subject to the discretion and control of the general partner. Callodine does not provide specifically tailored advice to investors in the Funds. Any investment restrictions applicable to the Callodine Funds are set forth in the organizational or offering documents of the Funds.

Callodine also serves as investment adviser for a separately managed account and may advise other separately managed accounts in the future, some of which may be organized to invest alongside certain Callodine Funds on such terms as outlined in the investment management agreements. These managed accounts and the Callodine Funds are collectively referred to herein as the *“Clients”*.

As of December 31, 2018, Callodine’s assets under management were approximately \$209,956,951, all of which are managed on a discretionary basis.

Item 5 – Fees and Compensation

Callodine Funds:

As compensation for its advisory services, Callodine receives a management fee based on the assets under management of its feeder fund. For the Series A Interests, the management fee is payable quarterly in advance at the annual rate of 1.5% of each investor's opening capital account balance of the quarter, before any reduction for incentive allocation accrued during the year. The Series F Interests' management fee is payable quarterly in advance at the annual rate of 1.25% of each investor's opening capital account balance, before any reduction for incentive allocation accrued during the year.

The management fee is not negotiable, although Callodine retains the discretion to waive fees for one or more investors, in whole or in part, without notification to other investors. Callodine does not collect a management fee from its affiliated and employee investors. In the future, Callodine may enter into arrangements with clients other than the Funds on different terms.

The management fee is deducted from the capital accounts corresponding to each investor's interest in the Funds. The aggregate management fee for the feeder fund is paid to Callodine directly by the master fund (with corresponding reductions reflected in the feeder fund capital accounts in the master fund). Payments of the management fee by the master fund are made to Callodine quarterly in advance in accordance with statements generated by our administrator and approved by Callodine.

The capital account of an investor admitted to a Fund on a day other than the first day of the calendar quarter is charged a pro rata portion of the management fee corresponding to the number of months remaining in the quarter.

In addition to the management fee, an investor bears its allocable share of expenses associated with the operations of the Funds. These include, among others:

- All costs and expenses directly related to its investment program, including transaction costs related to investments such as brokerage commissions and other transaction costs (brokerage commissions are also discussed in Item 12), order management systems, research, due diligence, clearing and settlement charges, margin and interest on debit balances or borrowings, custody fees;
- Out-of-pocket costs related to the administration of the Fund, including accounting, audit, administrator, consulting and legal expenses, risk management reporting, insurance expenses, costs of any litigation or investigation involving the Fund's activities, and costs associated with reporting and providing information to investors; and
- Expenses associated with the organizational costs and the offering of interests in the Fund (including legal and accounting fees, printing costs and "blue sky" filing fees and expenses but excluding travel and out-of-pocket expenses incurred in connection with the offering of limited partner interests).

It is anticipated that most investment related expenses and certain other expenses, including without limitation, the Management Fee, will be incurred by the Master Fund, and the Partnership for its pro rata portion of such expenses.

Investors can review the expanded summary of expenses in the Funds' private offering memoranda.

These expenses are deducted from the capital accounts of investors at the end of the fiscal period in which they are accrued by the Funds.

Separately Managed Accounts:

Fees and payment terms with respect to separately managed accounts are negotiated on a case by case basis and may be based on a percentage of the commitment amount or a percentage of the net asset value of the account. The details are agreed upon and outlined in the investment management agreements in place with each Client.

All investment management services may be terminated in accordance with the terms outlined in each respective investment management agreement.

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

Callodine Funds: In addition to the management fee, investors in the Callodine Funds make an annual performance-based allocation of net profit to an entity affiliated with Callodine which serves as general partner of the Master fund and the Feeder fund, Callodine Capital Partners, LLC (the “*General Partner*”). A portion of net profits initially allocated to each investor’s capital account of the Series A and Series F limited partners is reallocated to the capital account of the General Partner as of the end of each fiscal year (or the close of any shorter period ending upon an investor’s full or partial withdrawal). This reallocation takes place at the master fund level where capital accounts corresponding to each investor’s capital account in the funds are maintained for structural reasons.

For Series A Interests, the performance allocation is 17.5% of annual net profits (based on realized and unrealized gain) of each Fund, subject to loss recovery provisions (commonly known as a “high water mark”) and other limitations discussed in the Funds’ private offering memoranda. The Series F Interests performance allocation is 12.5%.

The performance allocation with respect to any investor may be waived or altered by the General Partner in its discretion.

Separately Managed Accounts: For the Firm’s separately managed account Clients, Callodine is entitled to performance fees based on a calculation as outlined in the investment management agreement. Performance fees are negotiated on a case by case basis. The details are agreed upon and outlined in the investment management agreements in place with each Client.

Conflicts surrounding Performance-Based Fees:

Performance-based arrangements may create an incentive for Callodine to recommend investments that are more risky or speculative than those that would be recommended under a different fee arrangement. Performance-based arrangements also create an incentive to favor higher paying accounts over lower paying accounts in the allocation of investment opportunities. Additionally, under some performance-based structures, Callodine may benefit when capital gains are recognized and, because it determines when an investment is sold, Callodine controls the timing of the recognition of capital gains. Callodine or its affiliates, or their respective principals or personnel, may also own a portion of Funds or accounts that Callodine manages. This may create a similar performance-based incentive to that mentioned above.

To address these conflicts, our policies and procedures require that investment decisions be made based on the best interests of our Clients, without consideration of pecuniary interests of Callodine or its employees. Callodine has implemented policies and procedures that govern the allocation of portfolio transactions and investment opportunities across Client accounts. In general, the way portfolio transactions and investment opportunities are allocated to accounts depends upon certain factors (e.g. how much liquidity is available within a Client Account, the desired position size, the investment period of the portfolios, whether there are limitations or restrictions imposed on an account due to its investment mandate). Supporting documentation for trade allocation is reviewed periodically by the Chief Compliance Officer to determine compliance with established policies and procedures.

Item 7 – Types of Clients

As noted in Item 4 above, we currently provide investment advisory services to the Callodine Funds and a separately managed account.

The Feeder Fund is exempt from registration under Section 3(c)(7) of the Investment Company Act. Investors, which may include endowments, pension plans, charitable institutions, family offices, other funds, and high net worth individuals and other entities are admitted to the Callodine Funds at the discretion of such Fund's general partner, as applicable. Some of Callodine's employees may also have investments in the Callodine Funds.

The minimum initial investment is \$1,000,000 for the Series A and F interests, although the General Partner may waive the minimum investment amount, in its discretion.

Interests in the Feeder Fund may only be purchased by investors that are "accredited investors," as defined in Regulation D under the Securities Act of 1933, and either "qualified purchasers," as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, for purposes of Section 3(c)(7) thereunder, or a "knowledgeable employee" as that term is defined in Rule 3c-5 of the 1940 Act.

Minimum investment amounts for separately managed accounts are negotiated on a case by case basis.

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

Investment Strategy and Methods of Analysis

The investment objective of the Master Fund is to provide strong risk-adjusted total returns with low market correlation and a focus on the preservation of capital. Callodine intends to achieve this objective by focusing its investments on dividend paying equity securities across a variety of sectors. Callodine also expects to invest in other securities, which may include master limited partnerships ("MLPs"), business development companies ("BDCs"), and real estate investment trusts ("REITs") and special situations including distressed debt, preferred securities and convertible securities.

Although the Fund will focus on investing in dividend paying securities, the purpose of investing in these securities is not just to generate yield. Callodine will also seek to identify companies with dividend paying securities that it believes are fundamentally undervalued. Such companies may be undervalued due to a variety of reasons, including perception of unfavorable industry dynamics, poor short-term business performance due to cyclical or company specific factors, short term dislocations in capital flows to a specific

sector or sub-sector or changes in management. Callodine believes that these conditions often result in fundamentally “good” businesses being available at depressed valuations.

Callodine expects to emphasize bottom up (individual company analysis) and top-down (macro-economic and market-project strategy selection) in its analysis. Callodine believes that a distinct advantage can be gained from deep fundamental research and analysis combined with a behavioral bias overlay and leveraging the experience and insight of the Principal and Callodine’s investment team. This experience and insight spans a variety of market sectors, time-frames and conditions and Callodine believes that this provides it with a strong understanding of targeted-industry dynamics and fundamentals, which forms the basis of the Fund’s research universe and trading strategies.

In the pursuit of additional risk adjusted returns, the Fund’s investment strategy will typically include the use of leverage. We believe that leverage will allow the Fund to take advantage of value added investment research and may be employed to the extent that Callodine believes it can substantially exceed the costs of leverage. The Fund will also engage in short selling as a potential source of additional return in situations where it believes securities are overvalued, and as a hedging strategy.

Although we intend for the Partnership to invest primarily in equity and equity-related securities, the Fund may also invest in a variety of other securities and instruments and may use a variety of investment techniques to generate profit and/or control risk. These additional instruments will likely include options, convertible bonds, preferred stock and various debt and credit instruments. The Fund will invest in (and short) companies in any sector and of any market capitalization.

There is no assurance our strategy and methodologies will be successful over any given period of time.

Investing is speculative and involves significant risks, including the risk of total loss of invested capital. The following information is not intended to be a summary of all the risks associated with an investment in the Funds, but rather some specific risks associated with our strategy and the securities in which we typically invest which we believe are important for investors to consider. Investors should carefully review the expanded summary of risks in the Funds’ private offering memoranda.

Risks Associated with Strategy and Methodologies

Equity Securities Generally

Callodine will invest in equity and equity-related securities in the U.S. and other countries. The value of these financial instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, the Fund may suffer losses if it invests in equity instruments of issuers whose performance diverges from Callodine’s expectations or if equity markets generally move in a single direction and Callodine has not hedged against such a general move.

Undervalued Securities

Callodine expects to invest in companies that we believe are undervalued. Opportunities in undervalued equity securities arise for various reasons, which may include market inefficiencies or a lack of wide recognition of the potential impact (positive or negative) that specific events or trends may have on the value of a security. The identification of investment opportunities in undervalued securities is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses.

Dividend Securities

Companies that issue dividend yielding equity securities are not required to continue to pay dividends on such securities. Therefore, there is the possibility that such companies could reduce or eliminate the payment of dividends in the future.

Use of Leverage

The Fund will borrow money and engage in transactions that have the effect of creating inherent leverage. There is no limit on the amount of leverage that Callodine may employ. The Fund's leverage will be derived through margin and by using options, short sales, swaps, forwards, futures contracts and other derivative instruments. The Fund may use short-term margin borrowing in purchasing securities positions. Such borrowing, if made, may result in certain additional risks to the Fund.

Short Sales

Callodine expects to engage in short sales as part of hedging transactions or when it believes securities are overvalued. Short sales are sales of securities Callodine borrows but does not actually own, usually made with the anticipation that the prices of the securities will decrease and the Fund will be able to make a profit by purchasing the securities at a later date at the lower prices. The Fund will incur a potentially unlimited loss on a short sale if the price of the security increases prior to the time it purchases the security to replace the borrowed security. A short sale presents greater risk than purchasing a security outright since there is no ceiling on the possible cost of replacing the borrowed security, whereas the risk of loss on a "long" position is limited to the purchase price of the security.

Hedging Transactions

The Fund may utilize certain financial instruments both for investment purposes and for risk management purposes in order to 1) protect against possible changes in the market value of the Fund's investment portfolio resulting from fluctuations in the securities markets, changes in interest rates, currency exchange rates or other financial measures, 2) protect the Fund's unrealized gains in the value of the Fund's investment portfolio, 3) facilitate the sale of any such investments, 4) enhance or preserve returns, spreads or gains on any investment in the Fund's portfolio, 5) hedge the interest rate or currency exchange rate on any of the Fund's liabilities or assets, 6) protect against any increase in the price of any securities the Fund anticipates purchasing at a later date or 7) for any other reason that Callodine deems appropriate.

When Callodine decides to hedge one or more positions, its success will be based on its ability to correctly assess the degree of correlation between the performance of the hedging instrument and the performance of the investment being hedged. Since the characteristics of many securities change as markets change or time passes, the success of a hedge will also be subject to Callodine's ability to periodically recalculate, readjust, and execute the hedge in an efficient and timely manner. While the Partnership may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Fund than if it had not engaged in any such hedging transactions.

Non-U.S. Securities

The Fund may invest in securities and instruments of non-U.S. issuers, including issuers located in emerging markets. The Fund's investments in securities and instruments in non-U.S. markets involve

substantial risks often not typically associated with investing in U.S. securities. Investments in non-U.S. securities may be adversely affected by changes in currency rates or exchange control regulations, changes in governmental administration or economic or monetary policy (in the United States and abroad) or changed circumstances in dealings between nations. Changes in foreign currency exchange rates relative to the U.S. dollar will affect the U.S. dollar value of the Fund's assets denominated in that currency and thereby will have an impact upon the Partnership's total return on such assets. The Fund may utilize options and forward contracts to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.

Securities of non-U.S. issuers may be less liquid than comparable securities of U.S. issuers and, as such, their price changes may be more volatile. Furthermore, some foreign exchanges and broker-dealers are generally subject to less government and exchange scrutiny and regulation than their American counterparts. Brokerage commissions, dealer concessions and other transaction costs may be higher on foreign markets than in the U.S. In addition, differences in clearance and settlement procedures on foreign markets may occasionally lead to delays in settlements of the Fund's trades effected in such markets.

Concentration of Investments

The Fund's portfolio may, from time to time, be concentrated in a particular type of security, asset class, industry, geographic location or market capitalization. This may be the result of the Fund's opportunistic investing, external market forces or the lack of liquidity in one security as compared to other securities the Fund holds. Losses incurred in a position making up a significant percentage of the Fund's capital could have a material adverse effect on the Fund's overall financial condition.

Risks of Investments in Options

Investing in options can provide greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof.

Risks of Investing in Real Estate Investment Trust ("REIT") Securities.

The Fund may invest in securities issued by entities which qualify as "real estate investment trusts", and in securities of non-REIT issuers which are primarily engaged in real estate activities, such as real estate development and management. As a result, some of the Fund's investments are subject to the risks inherent in the real estate market such as environmental liabilities, joint ventures, local economic values, possible increases in interest rates, borrowing risks, illiquidity, and risks associated with the management of REITs.

Risks Associated with the Partnership

No Operating History and Dependence on Key Personnel.

Although the Principal has substantial investment experience, Callodine and the Fund were recently formed and the Fund has no history upon which a prospective investor may base its investment decision. The success of the Fund will depend upon the ability of the Principal to develop and implement investment strategies that achieve the Fund's investment objectives. If the Principal were to become unable to participate in the management of the Fund, the consequences to the Fund could be material and adverse.

The past performance of the Fund, Callodine, the General Partner, the Principal, their respective affiliates and funds they manage is no guarantee of future performance.

Start-Up Operations.

Callodine and the General Partner recently commenced operations and, therefore, each is subject to all the risks associated with being a start-up operation. It may be difficult for the Investment Manager and/or the General Partner to raise capital for the Partnership, which could make it difficult for Callodine and/or the General Partner to continue to be economically viable. Were Callodine to discontinue operations prematurely, the result could be adverse to the Fund, which likely would be required to unwind, possibly in unfavorable market conditions and before the Fund has had a reasonable opportunity to realize its investment objectives.

Item 9 – Disciplinary Information

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Item 10 – Other Financial Industry Activities and Affiliations

Neither Callodine nor any of its management persons is registered, or has an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or associated person of any of the foregoing entities.

Aside from the investment advisory and general partner relationships between Callodine and the General Partner, on the one hand, and the applicable Funds, on the other (including the associated fee arrangements discussed in Items 5 and 6 above), as well as the common control of Callodine and the General Partner by James Morrow, neither Callodine nor any of its management persons has a relationship material to the business of Callodine or the Clients with any related person reportable under this Item. Material conflicts of interest associated with the Callodine and General Partner relationships mentioned are discussed in Item 11.

Finally, Callodine does not recommend or select other investment advisors for our clients in return for direct or indirect compensation from such advisers, nor does Callodine have other business relationships with any investment advisers so recommended or selected, in each case, that creates a material conflict of interest.

Item 11 – Code of Ethics

Code of Ethics

Callodine has adopted a Code of Ethics for all employees and partners of Callodine describing its high standard of business conduct and fiduciary duty to its clients. The Code includes provisions relating to the confidentiality of client and firm information, prohibitions on insider trading and market manipulation, policies and procedures regarding personal trading, and disclosure and approval requirements for gifts, business

entertainment and other conflicts of interest. All employees must acknowledge receipt of the Code and any amendments and report any violations of the Code to the Compliance Officer.

Employees are permitted to invest in registered open-end mutual funds, exchange-traded funds (ETFs), closed-end funds, government securities and other cash equivalent securities. Employees may also invest in the Callodine funds, subject to eligibility requirements. Any exception to this policy requires approval of the Compliance Officer which is reserved for unusual circumstances and special situations where the risks of conflict are not present.

We will provide a copy of our Code of Ethics to investors upon request.

Conflicts of Interest

In the ordinary course of conducting its activities, the interests of Callodine and its affiliates may conflict with those of Callodine's Clients. Some of these potential conflicts, and our measures to address them, include:

Performance-Based Fees.

Performance-based arrangements may create an incentive for Callodine to recommend investments that are more risky or speculative than those that would be recommended under a different fee arrangement. Performance-based arrangements also create an incentive to favor higher paying accounts over lower paying accounts in the allocation of investment opportunities. See Item 6 – Conflicts for how Callodine addresses this conflict.

Valuation. Callodine and the General Partner of the Funds exercise supervisory authority over the valuation of the Clients' assets, which authority has been delegated to Callodine. Valuation methodologies for certain investments can be subjective and involve a measure of judgment by Callodine. The portfolio valuations that we oversee affect the calculation of management fees payable to us and the performance allocation paid to our affiliate, the General Partner. We have a valuation policy designed to minimize this potential conflict of interest which directs us to use stock exchange pricing and other external price measures for most securities and requires us to use consistent and fair valuation criteria in circumstances where external pricing is unavailable or unreliable. In addition, our third-party administrator for the Funds calculates the net asset value of our portfolio per the instructions of the Investment Manager and as outlined in the fund offering documents. A full reconciliation of administrator and internally gathered pricing information is performed at month end. The Prime Broker/Custodian is responsible for valuing investments within the separately managed accounts which are also reviewed and reconciled by the investment manager. Valuation for the Separately Managed Account is calculated by the Prime Broker per the instructions of the Investment Manager. Callodine reconciles the Prime Broker valuation to its records.

Adviser or its Employees Trading for Their Own Account. Investments by Callodine or its employees, for their own accounts, in securities that are also in the Funds' portfolio could, or could appear to, interfere with Callodine's exercise of independent investment decision-making in the best interest of the Funds. In addition, the timing of any trading in such securities by Callodine or its employees could have a disadvantageous effect on the values, prices or trading strategies of the Funds. This risk of conflict is addressed through our personal trading policy, described above in this Item 11, which narrowly limits the types of securities in which employees may invest.

Side Letters. Callodine has entered into a limited number of side letter arrangements with certain investors in the Funds that have established different rights or privileges with respect to, but not limited to, more

favorable terms over time with respect to management fees and performance allocation as Callodine's AUM or performance reach certain material positive breakpoints. In addition, the agreements grant the investors more favorable terms with respect to transfer of interests, capacity, reporting, and transparency of fund information.

Item 12 – Brokerage Practices

Broker Selection and Evaluation

Callodine uses an outsourced trader to facilitate the trading process. However, in keeping with our fiduciary duties to the Clients, we have a responsibility to ensure the trader is seeking "best execution" in effecting trades for the Clients. In general, this means effecting transactions for the Clients in such a manner that the total cost or proceeds to the Clients of each transaction is the most favorable under the circumstances. It is important to note that best execution is a qualitative standard; it is not measured solely by reference to commission rates or price. Paying a broker a higher commission rate than rates charged by other brokers is appropriate when the difference in commission rate is reasonably justified by the value of the brokerage services obtained for the Clients.

In selecting brokers to execute trades for the Clients, Callodine works with the outsourced trader to consider the full range and quality of each broker's services. Factors considered include:

- Trading expertise and experience, including the ability to minimize total trading costs and trade without impacting the market where possible
- Execution capabilities, such as adequate infrastructure for order entry, clearing and settlement, and knowledge and resources to address any complexities particular to the type of security, the market in which it trades or the size of transaction
- Commission rates
- Value of research or brokerage services provided, including the quality, comprehensiveness and frequency of proprietary research and the ability of the broker to provide access to management and industry specialists
- Responsiveness, promptness, reliability, and overall quality of the relationship, including attentiveness to our interests, consistency of personnel, willingness to address problems and history of dealing with us fairly and honestly
- Financial strength and stability
- Administrative resources, operational efficiency

Annually, the portfolio manager creates a commission budget which groups and ranks the executing brokers and establishes target commission allocations for each broker based on many factors including the following:

1. The results of an annual survey of the investment analysts at Callodine to evaluate the value-add of brokers providing research services such as research reports, discussions with sell-side analysts, industry conferences and meetings with issuer management,

2. The portfolio manager's own observations regarding research services, commission rates and other qualitative attributes, and
3. Feedback and supporting documentation from the outsourced trader as to the quality of the executing brokers' services such as execution capability, attentiveness, effort and responsiveness to our orders, and commission rates.

The portfolio manager will share the commission allocation budget with the outsourced trader for their use in selecting the brokers on a transaction-by-transaction basis. In some cases, the portfolio manager may direct the trader to use a specific broker for specific transactions.

The portfolio manager then monitors actual expenditures throughout the year based on periodic reports that reflect the allocation of actual commission dollars in conjunction with targeted allocations. From time to time, the portfolio manager may reclassify a broker or make a change to the budget mid-period based on the particular circumstances of such broker or our trading activity during the period.

We do not engage in the practice of seeking or considering client referrals from broker-dealers or directed brokerage arrangements.

Soft Dollars

Where an investment adviser causes its clients to pay more than the lowest available commission to a broker-dealer in return for research or other non-execution products and services, the amount of such excess payment is generally referred to as "soft dollars," and the research and other products and services received in exchange for the higher commission rate are soft dollar benefits. Callodine reserves the right to use soft dollars to pay for research and brokerage services so long as such usage meets the safe harbor criteria of Section 28(e) of the Securities Exchange Act of 1934, as amended, which provides, in summary, that it is not a breach of fiduciary duty for an adviser to cause an account to pay a commission in excess of the lowest rate available if the adviser determines in good faith that the amount of the commission is reasonable in relation to the value of the brokerage and research services provided. Callodine does intend to use soft dollars in compliance with Section 28(e).

Callodine receives valuable proprietary research services from its broker-dealers. Consistent with its responsibility to seek best execution, Callodine considers the value of proprietary research and related services in its broker selection process, discussed above in this Item 12. In each case, Callodine will determine in good faith whether the amount of the broker's commission is reasonable in relation to the value of research and brokerage services the broker provides to the Funds, in the context of either a particular transaction or our overall responsibilities to the Funds. Callodine does not seek lower brokerage commissions to the extent that doing so might detract from the provision of such services.

By way of example, the types of proprietary research and other products and services we may receive from broker-dealers as part of the services offered to their trading customers include research reports, calls with sell-side analysts, industry conferences, broker-arranged meetings with management, calls with industry specialists, and advice regarding investment opportunities, trading strategies and participation in various markets.

The usage of soft dollars may create conflicts of interest. First, the use of externally-developed research, whether purchased with soft dollars or directly, supplements and may at times partially supplant the research we perform internally. Because the Callodine Funds are responsible for both research expenses and brokerage commissions, the cost of external research is borne by the Funds rather than the adviser

regardless of the means of payment. However, our use of external research, obtained through soft dollars and otherwise, could be deemed to create a conflict of interest to the extent it creates an incentive for the adviser to rely on external research in place of hiring an additional adviser-compensated employee. The availability of external research could also influence our selection of brokers and lead us to pay higher commission rates to research-providing brokers than the rates available from execution-only brokers, all in the manner we describe under “Best Execution” above. Another potential conflict surrounding soft dollar usage arises when soft dollar credits generated by the trading of one account are applied to obtain research benefiting different or multiple accounts.

Aggregation Across Client Accounts

Callodine has implemented policies and procedures that govern the allocation of portfolio transactions and investment opportunities across Client accounts. In general, the way portfolio transactions and investment opportunities are allocated to accounts depends upon certain factors (e.g. how much liquidity is available within a Client Account, the desired position size, the investment period of the portfolios, whether there are limitations or restrictions imposed on an account due to its investment mandate). Supporting documentation for trade allocation is reviewed periodically by the Chief Compliance Officer to determine compliance with established policies and procedures.

Item 13 – Review of Accounts

Review of Accounts

Callodine's portfolio manager reviews the Client accounts daily to monitor performance and evaluate whether the portfolios are optimized to execute our investment strategy and achieve our investment objectives or whether adjustments are appropriate in light of changing market conditions, issuer developments and current opportunities and investment ideas. While the Clients' governing documents and/or investment management agreements do not contain specific restrictions on the types of investments in our portfolios, the portfolio manager continuously monitors whether the portfolios' characteristics are consistent with the investment objectives, philosophy, strategy and methodologies that we have described to investors in our offering documents and investment management agreements, and whether they are comfortable with the general levels of investment, position concentration, and other measures of risk and potential reward that characterize the portfolio.

The investment professionals meet periodically to review the portfolios and discuss new ideas. Various reports are generated from Callodine's systems and are reviewed by the portfolio manager to analyze numerous characteristics of the portfolio, including, among others, multiple measures of performance, geographic and industry detail, instrument-specific factors and regulatory compliance reports.

Reports to Investors

Regular reporting to Clients and investors includes monthly unaudited performance information. On an annual basis, investors of the Funds receive Schedule K-1s and audited financial statements for the Callodine Fund. The separately managed account client receives periodic reporting directly from the custodian.

The Fund, or the Administrator on behalf of the Fund, may elect to deliver such notices and documents by using a variety of means including, but not limited to, by telephone, e-mail, password protected Internet website and regular mail.

Item 14 – Client Referrals and Other Compensation

Callodine does not receive any economic benefit from anyone other than its clients for providing investment advice or other advisory services to its clients, nor do we compensate any person for client referrals.

Item 15 – Custody

Callodine does not maintain physical possession of client funds or securities. Together with the General Partner, however, Callodine is authorized to withdraw funds or securities from the Callodine Funds for the payment of management fees and other expenses, and our capacities as investment manager and general partner afford us overall access to Fund securities and funds. As a result of this access and authority, we are deemed to have custody of client funds and securities within the meaning of the Advisers Act.

Consistent with the requirements under the Advisers Act, the assets of the Callodine Funds are held in accounts maintained with our prime brokers and our custodians, “qualified custodians” within the meaning of the Advisers Act. Our prime brokers and custodians are banks or registered broker-dealers that hold Fund assets in separate accounts (or in a separate customer account with records identifying the assets of each such Fund in accordance with applicable broker-dealer and custodial bank regulation).

In addition, the annual financial statements of the Funds will be prepared in accordance with GAAP, audited by an independent accounting firm registered with the Public Company Accounting Oversight Board and distributed to all investors within 120 days of the Funds’ fiscal year end.

For separately managed accounts, Callodine does not take custody or physical control of the assets of the accounts. The Prime Broker/Custodian shall at all times have custody and/or physical control of the assets of the account. The Client has access to reports and statements, including tax reporting, directly from the Custodian.

Item 16 – Investment Discretion

Callodine has full discretionary authority over all assets it manages for the Clients, consistent with the investment objectives and strategy described in the offering documents and investment management agreement. This discretionary authority is conferred upon Callodine pursuant to its investment management agreement with the Funds. Callodine does not provide advisory services directly to investors in the Callodine Funds.

Item 17 – Voting Client Securities

Callodine has sole authority to vote client securities, which we exercise in accordance with our written proxy voting policies and procedures. Our policy is generally to vote in the manner we believe is most likely to maximize value for the Clients, consistent with the investment philosophies described in the offering

documents. Voting decisions are made on a case-by-case basis, based on a determination of votes in the best interests of the Funds in light of the particular facts and circumstances surrounding each vote. In our proxy voting policy, we describe some factors we are likely to consider when approaching votes on matters where some general observations may be drawn, but the facts and circumstances of the issuer at the time of each vote ultimately guides our voting decision. We will provide a copy of our proxy voting policy and/or information regarding our voting record to clients and investors upon request.

A conflict of interest could arise between the interests of Callodine and the interests of the Clients with respect to a voting decision, for example, where the Callodine personnel executing voting authority has a separate business or personal relationship with the proponents of a voting proposal or directors standing for election at a portfolio company. If Callodine determines that a material conflict of interest exists between the interests of Callodine and the interest of the Clients with respect to a particular vote, Callodine will retain a proxy voting service, or turn to another independent third party, to determine the manner in which such vote should be cast.

Item 18 – Financial Information

Callodine does not require or solicit prepayment of any fees six months or more in advance and does not have any financial condition that would impair its ability to meet contractual commitments to clients.