

Rand Capital Management, LLC

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Form ADV Part 2A: Firm Brochure

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This brochure provides information about the qualifications and business practices of Rand Capital Management, LLC (“RCM”). If you have any questions about the contents of this brochure, please contact us at 617-880-7494. 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 RCM 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.

Item 2: Material Changes

This Form ADV Part 2A (“Brochure”) replaces the last version dated June 2023. The information in this updated Brochure does not contain any material changes, but includes routine annual updating changes, clarifying and/or enhanced disclosures and updated regulatory assets under management. We recommend that you read this Form ADV Part 2A in its entirety.

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Item 4: Advisory Business

Rand Capital Management, LLC is organized as a Delaware limited liability company and was formed in 2019. RCM is owned by Callodine Credit, LLC which is owned by Callodine Group, LLC (“Callodine Group”). The principal owner of Callodine Group is James Morrow.

Advisory Services

RCM provides discretionary advisory services to its clients. RCM’s current clients consist of (i) Rand Capital Corporation (RAND), a publicly traded, closed-end management company that has elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (“1940 Act”) and (ii) two privately offered investment funds (“Private Funds”) which are closed to new investors. The BDC and the Private Funds are each referred to herein as a “Client” and collectively as “Clients.” RCM may, in the future, organize and sub-advise, additional investment vehicles that follow an investment program similar to or different from the investment program of RCM’s existing Clients.

Private Funds

RCM manages the following privately offered pooled investment vehicles exempt from registration under the Investment Company Act of 1940, as amended:

- BlueArc Mezzanine Partners I, LP (“BAMP”) (closed to new investors)
- Callodine Strategic Credit Fund II, LP (“CSCF”) (closed to new investors)

The Private Funds were formerly advised by Callodine Strategic Credit, LLC, an Exempt Reporting Adviser. Callodine Strategic Credit merged with RCM effective June 1, 2023.

The Private Funds pursue an investment strategy of investing in mezzanine debt and structured capital solutions to lower middle market companies in the U.S. RCM manages the Private Funds in a manner consistent with the investment strategy described in the Funds’ offering documents. In addition to day-to-day portfolio management responsibilities, RCM bears primary responsibility for making investment decisions for the Funds. RCM does not provide specifically tailored advice to investors in the Private Funds. Any investment restrictions applicable to the Funds are set forth in the organizational or offering documents.

The BDC

The BDC’s investment focus is to seek current income and capital appreciation by focusing its debt and related equity investments in privately held, lower middle market companies with committed and experienced management in a broad variety of industries.

Client assets are managed in accordance with the particular investment objectives, strategies, restrictions and guidelines set forth in the regulatory documents filed with the SEC and any other applicable governing documents (“Governing Documents”). RCM does not tailor its advisory services to the needs of individual investors in the BDC. Any investment restrictions applicable to the BDC are set forth in the registration statement and other applicable governing documents.

As of December 31, 2023, the regulatory assets under management for the BDC were \$81,021,982. The regulatory assets under management for the Private Funds were \$76,690,561. RCM's total regulatory assets under management was \$157,712,543, all of which are managed on a discretionary basis.

Item 5: Fees and Compensation

The scope and level of Management Fees varies across each Client and is specifically set forth in applicable Governing Documents. We have no set fee schedules and may waive or reduce Management Fees at our discretion.

Private Funds

Investors in the Private Funds are subject to the fees and expenses summarized below.

Management Fees

As compensation for the advisory services provided to the Funds, RCM receives a management fee from each Fund, payable quarterly in advance, as described in each Fund's respective Governing Documents. RCM may waive (and has waived, for RCM affiliates and other investors) the management fee, in whole or in part.

Other Expenses

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

- Organizational expenses subject to certain thresholds and offsets as outlined in the Fund's documents.
- Other operating expenses including, without limitation, brokerage and transaction fees; expenses related to the sourcing, evaluation, purchasing, holding, monitoring and sale of investments; expenses related to, or incurred in connection with any proposed investment which is not consummated including any broken deal expenses; expenses of maintaining the Fund's books and accounts, including fees of any separate accountants retained for the Fund; Fund administration fees; custody fees; audit fees; legal fees (including, without limitation, litigation fees of the Fund); compliance fees and expenses; registration and licensing fees; taxes (including withholding and transfer taxes); governmental fees; tax preparation fees; expenses of preparing and distributing investor reports and other communications with investors and the public; expenses for ongoing investor support including, but not limited to, visits and meetings individually or as a group; costs associated with preparing and delivering market materials (regardless of medium); fees or dues in connection with membership in, attendance at events of, and publications of trade and industry associations or similar organizations; professional fees of consultants incurred in connection with the operations of the Fund; insurance costs; costs of Fund borrowing facilities, including origination and interest expense; any and all extraordinary expenses, and other costs and expenses related to the operation of the Fund.

Transaction Fees / Portfolio Company Fees

Any fees received from portfolio companies are retained by RCM or an affiliate. Such fees currently received are closing and monitoring fees, but in the future may include fees such as origination, amendment, restructuring, prepayment, break up and director fees.

We may receive and retain compensation from related loan obligors (*i.e.*, each borrower or guarantor of a loan) or otherwise receive fees or compensation in connection with such loans. Such fees and compensation that may be retained by us are set-forth in the Governing Documents but generally could include, but is not limited to, commitment, origination, prepayment penalties, structuring, diligence, monitoring and consulting fees or other fees received from portfolio companies in connection with such loans (“Transaction Fees”). The Adviser’s receipt of fees for services with respect to loans that could be offered to or acquired by the Private Funds represents a conflict of interest to the extent that we have an economic incentive to underwrite and originate, and recommend or cause the Funds to invest in, such loans.

BDC

Management Fees

As compensation for the advisory services provided to the BDC, pursuant to an investment management agreement, the BDC pays RCM, as compensation for the investment advisory and management services, fees consisting of two components: (i) the Base Management Fee and (ii) the Incentive Fee. The Incentive Fees with respect to the BDC have two parts: the first part is based on the BDC’s net investment income, and the second part is based on a share of realized capital gains. More information on the fees paid to RCM is available in the BDC’s annual report on Form 10-K, quarterly reports on Form 10-Q, and other documents publicly filed with the SEC.

Administration Fees

RCM has entered into an Administrative Agreement with the BDC. Under the terms of the Administration Agreement, RCM agreed to perform (or oversee, or arrange for, the performance of) the administrative services necessary for the BDC’s operations. The BDC will reimburse RCM for the costs and expenses incurred by RCM in performing its administrative obligations and providing personnel and facilities.

Other Expenses

Information pertaining to other expenses in which the BDC may incur is available in the BDC’s annual report on Form 10-K, quarterly reports on Form 10-Q, and other documents publicly filed with the SEC.

Asset-based Management Fee Calculations

Asset-based management fees may be calculated on a gross basis, which can create conflicts of interests when we control the timing and amount of leverage, if any, used by a Client, since the use of leverage would provide additional capital to such Client enabling such Client to make additional investments and thus increase the base against which Management Fees are calculated. This opportunity to earn higher fees could give us an incentive to allocate investment opportunities based on a Client’s use of leverage. We seek to mitigate this conflict through our allocation policy.

Co-Investors

Private Funds

Subject to restrictions in the Governing Documents and applicable law, we may offer to an investor in a Private Fund or a third party the opportunity to co-invest in any transaction in which a Fund has made, or will make, an investment, (“Co-Investors”), subject to the provisions of the Governing Documents applicable to the Fund, the terms of any side-letter or other document, and our policies and procedures regarding co-investments. If any Co-Investors are participating in a co-investment alongside a Fund (indirectly through a co-investment vehicle established by us or directly in the relevant investment), such Co-Investors will typically bear their pro rata share of fees, costs, and expenses. We may (or may not) in our discretion (i) charge Carried Interest, Management Fees, or other fees to Co-Investors; and (ii) collect customary fees in connection with actual or contemplated investments that are the subject of such co-investment arrangements.

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

Private Funds

In addition to the management fee, investors in the Private Funds are subject to performance participation or carried interest, which is payable to Callodine Strategic Credit Fund II GP, LLC and BlueArc Mezzanine GP, LLC, the General Partners and affiliates of RCM, if and when specified performance thresholds are met as set forth in each Fund’s offering documents. In general, the General Partner receives a share in the profits realized by the Funds once all capital contributions have been returned and the Fund achieves a specified rate of return.

The carried interest terms with respect to any investor may be waived or altered by the General Partner in its discretion (and in certain instances, have been waived), including without limitation, for employees and affiliates and certain Limited Partners with significant commitments to the Funds.

BDC

The Incentive Fees with respect to the BDC have two parts: the first part is based on the BDC’s net investment income, and the second part is based on a share of realized capital gains. More information on the Incentive Fees payable by the BDC to RCM is available in the BDC’s annual report on Form 10-K, quarterly reports on Form 10-Q, and other documents publicly filed with the SEC.

Conflicts surrounding Performance-Based Fees:

The potential management of different types of accounts and accounts with different fee arrangements for the same strategy may give rise to potential conflicts of interest. Performance-based arrangements create an incentive for RCM to purchase investments that are more risky or speculative than those that would be purchased 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.

We seek to mitigate risks and conflicts of interest with respect to differing fee arrangements by, among other things, allocating investments among Clients with similar investment programs but different fee

structures in a manner consistent with our investment allocation policy.

Item 7: Types of Clients

RCM currently provides investment advice to a publicly traded business development company (BDC) and two Private Funds.

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

Overview of Investment Process

BDC

The BDC's investment objective is to maximize total return to its shareholders with current income and capital appreciation by focusing its debt and related equity investments in privately-held, lower middle market companies with committed and experienced managements in a broad variety of industries. RCM invests the BDC's portfolio in businesses that have sustainable, differentiated and market-proven products, revenue of more than \$10 million and EBITDA in excess of \$1.5 million. . The investment process is comprised of the sourcing and qualifying of investment opportunities, evaluating and negotiating the investment vehicle, due diligence of the business plan, operations and prospects of the prospective investee and follow through investment monitoring, follow on investments and portfolio management. RCM's Investment Committee identifies investment opportunities through a network of investment referral relationships. We may receive investment proposals from other sources, including unsolicited proposals from companies and referrals from accountants, bankers, lawyers and other members of the financial community. We believe that RCM's reputation and experience in the investment community provide a competitive advantage in originating quality investments.

Private Funds

CSCF: The Fund's investment objective is to generate income, with a secondary focus on capital appreciation. The Fund seeks to achieve its investment objective primarily by entering into privately negotiated mezzanine loans and credit arrangements with private equity and other lower middle market business entities involved in buyout transactions, acquisitions, recapitalizations, or businesses in need of growth/expansion capital. The Fund intends to invest between \$3 million and \$10 million per transaction with a primary focus on later stage companies in the underserved Southeast market. Secondly, the Fund will target transactions in the Mid-Atlantic and Midwest markets. The Fund seeks to invest in subordinated debt with current-pay and paid-in-kind coupons, as well as warrants or minority equity co-investments in selective transactions. The Fund intends to invest in companies with revenues between \$10 million and \$150 million and EBITDA between \$2 million and \$10 million. The Fund's industry focus will be consistent with the Portfolio Managers' prior investment experience and will be generally focused on Business Services, Industrial Growth, Transportation and Logistics, and Healthcare. Loans to portfolio companies will generally mature in five years, though the Fund may make shorter-term loans.

BAMP: The Fund intends to generate attractive risk-adjusted returns for its Partners by creating a diversified portfolio of mezzanine and equity investments of \$3 million to \$10 million in smaller to mid-size growing companies primarily in the Southeast. The Portfolio Managers have established a strategy of accessing quality deal flow primarily through relationships with targeted banks, financial intermediaries, private equity control investors, and through other relationships of the Managers and Advisory Committee members. The Portfolio Managers will focus on making investments that generate current

yield for the investors and protect invested principal. The Fund intends to make primarily non-control investments with an expected ratio of 75% mezzanine and 25% preferred or common equity. The Fund will be non- sector-specific with the mix of investments adjusted by the Portfolio Managers to take advantage of the most attractive risk return alternatives for investment. The Fund will only invest in companies with established track records. The Fund may, upon the election of the General Partner, make control equity investments; however, the focus of the Fund will be to make non-controlling investments. The Portfolio Managers will not invest in early stage, pre-revenue, or pre-profitability companies. In addition, the Fund will not invest in turnaround situations unless management of such turnaround can demonstrate the future success of the business and the business has established a historical trend-line of improving revenue and profitability.

Overlapping Investment Strategies

RCM's Clients have similar investment objectives and strategies. Allocation of investment opportunities is done pursuant to the Callodine Group allocation policy, consistent with the terms and conditions of the exemptive order. The RCM Investment Committee will determine allocations of opportunities across portfolios depending on multiple factors, including, but not limited to how much capital 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, differences in risk profile at the time the opportunity becomes available, portfolio concentration considerations, tax and regulatory considerations. Allocations will then be reviewed by the Callodine Group Allocation Committee, per the Callodine Group Allocation Policy.

RISKS

The Governing Documents for each of RCM's Clients provide descriptions of the risks associated with investments made for such Clients. Below is a summary of certain risks associated with an investment in RCM's current Clients, however investors should refer to the applicable Governing Documents for detailed discussion of investment strategies and risk factors associated with their investments.

BDC Risks

Valuation Risk. RCM invests primarily in portfolio companies whose securities are not publicly traded and may be subject to restrictions on resale, and as a result will be less liquid than publicly traded securities. There is typically no public market for securities of the small privately held companies in which we typically invest. Fair valued investments are determined in good faith in accordance with our established valuation policy and are stated at fair value and approved by the BDC's Board of Directors. The inputs into the determination of fair value of these investments may require significant judgment or estimation. In the absence of a readily ascertainable market value, the estimated value of our investment portfolio may differ significantly, favorably or unfavorably, from the values that would be placed on the portfolio if a ready market for the securities existed. Any changes in estimated value are recorded in the consolidated statement of operations as "Net change in unrealized appreciation/depreciation on investments." In addition, the participation of RCM's investment professionals in the BDC's valuation process may result in a conflict of interest as RCM's Base Management Fee under the investment management agreement is based, in part, on the value of the BDC's gross assets, and the Incentive Fees payable under the investment management agreement are based, in part, on realized gains and realized and unrealized losses.

Competitive Market Risk. RCM faces competition affecting its investing activities from many entities including private venture capital funds, investment affiliates of large companies, wealthy individuals and other domestic or foreign investors. The competition is not limited to entities that operate in the same general geographical areas as we do. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors have a lower cost of capital and access to funding sources that are not available to us, including from the Small Business Administration. In addition, increased competition for attractive investment opportunities allows debtors to demand more favorable terms and offer fewer contractual protections to creditors. Some of our competitors have higher risk tolerances or different risk assessments than we do. These characteristics could allow our competitors to consider a wider variety of investments, establish more relationships and offer better pricing and more flexible structuring than we are able to offer. We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. If we choose to match our competitors' pricing, terms and structure, we may not be able to achieve acceptable returns on our investments or may bear substantial risk of capital loss. As an adviser to a regulated BDC, we are also required to disclose quarterly and annually the name and business description of our portfolio companies and the value of their portfolio securities. Most of our competitors are not subject to this public disclosure requirement or similar types of disclosure requirements. This obligation to disclose this information could hinder RCM's ability to invest in potential portfolio companies. Additionally, other regulations, current and future, may make the BDC less attractive as a potential investor to a given portfolio company than a private fund that is not subject to these regulations.

Conflicts of Interest – Investment Committee. The Investment Committee manages other funds and accounts, including for entities affiliated with members of the Investment Committee. Accordingly, they have obligations to those investors, the fulfillment of which may not be in the best interests of, or may be adverse to the interests of, the BDC or its shareholders. Although the members of the Investment Committee and other professional staff of RCM are expected to devote as much time to management as appropriate to enable RCM to perform its duties in accordance with the investment management agreement, the members of the Investment Committee and investment professionals of RCM may have conflicts in allocating their time and services among the BDC, on the one hand, and the other managed investment vehicles, on the other hand.

RCM, including members of its Investment Committee, may face conflicts in allocating investment opportunities between other investment vehicles affiliated with members of the Investment Committee that have overlapping investment objectives. Although RCM, including members of the Investment Committee, and its affiliates that manage other investment portfolios will endeavor to allocate investment opportunities in a fair and equitable manner in accordance with its written allocation policies and procedures, it is possible that, in the future, our Clients may not be given the opportunity to participate in investments made by investment funds managed by RCM or members of the Investment Committee given the requirements or application of such allocation policies and procedures or if such investment is prohibited by law.

Compensation Arrangement Risks. RCM and its affiliates receive fees from the BDC in return for their services, including certain incentive fees based on the performance of investments. These fees could influence the advice provided to the BDC. Generally, the greater the risk with respect to investments, the greater the potential for growth in assets and profits, and, correlatively, the fees payable to RCM under the terms of the investment management agreement. These compensation arrangements could affect RCM or its affiliates' judgment with respect to investments, which allows RCM to earn increased asset management fees.

Incentive Fee Risk. RCM is entitled to incentive compensation under the BDC's investment management agreement for each fiscal quarter under the Income Based Fee in an amount equal to a percentage of our pre-incentive fee net investment income, subject to a hurdle rate, a catch-up provision, a cap and a deferral mechanism. For purposes of calculating the Income Based Fee, our pre-incentive fee net investment income excludes realized and unrealized capital losses that we may incur in the fiscal quarter, even if such capital losses result in a net loss for that quarter. RCM may be paid incentive compensation under the Income Based Fee for a fiscal quarter even if we incur a net loss for that quarter. In addition, if RCM is paid the Capital Gains Fee and thereafter experiences additional realized capital losses or unrealized capital losses, we will not be able to recover any portion of the incentive fee previously paid.

Cybersecurity. RCM's operations are dependent on secure information technology systems for data processing, storage and reporting. Increased cybersecurity vulnerabilities, threats and more sophisticated and targeted cyber-attacks pose a risk to the security of RCM's information and the information of portfolio companies. RCM may experience threats to our data and systems, including malware and computer virus attacks, unauthorized access, system failures and disruptions. If one or more of these events occurs, it could potentially jeopardize the confidential, proprietary and other information stored in, or transmitted through, RCM's computer systems and networks, or otherwise cause interruptions or malfunctions in RCM's operations, which could result in damage to RCM's reputation, financial losses, litigation, increased costs or regulatory penalties. Furthermore, if one of these events were to occur at one of our portfolio investment companies, it could impact their business, financial condition and results of operations, which could negatively impact our investment. In addition, these cyber-attacks could affect RCM's computer network, or our other service providers and could result in operating disruptions or information misappropriation, which could have a material adverse effect on our business operations and the integrity and availability of our financial information. RCM has attempted to mitigate these cybersecurity risks by employing a number of processes, procedures and internal controls within our organization, but we remain potentially vulnerable to additional known and unknown threats.

Risks related to the BDC Investments

Limited Number of Portfolio Companies. Our portfolio investment values are concentrated in a small number of companies and as such, we may experience a significant loss in the BDC's net asset value if one or more of these companies performs poorly or goes out of business. The unrealized or realized depreciation in the value of the securities of any one of these companies would negatively impact net asset value.

Liquidity Risk. RCM invests in portfolio companies whose securities are not publicly traded and may be subject to restrictions on resale, and as a result will be less liquid than publicly traded securities. Most of the BDC's investments are, or will be, either equity securities or debt securities acquired directly from small, private companies. The illiquidity of most of the BDC's portfolio may adversely affect our ability to dispose of the securities at times when it may be advantageous for us to liquidate investments. In addition, we may not realize the full value of these private investments if we have to liquidate all or a part of our portfolio investment quickly, given the lack of available markets for their sale.

Small Cap Company Risk. RCM invests primarily in debt and equity investments in small companies. Compared to larger companies, small companies generally have more limited access to capital and higher funding costs, may be in a weaker financial position and may need more capital to expand, compete and operate their business. They also typically have fewer administrative resources, which can lead to greater uncertainty in their ability to generate accurate and reliable financial data, including their ability to deliver audited financial statements. In addition, many small companies may be unable to obtain financing from

the public capital markets or other traditional sources, such as commercial banks, in part because loans made to these types of companies entail higher risks than loans made to companies that have larger businesses, greater financial resources or are otherwise able to access traditional credit sources on more attractive terms.

Privately Held Company Risk. RCM invests primarily in privately held companies. Generally, little public information exists about these companies, and we rely on the ability of the Investment Committee to obtain adequate information to evaluate the potential returns from investing in these companies. These companies and their financial information are not subject to the Sarbanes-Oxley Act of 2002 and other rules that govern public companies. If we are unable to uncover all material information about these companies, RCM may not make a fully informed investment decision, and we may lose money on our investment.

Prepayment Risk. RCM is subject to the risk that investments intended to be held over long periods are, instead, repaid prior to maturity. When this occurs, we will generally reinvest these proceeds in temporary investments that will typically have substantially lower yields than the debt being prepaid or repay outstanding borrowings under our Credit Facility that has a lower interest rate than the yield of the debt being prepaid, and we could experience significant delays in reinvesting these amounts. Any future investment may also be at lower yields than the debt that was repaid. As a result, our results of operations could be materially adversely affected if one or more of our portfolio companies elects to prepay amounts owed by them. Additionally, prepayments could negatively impact our return on equity, which could result in a decline in the market price of the BDC's common stock.

Portfolio Company Risk. RCM does not have an expectation to control the decision making in the BDC's portfolio companies. Because of this, we are subject to the risk that the portfolio companies will make business decisions with which we disagree or will incur risks or otherwise act in ways that do not maximize their value and serve the BDC's interests as minority debt and equity holders. Due to the lack of liquidity in investments in these private companies, RCM may not be able to dispose of our investment in these portfolio companies as freely as we would like or at a valuation that is appropriate. As a result, a portfolio company may make decisions that would decrease the value of our portfolio holdings.

Private Funds' Risks

An investment in the Private Fund(s) involves substantial risks of loss, up to the amount of capital invested, which prospective investors should consider before subscribing. There can be no guarantee or assurance that each of the Private Funds will achieve its objective or that it will successfully implement its strategy.

Certain key information about, and risks of investing in, the Private Funds is set forth below. This is not intended to be a complete description of the Private Funds' business or risks.

General Investment Risks

Competition for Investments. The Private Funds will be competing for investment opportunities with other sources of capital, including other mezzanine investments and private equity groups, corporations and high net worth individuals. Identifying attractive mezzanine lending and credit investment opportunities is difficult, and there is often competition among investors to invest in such opportunities.

Excessive competition limits the number of investments, increases the cost of each investment, and lowers the expected rate of return on such investments.

Concentration. The Private Funds will participate in a limited number of Investments in portfolio companies. Furthermore, while the Private Funds will invest no more than 15% of a Fund's Total Capital Commitments plus assumed leverage of .5x (as determined at the time of investment) in a single portfolio company, the Private Funds may nonetheless hold one or more Investments that each represent more than 15% of the Fund's Total Capital Commitments plus assumed leverage of .5x as a result of subsequent developments, including, but not limited to, changes in the relative value of the Fund's Investments. As a result, the Private Funds' investment portfolio will be highly concentrated, and the performance of a single investment is likely to substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, the Private Funds may be required to make fewer investments and thus be less diversified. A downturn of the economy or in the business of any one portfolio company could impact the aggregate returns delivered to Limited Partners by the Private Funds.

Changes in Strategy. The General Partners may alter the strategy of the Private Funds (*e.g.*, changing the focus of a Fund's credit investments, expanding or adding to the types of transactions and capital structures, broadening the uses of a Fund's capital more broadly, etc.) without prior approval by the Limited Partners if the General Partners determines that the change is in the best interest of the Private Funds.

Counterparty Non-Diversification Risk. The Private Funds may concentrate investments in particular markets, sectors, or industries. The Private Funds also expects to focus on the Southeast market, with a secondary focus on the Mid-Atlantic and Midwest. As a result, the Private Funds' investment may be more susceptible to risks associated with a single economic, political, or regulatory circumstance or event than a more diversified portfolio might be. In addition, the Private Funds are not subject to any restrictions or diversification requirements other than those outlined herein. Losses in one or more large positions, or a downturn in a market sector in which a Private Fund is concentrated, could have a materially adverse effect on the Funds.

Cybersecurity Risk. The Private Funds and their service providers may be prone to operational and information security risks resulting from breaches in cybersecurity. A breach in cybersecurity refers to both intentional and unintentional events that may cause a Fund to lose proprietary information, suffer data corruption or lose operational capacity. Breaches in cybersecurity include, among other things, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information or various other forms of cyber-attacks. Cybersecurity breaches affecting the Private Funds, affiliates of the Funds, or other third-party service providers may adversely impact the Funds. For instance, cybersecurity breaches may interfere with the processing of Limited Partner transactions, cause the release of private Limited Partner information or confidential business information, subject the Fund to regulatory fines or financial losses, and/or cause reputational damage. The Private Funds may incur additional costs for cybersecurity risk management purposes. Although Private the Funds will take steps to mitigate the risks of breaches in cybersecurity, there is no guarantee that such steps will be successful. The Private Funds rely on third-party services providers for many of their day-to-day operations, and are therefore subject to the risk that the protections and protocols implemented by those service providers will be ineffective in protecting the Funds from cybersecurity breaches. Similar types of cybersecurity risks are also present for the obligors of assets in which the Private Funds may invest, which could result in material adverse consequences for such obligors and may cause the Funds' investments in related assets to lose value.

Dependence of the General Partner on Key Personnel. The General Partners will depend on the services of a limited number of individuals that make key decisions for the administration of the Private Funds' activities. The loss of one or more such individuals could impair the ability of the General Partner to perform on behalf of the Private Funds.

Dependence on the General Partner. The success of the Private Funds substantially depends on the ability of the General Partners to successfully implement the Funds' investment objective and strategy. If the General Partners were to cease acting as General Partners to the Private Funds, the effect on the Funds would be material and adverse. Furthermore, it is unclear to what extent the Private Funds would be able to continue to operate in the event that the General Partners were to terminate its relationship with the Funds. If the General Partners cease to act as such, it is uncertain whether the Private Funds would be able to find a replacement general partner, or how quickly a suitable replacement general partner could be obtained.

Diverse Investor Group. The Limited Partners may include taxable and tax-exempt entities and may include persons or entities organized in various jurisdictions. The General Partners also anticipate accepting subscriptions from employees of the Private Funds and of affiliates of the Funds. As a result, conflicts of interest may arise in connection with decisions made by the General Partners that may be more beneficial for one type of investor than for another.

Failure of Fund to Meet Contribution Obligations. If a Limited Partner fails to meet a Capital Call, and the Capital Contributions made by non-Defaulting Limited Partners and borrowings by the Private Funds are inadequate to cover the Defaulting Limited Partner's Capital Contribution, the Funds may be unable to close a proposed investment in a portfolio company or may be unable to make further investments at the levels contemplated based on the unfunded commitment. Any such failure will result in opportunity and other costs for the Private Funds.

Leverage Risk. The Private Funds will leverage one or more of its investments at the transaction level by borrowing third party capital that, while having a lower return requirement, would also generally have a senior right to repayment of interest and principal. In the event that such an investment underperformed, the Private Funds could experience losses higher than they would have experienced in the absence of leverage. Further, in the event that the terms of any such third-party capital include variable interest rates, the Private Funds' returns could be adversely affected by increases in those rates.

Broad Indemnification. The various agreements and other documents referenced herein contain various provisions limiting the liability of, and providing broad indemnification to, the General Partner, affiliates of the Private Funds, as applicable, and others, including other service providers to the Private Funds. The federal and state securities laws impose liabilities under certain circumstances on persons that cannot be waived by contract, other agreements or documents. Therefore, nothing in those agreements should be deemed or construed in a manner that purports to waive or limit any right to the extent prohibited by law.

Conflicts of Interest. The Private Funds will be subject to various conflicts of interests arising out of their relationship with the General Partner. Conflicts of interest include, but are not limited to, the following:

- *General Partners' and Affiliates' Business Relationships.* The General Partners, the Investment Manager, and their respective Affiliates have various ongoing business relationships with third parties who will transact business with a Private Fund. This creates a conflict because the General Partner,

the Investment Manager, and their respective Affiliates have a vested interest in maintaining these business relationships.

- *Other Investments and Business Activities.* The General Partners and its Affiliates may make investments for their own accounts, including investments competitive with those of the Private Funds, without having or incurring any obligation to disclose or to offer any interest in such activities to the Private Funds or any Limited Partner. The General Partners, or its managers, also intend to organize and manage other investment funds with an investment objective similar to or the same as the Private Funds during the Term of the Funds. These activities create conflicts of interest.
- *Co-Investments with Limited Partners.* The General Partners have provided, and reserves the right to provide, one or more large investors in the Private Funds, including affiliates of the funds, with certain rights to invest in portfolio companies alongside the Private Funds (such rights, “**Co-Investment Rights**”). In addition, and without limiting the foregoing, the General Partners may from time to time offer opportunities to co-invest in portfolio companies to one or more Limited Partners or third parties who do not have Co-Investment Rights. The foregoing presents conflicts of interest, as the General Partners determine the amount the Private Funds will invest in investment opportunities while honoring Co-Investment Rights and determining which Limited Partners or third parties may be offered co-investment opportunities, and how much they will be offered. While co-investment is generally perceived as a benefit to the Private Funds as it increases the amount of capital invested in portfolio companies and offers opportunities to enhance the negotiation and diversification positioning of the Funds’ investments, the foregoing conflicts may result in the Private Funds investing less in a portfolio company than it otherwise would and may have other adverse consequences to the Funds. Conflicts also exist because individuals involved in the management of the Private Funds have ownership interests and legal obligations to Funds’ Affiliates. The foregoing conflicts may result in the Private Funds investing less in a portfolio company than it otherwise would and may have other adverse consequences to the Funds. Conflicts also exist because individuals involved in the management of the Private Funds have ownership interests and legal obligations to the Funds’ Affiliates. The foregoing conflicts may result in the Private Funds investing less in a portfolio company than it otherwise would and may have other adverse consequences to the Funds.

Risks of Investment in the Portfolio Companies

General Risks of Debt-Related Investments. The Private Funds are subject to the risks inherent in investing in debt instruments. The general risks of debt financing include, without limitation, the risk that a borrower’s cash flow will be insufficient to meet required payments of principal and interest. Accordingly, the Private Funds will be susceptible to business difficulties or failures of borrowers. If a portfolio company defaults on its obligations with respect to a Loan, the Private Funds will lose money. In addition, the value of debt financing transactions are subject to illiquidity risk, interest rate risk (*e.g.*, declining interest rates lower the value of floating rate investments), inflation risk (*e.g.*, inflation places upward pressure on interest rates and reduces the present value of assets and financial instruments), risk of claims for lender liability, risk of imposition of common law or statutory restrictions on the exercise of contractual remedies, and prepayment risk (*e.g.*, the risk that principal owed on an underlying debt instrument is paid in full prior to maturity).

Accuracy of Public and Third-Party Information. The General Partners may select opportunities for the Private Funds, in part, in reliance on publicly available information and third-party information, such as

risk ratings, related to the Portfolio Companies. The General Partners are not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available. Perceived credit risk may be skewed if such information is inaccurate.

Credit Risk. Credit risk is the risk that a borrower or counterparty will not honor its commitments, resulting in a loss to the Private Funds. Loan Assets are subject to credit risk. The Private Funds are dependent on the ability of obligors to pay all amounts due in respect of Loan Assets at maturity or on any other relevant payment dates, and therefore the Private Funds are subject to the credit risk of such obligors. The Private Funds will be negatively affected in the event an obligor becomes unwilling or unable to meet its financial obligations in a timely manner with respect to one or more Loan Assets.

Inflation Risk. Inflation risk is the risk that the value of assets or income from an investment will be worth less in the future as inflation decreases the value of money. Rises in inflation could adversely affect the Private Funds.

Interest Rate Risk. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable-rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules and securities with longer durations usually making them more volatile than securities with shorter durations. The Private Funds' investments will expose it to interest rate risks, meaning that changes in prevailing market interest rates could negatively affect the value of the Funds' investments. Factors that may affect market interest rates include, without limitation, inflation, slow or stagnant economic growth or recession, unemployment, money supply, governmental monetary policies, international disorders and instability in domestic and foreign financial markets. If the Private Funds are unable to manage interest rate risk effectively, the Funds' performance could be adversely affected.

Mezzanine Loans. Mezzanine debt instruments are often made in companies with capital structures having significant indebtedness ranking ahead of the mezzanine debt, all or a significant portion of which may be secured. While mezzanine debt may benefit from the same or similar financial and other covenants as those applicable to the indebtedness ranking ahead of the mezzanine debt and may benefit from cross-default provisions and security over certain of the borrower's assets, some or all of such terms may not be part of the Loan Assets and the Loan Assets may be subordinated in recovery to senior classes of debt in the event of a default.

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 RCM 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.

RCM is a subsidiary of Callodine Credit, LLC whose parent company is Callodine Group. Through our common control by Callodine Group, we are affiliated with various U.S. registered investment advisers (as reported on Part 1 of our Form ADV) and pooled investment vehicles, among other financial and operating entities. We occasionally may engage in business activities with some or all of these entities, subject to our policies and procedures governing how we handle conflicts of interest. Callodine Group shares personnel and certain resources with its affiliated registered investment advisers, including RCM, except where limited by applicable policies and procedures. Currently, these entities focus primarily on different investment strategies and are generally operationally independent from RCM.

RCM does not recommend or select other investment advisors for our clients in return for direct or indirect compensation from such advisers.

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

Code of Ethics and Personal Trading

RCM has adopted a Code of Ethics for all employees and partners of RCM 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 Chief Compliance Officer.

RCM's personal trading policy permits employees to make investments in their personal accounts, subject to certain restrictions and pre-approval requirements. Employees may also invest in the Private Funds, subject to eligibility requirements, and the BDC, with compliance pre-approval.

A copy of our Code of Ethics will be provided upon request to any Client, prospective client, investor or prospective investor in any Client that we manage or advise.

Conflicts of Interest

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

Performance-Based Fees.

Performance-based arrangements create an incentive for RCM 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. Refer to Item 6 for additional information pertaining to how RCM addresses this conflict.

Valuation.

RCM, along with the General Partner for the Private Funds, exercise supervisory authority over the valuation of the Clients' assets, which authority has been delegated to RCM. Valuation methodologies for certain investments can be subjective and involve a measure of judgment by RCM. 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 mitigate this potential conflict of interest.

Side Letters.

RCM has entered into separate agreements, commonly referred to as "side letters", with certain investors in the Private Funds, which have the effect of establishing preferential rights under, altering, or supplementing the terms of, the Governing Documents of the applicable Fund with respect to such investor, in a manner more favorable to such investor than those applicable to other investors in such Fund. Such rights or terms pursuant to such side letters include, (and without limitation), reductions in management and incentive fees or hurdle rates, co-investment opportunities, capacity, closing fees, governance, reporting obligations, waiver of certain confidentiality obligations, consent to certain transfers or withdrawals by an investor, or rights or terms necessary in light of particular legal, regulatory, or tax requirements or concerns of an investor.

General Partners' and Affiliates' Business Relationships.

The General Partners, the Investment Manager, and their respective Affiliates have various ongoing business relationships with third parties who will transact business with a Private Fund. This creates a conflict because the General Partner, the Investment Manager, and their respective Affiliates have a vested interest in maintaining these business relationships.

Other Investments and Business Activities.

The General Partners and its Affiliates may make investments for their own accounts, including investments competitive with those of the Private Funds, without having or incurring any obligation to disclose or to offer any interest in such activities to the Private Funds or any Limited Partner. The General Partners, or its managers, also intend to organize and manage other investment funds with an investment objective similar to or the same as the Private Funds during the Term of the Funds. These activities create conflicts of interest.

Co-Investments with Limited Partners.

The General Partners have provided, and reserves the right to provide, one or more large investors in the Private Funds, including affiliates of the funds, with certain rights to invest in portfolio companies alongside the Private Funds (such rights, "**Co-Investment Rights**"). In addition, and without limiting the foregoing, the General Partners may from time to time offer opportunities to co-invest in portfolio companies to one or more Limited Partners or third parties who do not have Co-Investment Rights. The foregoing presents conflicts of interest, as the General Partners determine the amount the Private Funds will invest in investment opportunities while honoring Co-Investment Rights and determining which Limited Partners or third parties may be offered co-investment opportunities, and how much they will be offered. While co-investment is generally perceived as a benefit to the Private Funds as it increases the amount of capital invested in portfolio companies and offers opportunities to enhance the negotiation and diversification positioning of the Funds' investments, the foregoing conflicts may result in the Private

Funds investing less in a portfolio company than it otherwise would and may have other adverse consequences to the Funds. Conflicts also exist because individuals involved in the management of the Private Funds have ownership interests and legal obligations to Funds' Affiliates. The foregoing conflicts may result in the Private Funds investing less in a portfolio company than it otherwise would and may have other adverse consequences to the Funds. Conflicts also exist because individuals involved in the management of the Private Funds have ownership interests and legal obligations to the Funds' Affiliates. The foregoing conflicts may result in the Private Funds investing less in a portfolio company than it otherwise would and may have other adverse consequences to the Funds.

Co-Investment with the BDC.

On October 7, 2020, the BDC, and certain of its affiliates, including RCM, received exemptive relief from the SEC to permit the BDC to co-invest in portfolio companies managed by certain of its affiliates in a manner consistent with its investment objective, positions, policies, strategies and restrictions as well as regulatory requirements, subject to compliance with certain conditions (the "Order").

On March 29, 2021, the SEC granted the BDC, Callodine Group, which holds a controlling interest in RCM, and certain of their affiliates a new exemptive order (the "New Order") that superseded the Order and permits the BDC to co-invest with affiliates managed by RCM and Callodine Group. Pursuant to the New Order, the BDC is generally permitted to co-invest with affiliates covered by the New Order (including the Private Funds) if a "required majority" (as defined in Section 57(o) of the 1940 Act) of Rand BDC's independent directors make certain conclusions in connection with a co-investment transaction, including that (1) the terms of the transaction, including the consideration to be paid, are reasonable and fair to Rand BDC and its shareholders and do not involve overreaching in respect to Rand or its shareholders on the part of any person concerned; (2) the transaction is consistent with the interests of Rand BDC's shareholders and is consistent with the BDC's investment objective and strategies.

In connection with a change in control of the adviser, the SEC granted approval on March 29, 2021 and September 6, 2022 for new, and substantially similar, exemptive relief orders that supersede the Order. The New Orders notwithstanding, the Private Funds and Rand BDC are prohibited from co-investing in the same opportunity in circumstances where East Asset Management, LLC ("East Asset") could be deemed to control the Private Funds by virtue of its substantial anchor investment in the Private Funds.

Item 12: Brokerage and Allocation Practices

Since we generally acquire and dispose of our investments in privately negotiated transactions, we infrequently use brokers in the normal course of our business. We are primarily responsible for the execution of the publicly traded securities portion of our portfolio transactions and the allocation of brokerage commissions. We seek to obtain the best net results for our Clients' transactions, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution, and operational facilities of the brokerage firm and the firm's risk and skill in positioning blocks of securities. While we generally seek reasonably competitive trade execution costs, we will not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements, we may select a broker based partly upon brokerage or research services provided to our Client and us. In return for such services, we may pay a higher commission than other brokers would charge if we determine in good faith that such commission is reasonable in relation to the services provided.

The practice by which advisory firms direct brokerage transactions for Client accounts to broker-dealers who provide them with research and brokerage products and services is known as “soft dollar” arrangements. We do not engage in soft dollar arrangements, nor do we receive any soft dollar benefits.

RCM does not recommend, request or require Client direction regarding broker-dealers.

Item 13: Review of Accounts

We manage our Clients’ accounts on a regular basis. In addition, each Client’s account is reviewed on at least a quarterly basis to assess performance. The purpose of the review is to ensure that our investment policies are reflected in the management of the account. The reviews are conducted by senior management of RCM.

The Clients’ Investment Committees meet periodically to review the portfolios and discuss new ideas.

Reports to Investors

As a general policy, we provide each Private Fund investor with a statement at least quarterly. On an annual basis, investors of the Private Funds receive Schedule K-1s and audited financial statements.

The Private Funds, or the Administrator on behalf of the Funds, 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

RCM 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.

RCM enters into written agreements with third party placement agents to refer potential investors to the Private Funds as permitted by applicable laws. Pursuant to such solicitation or placement agent agreements, third parties receive fees based on providing investor referrals. RCM compensates these firms with a percentage share of the management fees as outlined in the agreement with each respective firm. No additional fees are charged to investors as a result of our participation in these arrangements. Typically, these arrangements last for a period of time, but fees are paid to the promotor or placement agent for a trailing period following termination of the arrangement.

Item 15: Custody

Private Funds

RCM does not maintain physical possession of client funds or securities. Together with the General Partner, however, RCM is authorized to withdraw funds or securities from the Private Funds for the payment of management fees and other expenses, and our capacities as investment manager and general partner afford us overall access to Funds’ 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.

RCM is subject to Rule 206(4)-2 under the Advisers Act (the “Custody Rule”). However, it is deemed to have complied with certain requirements of the Custody Rule with respect to each unregistered pooled fund because it requires that each Private Fund be subject to audit at least annually by an independent

public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

BDC

The BDC invests primarily in the securities of privately held businesses. Based on this investment program, it receives restricted securities that typically bear restricted legends placed on them by the non-public entities when the investments are made. These securities are not freely tradable as they represent investments in private entities. Given this investment focus, the BDC retains self-custody of the original physical equity and debt instruments evidencing or received as part of its investments in compliance with the requirements for self-custody set forth in Rule 17f-2 under the 1940 Act. The BDC's independent accounting firm will perform an annual inspection and count of these securities as part of their quarterly review procedures, at least two of which shall be without prior notice to the BDC.

For the BDC's public securities investments, the assets are maintained at a "Qualified Custodian" in compliance with the Adviser's Act and the 1940 Act.

Item 16: Investment Discretion

RCM has full discretionary authority over all assets it manages for its Clients, consistent with the investment objectives and strategy described in the governing documents and investment management agreements. RCM does not provide advisory services directly to investors in the Private Funds, or to shareholders invested directly in the BDC.

Item 17: Voting Client Securities

RCM has limited investments in public securities. RCM has sole authority to vote Client public 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. Voting decisions are made on a case-by-case basis, based on a determination of votes in the best interests of the Client 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 RCM and the interests of the Client(s) with respect to a voting decision, for example, where the RCM 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 RCM determines that a material conflict of interest exists between the interests of RCM and the interest of the Clients with respect to a particular vote, RCM 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

RCM 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.