

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Fiscal Year Ended December 31, 2023

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission
File Number

814-01022

Exact name of registrant as specified in its charter, address of principal executive
office, telephone number and state or other jurisdiction of incorporation or organization

Logan Ridge Finance Corporation

650 Madison Avenue, 23rd Floor
New York, New York 10022
Telephone: (212) 891-2880
State of Incorporation: Maryland

I.R.S. Employer
Identification Number

90-0945675

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value \$0.01 per share	LRFC	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$55.4 million based on the number of shares held by non-affiliates of the registrant as of June 30, 2023, which was the last business day of the registrant's most recently completed second fiscal quarter. For the purposes of calculating this amount only, all directors and executive officers of the registrant have been treated as affiliates.

The number of shares of Logan Ridge Finance Corporation's common stock, \$0.01 par value, outstanding as of March 19, 2024 was 2,678,155.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held in 2024 are incorporated by reference in Part III of this Form 10-K.

TABLE OF CONTENTS

	<u>PAGE</u>	
PART I		
Item 1.	Business	2
Item 1A.	Risk Factors	22
Item 1B.	Unresolved Staff Comments	46
Item 1C.	Cybersecurity	46
Item 2.	Properties	47
Item 3.	Legal Proceedings	47
Item 4.	Mine Safety Disclosures	47
PART II		
Item 5.	Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	48
Item 6.	[Reserved]	51
Item 7.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	52
Item 7A.	Quantitative and Qualitative Disclosures about Market Risk	64
Item 8.	Consolidated Financial Statements and Supplementary Data	F-1
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	66
Item 9A.	Controls and Procedures	66
Item 9B.	Other Information	67
Item 9C.	Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	67
PART III		
Item 10.	Directors, Executive Officers and Corporate Governance	68
Item 11.	Executive Compensation	68
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	68
Item 13.	Certain Relationships and Related Transactions, and Director Independence	68
Item 14.	Principal Accountant Fees and Services	68
PART IV		
Item 15.	Exhibits and Consolidated Financial Statement Schedules	69
Item 16.	Form 10-K Summary	71
Signatures		72

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements that involve substantial risks and uncertainties. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about the Company, our current and prospective portfolio investments, our industry, our beliefs, and our assumptions. Words such as "anticipates," "expects," "intends," "plans," "will," "may," "continue," "believes," "seeks," "estimates," "would," "could," "should," "targets," "projects," and variations of these words and similar expressions are intended to identify forward-looking statements.

Some of the statements in this Annual Report on Form 10-K constitute forward-looking statements, which relate to future events or our performance or financial condition. The forward-looking statements contained in our Annual Report on Form 10-K involve risks and uncertainties, including statements as to:

- our future operating results;
- our business prospects and the prospects of our portfolio companies, including our and their ability to achieve our respective objectives;
- the impact of investments that we expect to make;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- our expected financings and investments;
- the adequacy of our cash resources and working capital; and
- the timing of cash flows, if any, from the operations of our portfolio companies.

These statements are not guarantees of future performance and are subject to risks, uncertainties, and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements, including without limitation:

- an economic downturn could impair our portfolio companies' ability to continue to operate or repay their borrowings, which could lead to the loss of some or all of our investments in such portfolio companies;
- a contraction of available credit and/or an inability to access the equity markets could impair our lending and investment activities;
- geopolitical instability and volatility in the global markets caused by events such as the deterioration in the bilateral relationship between the U.S. and China, the military conflict between Russia and Ukraine, and the military conflict between Israel and Hamas;
- uncertain effects due to the discontinuation of LIBOR and due to the transition to SOFR;
- interest rate volatility could adversely affect our results, particularly if we use leverage as part of our investment strategy; and
- the risks, uncertainties and other factors we identify in "Risk Factors" and elsewhere in this Annual Report on Form 10-K.

Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions also could be inaccurate. Important assumptions include our ability to originate new loans and investments, certain margins and levels of profitability and the availability of additional capital. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this Annual Report on Form 10-K should not be regarded as a representation by us that our plans and objectives will be achieved. These risks and uncertainties include those described or identified in "Risk Factors" and elsewhere in our Annual Report on Form 10-K. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this Annual Report on Form 10-K. We undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law or U.S. Securities and Exchange Commission ("SEC") rule or regulation.

PART I

In this Annual Report on Form 10-K, except as otherwise indicated, the terms:

- “we,” “us,” “our,” “Logan Ridge” and the “Company” refer to Logan Ridge Finance Corporation, together with its consolidated subsidiaries;
- The “Investment Adviser,” “Adviser” and “Mount Logan” refer to Mount Logan Management LLC, our investment adviser; and
- The “Administrator” refers to BC Partners Management LLC, our administrator and an affiliate of BC Partners.

ITEM 1. BUSINESS

FORMATION OF OUR COMPANY

We are an externally managed non-diversified closed-end management investment company incorporated in Maryland that has elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). We commenced operations on May 24, 2013 and completed our initial public offering (“IPO”) on September 30, 2013. We are managed by *Mount Logan Management LLC*, an investment adviser that is registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), and *BC Partners Management LLC* provides the administrative services necessary for us to operate. For U.S. federal income tax purposes, we have elected to be treated as a regulated investment company (“RIC”) under subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”). The Company believes it qualified as a RIC under the Code for the fiscal year ended December 31, 2023, and the Company intends to comply with the requirements to continue to qualify annually as a RIC under the Code. For the fiscal years ended December 31, 2022, 2021 and 2020, the Company failed the income source requirement under subchapter M of the Code, and thus did not qualify as a RIC under the Code for such years. The Company has determined that there would be no quantitative impact to the consolidated statements of assets and liabilities, the consolidated statements of operations, the consolidated statements of changes in net assets, and the consolidated statements of cash flows as of and for the years ended December 31, 2022, 2021 and 2020. See “Business – Failure to Qualify as a RIC”.

Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We offer customized financing to business owners, management teams and financial sponsors for change of ownership transactions, recapitalizations, strategic acquisitions, business expansion and other growth initiatives. We invest in first lien loans, and, to a lesser extent, second lien loans and equity securities issued by lower middle-market and traditional middle-market companies.

We were formed for the purpose of: (i) acquiring, through a series of transactions, an investment portfolio from the following entities: CapitalSouth Partners Fund I Limited Partnership (“Fund I”); CapitalSouth Partners Fund II Limited Partnership (“Fund II”); CapitalSouth Partners Fund III, L.P. (“Fund III Parent”); CapitalSouth Fund III, L.P. (f/k/a CapitalSouth Partners SBIC Fund III, L.P.) (“Fund III”) and CapitalSouth Partners Florida Sidecar Fund I, L.P. (“Florida Sidecar” and, collectively with Fund I, Fund II, Fund III and Fund III Parent, the “Legacy Funds”); (ii) raising capital in the IPO and (iii) continuing and expanding the business of the Legacy Funds by making additional debt and equity investments in lower middle-market and traditional middle-market companies.

On September 24, 2013, we acquired 100% of the limited partnership interests in Fund II, Fund III and Florida Sidecar and each of their respective general partners, as well as certain assets from Fund I and Fund III Parent, in exchange for an aggregate of 8,974,420 shares of our common stock (the “Formation Transactions”). Fund II, Fund III and Florida Sidecar became our wholly owned subsidiaries. Fund II and Fund III retained their small business investment company (“SBIC”) licenses, continued to hold their existing investments at the time of the IPO and have continued to make new investments. The IPO consisted of the sale of 4,000,000 shares of our common stock at a price of \$20.00 per share resulting in net proceeds to us of \$74.25 million, after deducting underwriting fees and commissions totaling \$4.0 million and offering expenses totaling \$1.75 million. The other costs of the IPO were borne by the limited partners of the Legacy Funds. During the fourth quarter of 2017, Florida Sidecar transferred all of its assets to us, and was legally dissolved as a standalone partnership. On March 1, 2019, Fund II repaid its outstanding debentures guaranteed by the SBA (“SBA-guaranteed debentures”) and relinquished its SBIC license. On June 10, 2021, Fund III repaid its SBA-guaranteed debentures and relinquished its SBIC license. Accordingly, as of December 31, 2023 and 2022, there were no SBA-guaranteed debentures outstanding.

The Company has formed and expects to continue to form certain consolidated taxable subsidiaries (the “Taxable Subsidiaries”), which are taxed as corporations for U.S. federal income tax purposes. These Taxable Subsidiaries allow the Company to make equity investments in companies organized as pass-through entities while continuing to satisfy the requirements of a RIC under the Code.

Capitala Business Lending, LLC (“CBL”), a wholly-owned subsidiary of ours, was established on October 30, 2020, for the sole purpose of holding certain investments pledged as collateral under a senior secured revolving credit agreement with KeyBank National Association (the “KeyBank Credit Facility”). The financial statements of CBL are consolidated with those of Logan Ridge Finance Corporation.

Definitive Agreement

On April 20, 2021, Capitala Investment Advisors, LLC (“Capitala”), the Company’s former investment adviser, entered into a definitive agreement (the “Definitive Agreement”) with the Investment Adviser and Mount Logan Capital Inc. (“MLC”), both affiliates of BC Partners Advisors L.P. (“BC Partners”) for U.S. regulatory purposes, whereby Mount Logan acquired certain assets related to Capitala’s business of providing investment management services to the Company (the “Transaction”), through which the Investment Adviser became the Company’s investment adviser pursuant to an investment advisory agreement (the “Investment Advisory Agreement”) with the Company. At a special meeting of the Company’s stockholders (the “Special Meeting”) held on May 27, 2021, the Company’s stockholders approved the Investment Advisory Agreement. The transactions contemplated by the Definitive Agreement closed on July 1, 2021 (the “Closing”).

As part of the Transaction, beginning on July 1, 2021, the Investment Adviser entered into a two-year contractual fee waiver (the “Fee Waiver”) with the Company to waive, to the extent necessary, any capital gains fee under the Investment Advisory Agreement that exceeds what would have been paid to Capitala in the aggregate over such two-year period under the prior advisory agreement. The Fee Waiver expired at the end of the two-year period.

On the date of the Closing, the Company changed its name from Capitala Finance Corp. to Logan Ridge Finance Corporation and on July 2, 2021, the Company’s common stock began trading on the NASDAQ Global Select Market under the symbol “LRFC.”

On July 1, 2021, in connection with the Closing, the Company’s then-current interested directors and the Company’s then-current independent directors resigned as members of the Board and Ted Goldthorpe, the Chairman and Chief Executive Officer of the Company, along with Alexander Duka, George Grunebaum, and Robert Warshauer, were appointed as members of the Board (the “Directors”). The Directors were appointed by the Board to fill the vacancies created by the resignations

described above and the Directors were appointed to the class of directors as determined by the Board in accordance with the Company's organizational documents. The Company's stockholders will have the opportunity to vote for each of the Directors when his class of directors is up for reelection.

All of the Company's then-current officers resigned at the Closing and the Board appointed Ted Goldthorpe as the Company's Chief Executive Officer and President, Jason Roos as the Company's Chief Financial Officer, Treasurer and Secretary, Patrick Schafer as the Company's Chief Investment Officer and David Held as the Company's Chief Compliance Officer. On November 9, 2021, Jason Roos was replaced as Secretary and Treasurer of the Company by Brandon Satoren, who was also appointed as Chief Accounting Officer. Mr. Roos continues to serve as Chief Financial Officer of the Company.

SUMMARY RISK FACTORS

The risk factors described below are a summary of the principal risk factors associated with an investment in us. These are not the only risks we face. You should carefully consider these risk factors, together with the risk factors set forth in "Item 1A. Risk Factors" of this Annual Report on Form 10-K and the other reports and documents filed by us with the SEC.

Risks Relating to Our Business and Structure

- Our ability to achieve our investment objective depends on the ability of the Investment Adviser to manage and support our investment process. If the Investment Adviser were to lose any members of their respective senior management teams, our ability to achieve our investment objective could be significantly harmed.
- We depend upon our Investment Adviser's key personnel for our future success.
- We operate in a highly competitive market for investment opportunities, which could reduce returns and result in losses.
- Any inability of our Investment Adviser to maintain or develop strong referral relationships, or the failure of these relationships to generate investment opportunities, could adversely affect our business.
- Failure to maintain our status as a BDC would reduce our operating flexibility.
- Regulations governing our operation as a BDC affect our ability to raise additional capital and the way in which we do so. As a BDC, the necessity of raising additional capital may expose us to risks, including the typical risks associated with leverage.
- We borrow money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us. Borrowed money may also adversely affect the return on our assets, reduce cash available for distribution to our stockholders, and result in losses.
- Capital markets may experience periods of disruption and instability. These market conditions could materially adversely affect the Company's business, financial condition and results of operations.
- Adverse developments in the credit markets may impair our ability to secure debt financing.
- Inflation may adversely affect our business and operations and those of our portfolio companies.
- Disruptions to the global supply chain may have adverse impact on our portfolio companies and, in turn, harm us.
- We will be subject to corporate-level U.S. federal income tax if we are unable to qualify or maintain our RIC tax treatment under the Code.
- The Investment Adviser is not obligated to reimburse us for any part of the incentive fee it receives that is based on accrued income that we never receive.
- As a publicly traded company, we are subject to increasingly complex corporate governance, public disclosure and accounting requirements that are costly and could adversely affect our business and financial results.
- Internal and external cyber threats, as well as other disasters, could impair our ability to conduct business effectively.
- Economic sanction laws in the United States and other jurisdictions may prohibit us and our affiliates from transacting with certain countries, individuals and companies.
- Major public health issues could have an adverse impact on our financial condition and results of operations and other aspects of our business.
- We have identified a material weakness in our internal control over financial reporting and if our remediation of this material weakness is not effective, or if we fail to maintain an effective system of internal control over financial reporting in the future, we may not be able to accurately or timely report our financial condition or operating results, which may adversely affect our business.

Risks Related to Our Investments

- Our investments in prospective portfolio companies may be risky, and we could lose all or part of our investment.
- An investment strategy focused primarily on smaller privately held companies involves a high degree of risk and presents certain challenges, including the lack of available information about these companies, a dependence on the talents and efforts of only a few key portfolio company personnel and a greater vulnerability to economic downturns.
- Our investments in leveraged portfolio companies may be risky, and we could lose all or part of our investment.
- The health and performance of our portfolio companies could be adversely affected by political and economic conditions in the countries in which they conduct business.
- We are currently operating in a period of capital markets disruption and economic uncertainty.
- The lack of liquidity in our investments may adversely affect our business.
- We may not have the funds or ability to make additional investments in our portfolio companies or to fund our unfunded debt commitments which may impair the value of our portfolio.
- Our ability to enter into new transactions with our affiliates, and to restructure or exit our investments in portfolio companies that we are deemed to "control" under the 1940 Act, will be restricted by the 1940 Act, which may limit the scope of investment opportunities available to us.

- We are a non-diversified investment company within the meaning of the 1940 Act, and therefore we are not limited with respect to the proportion of our assets that may be invested in securities of a single issuer.
- Our portfolio may be concentrated in a limited number of industries, which may subject us to a risk of significant loss if there is a downturn in a particular industry in which a number of our investments are concentrated. Our portfolio will be considered to be concentrated in a particular industry when 25% or greater of its total assets are invested in issuers that are a part of that industry. The Company currently has investments concentrated in the healthcare industry.
- A covenant breach or other defaults by our portfolio companies may adversely affect our operating results.
- If our portfolio companies are unable to protect their proprietary, technological and other intellectual property rights, our business and prospects could be harmed, and if portfolio companies are required to devote significant resources to protecting their intellectual property rights, the value of our investment could be reduced.
- Any unrealized depreciation we experience on our loan portfolio may be an indication of future realized losses, which could reduce our income available for distribution.
- Prepayments of our debt investments by our portfolio companies could adversely impact our results of operations and reduce our return on equity.
- We may not realize gains from our equity investments.
- The interest rates of some of our floating-rate loans to our portfolio companies may be priced using a spread over LIBOR, which is being phased out.
- We may choose to waive or defer enforcement of covenants in the debt securities held in our portfolio, which may cause us to lose all or part of our investment in these companies.
- Our investments in securities rated below investment grade are speculative in nature and are subject to additional risk factors such as increased possibility of default, illiquidity of the security, and changes in value based on changes in interest rates.
- Our investments may be in portfolio companies which may have limited operating histories and financial resources.

Risks Relating to Our Securities

- The market price of our common stock may fluctuate significantly.
- Our business and operation could be negatively affected if we become subject to any securities litigation or stockholder activism, which could cause us to incur significant expense, hinder execution of investment strategy and impact our stock price.
- Investing in our common stock involves a high degree of risk.
- We cannot assure you that the market price of shares of our common stock will not decline.
- Our common stockholders will bear the expenses associated with our borrowings, and the holders of our debt securities will have certain rights senior to our common stockholders.
- Sales of substantial amounts of our common stock in the public market may have an adverse effect on the market price of our common stock.
- Shares of our common stock have traded at a discount from net asset value and may do so in the future.
- There is a risk that investors in our equity securities may not receive distributions consistent with historical levels or at all, or that our distributions may not grow over time and a portion of our distributions may be a return of capital.
- A stockholder's interest in us will be diluted if we issue additional shares of common stock, which could reduce the overall value of an investment in us.
- We will have broad discretion over the use of proceeds of any successful offering of securities.
- Your interest in the Company may be diluted if you do not fully exercise your subscription rights in any rights offering.
- If we issue preferred stock, the net asset value and market value of our common stock will likely become more volatile.
- Holders of any preferred stock we might issue would have the right to elect members of our Board and class voting rights on certain matters.

OUR INVESTMENT STRATEGY

Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We expect the companies in which we invest will generally have between \$5 million and \$50 million in trailing twelve-month earnings before interest, tax, depreciation and amortization ("EBITDA"). We believe our focus on direct lending to private companies enables us to receive higher interest rates and more substantial equity participation. As part of that strategy, we may invest in first lien loans, which have a first priority security interest in all or some of the borrower's assets. In addition, our first lien loans may include positions in "stretch" senior secured loans, also referred to as "unitranche" loans, which combine characteristics of traditional first lien senior secured loans and second lien loans, providing us with greater influence and security in the primary collateral of a borrower and potentially mitigating loss of principal should a borrower default. We also may invest in second lien loans, which have a second priority security interest in all or substantially all of the borrower's assets. In addition to debt securities, we may acquire equity or detachable equity-related interests (including warrants) from a borrower. Typically, the debt in which we invest is not initially rated by any rating agency; however, we believe that if such investments were rated, they would be rated below investment grade. Below investment grade securities, which are often referred to as "high yield" or "junk," have predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. We intend to target investments that mature in four to six years from our investment.

We typically will not limit the size of our loan commitments to a specific percentage of a borrower's assets that serve as collateral for our loan, although we attempt to protect against risk of loss on our debt investments by structuring, underwriting and pricing loans based on anticipated cash flows of our borrowers.

OUR INVESTMENT ADVISER

We are managed by the Investment Adviser, whose investment team members have significant and diverse experience financing, advising, operating and investing in lower middle-market and traditional middle-market companies. Mount Logan was formed in 2020 and is registered as an investment adviser under the Advisers Act. Mount Logan is controlled by MLC, a publicly listed Canada-based alternative asset management company. Mount Logan is an affiliate of BC Partners for U.S. regulatory purposes and BC Partners provides Mount Logan with personnel pursuant to a resource sharing agreement, which allows Mount Logan to utilize the resources of BC Partners' broader credit team.

MLC is managed by the founders of BC Partners Credit bringing to bear the investment expertise and deep resources of the broader BC Partners platform, all of which the Company - as an entity within the BC Partners ecosystem - benefits from. Mount Logan provides investment management services to privately offered investment funds and acts as the collateral manager to issuers of collateralized loan obligations ("CLOs") backed by debt obligations and similar assets.

Mount Logan's investment committee, or the Mount Logan Investment Committee, includes Ted Goldthorpe, Matthias Ederer, Henry Wang and Raymond Svider, each experienced members of Mount Logan's investment personnel.

With over \$40 billion in assets under management and offices in London, Paris, Hamburg, and New York, the BC Partners organization is comprised of a private equity platform ("BC Partners Private Equity"), a credit platform ("BC Partners Credit"), and a real estate platform ("BC Partners Real Estate"). All three platforms operate as integrated businesses within the overall BC Partners organization. Founded in 1986, BC Partners grew and evolved with the development of the European private equity market, consistently maintaining its position as one of the leading buyout firms in the region. It subsequently expanded investment operations to North America to support larger transactions operating more globally and established a successful investment platform for buyouts of businesses based in the United States and around the world. BC Partners expanded its strategic offering by establishing a credit platform in 2017 and a real estate platform in 2018. BC Partners has a 35-year investing track record across a variety of geographies and sectors. Throughout its investment history, BC Partners has built strong and longstanding relationships with global institutional investors.

To the extent permitted by the 1940 Act and interpretation of the staff of the U.S. Securities and Exchange Commission (the "SEC"), the Investment Adviser and its affiliates may determine that an investment is appropriate for us and for one or more of those other funds. In such event, depending on the availability of such investment and other appropriate factors, the Investment Adviser or its affiliates may determine that we should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff, and consistent with the Investment Adviser's allocation procedures.

On April 10, 2023, superseding a prior exemptive order granted on October 23, 2018, the SEC issued an order granting an application for exemptive relief to us and certain of our affiliates that allows BDCs managed by the Investment Adviser, including Logan Ridge, to co-invest, subject to the satisfaction of certain conditions, in certain private placement transactions, with other funds managed by the Investment Adviser or its affiliates, certain proprietary accounts of the Investment Adviser or its affiliates and any future funds that are advised by the Investment Adviser or its affiliated investment advisers.

Pursuant to the Order, we are permitted to co-invest in such investment opportunities with our affiliates if a "required majority" (as defined in Section 57(o) of the 1940 Act) of our directors each of which is not considered an "interested person", as such term is defined under the 1940 Act (the "independent directors") make certain conclusions in connection with a co-investment transaction, including, but not limited to, that (1) the terms of the potential co-investment transaction, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching in respect of us or our stockholders on the part of any person concerned, and (2) the potential co-investment transaction is consistent with the interests of our stockholders and is consistent with our then-current investment objective and strategies.

INVESTMENTS

We will engage in various investment strategies from time to time in order to achieve our overall lending and investment objectives. Our strategies will generally require current cash yields and sensible leverage and fixed charge coverage ratios and either a first or second lien position (subject to limited instances in which we will not obtain security) in the collateral of the portfolio company. The strategy we select will depend upon, among other things, market opportunities, the skills and experience of our Investment Adviser's investment team, the result of our financial, operational and strategic evaluation of the opportunity, and our overall portfolio composition. Most of our existing debt investments offer, and we expect most of our future debt investments will offer, the opportunity to participate in a borrower's equity performance through warrant participation, direct equity ownership or otherwise, and many of our debt investments will require the borrower to pay an early termination fee. Collectively, these attributes have been, and are expected to be, important contributors to the returns generated by our Investment Adviser's investment team.

The Investment Adviser's investment team uses a disciplined investment portfolio monitoring and risk management process that emphasizes strict underwriting standards and guidelines, strong due diligence investigation, regular portfolio review, analysis and performance-guided responses, and proper investment diversification. We allocate capital among different industries, geographies and private equity sponsors on the basis of relative risk/reward profiles as a function of their associated downside risk, volatility, perceived fundamental risk and our ability to obtain favorable investment protection terms.

Types of Investments

We will target debt investments that yield meaningful current income and, in certain cases, provide the opportunity for capital appreciation through equity securities. In each case, the following criteria and guidelines are applied to the review of a potential investment; however, not all criteria are met in every single investment in our portfolio, nor do we guarantee that all criteria will be met in the investments we will make in the future.

- **Established Companies With Positive Cash Flow.** We seek to invest in established companies with a history of generating revenues and positive cash flows. We intend to focus on companies with a history of profitability and minimum trailing twelve-month EBITDA of between \$5 million and \$50 million. We do not intend to invest in start-up companies, distressed or "turn-around" situations or companies with business plans that we do not understand.
- **Experienced Management Teams with Meaningful Investment.** We seek to invest in companies in which senior or key managers have significant company or industry-level experience and have significant equity ownership. It has been our experience that these management teams are more committed to the company's success and more likely to manage the company in a manner that protects our debt and equity investments.
- **Significant Invested Capital.** We believe that the existence of an appropriate amount of equity beneath our debt capital provides valuable support for our investment. In addition, the degree to which the particular investment is a meaningful one for the portfolio company's financial sponsor, and the financial sponsor's ability and willingness to invest additional equity capital as and to the extent necessary, are also important considerations.
- **Appropriate Capital Structures.** We seek to invest in companies that are appropriately capitalized. First, we examine the amount of equity that is being invested by the company's private equity sponsor to determine whether there is a sufficient capital cushion beneath our invested capital. We also analyze the amount of leverage and the characteristics of senior debt with lien priority over our investment.
- **Strong Competitive Position.** We intend to invest in companies that have developed strong, defensible product or service offerings within their respective market segments. These companies should be well positioned to capitalize on organic and strategic growth opportunities and should compete in industries with strong fundamentals and meaningful barriers to entry. We further analyze prospective portfolio investments in order to identify competitive advantages within their respective industries, which may result in superior operating margins or industry-leading growth.

- **Customer and Supplier Diversification.** We expect to invest in companies with sufficiently diverse customer and supplier bases. We believe these companies will be better able to endure industry consolidation, economic contraction and increased competition than those that are not sufficiently diversified. However, we also recognize that from time to time, an attractive investment opportunity with some concentration among its customer base or supply chain will present itself. We believe that concentration issues can be evaluated and, in some instances (whether due to supplier or customer product or platform diversification, the existence and quality of long-term agreements with such customers or suppliers or other select factors), mitigated, thus presenting a superior risk-adjusted pricing scenario.

Debt Investments

The Investment Adviser's investment team tailors the terms of each debt investment to the facts and circumstances of the transaction, the needs of the prospective portfolio company and, as applicable, its financial sponsor, negotiating a structure that seeks to protect our rights and manage our risk while creating incentives for the portfolio company to achieve its business plan. We expect our primary source of return to be the cash interest we will collect on our debt investments. We also typically seek board observation rights with each portfolio company, and we offer (and have historically provided) managerial and strategic assistance to these companies. We seek to further protect invested principal by negotiating appropriate affirmative, negative and financial covenants in our debt documents that are conservative enough to represent a prudent cushion at closing or to budgeted projections, but that are flexible enough to afford our portfolio companies and their financial sponsors sufficient latitude to allow them to grow their businesses. Typical covenants include default triggers and remedies (including penalties), lien protection, leverage and fixed charge coverage ratios, change of control provisions and put rights. Most of our debt investments feature call protection to enhance our total return on debt investments that are repaid prior to maturity.

Most of our debt investments are structured as first lien loans, and as of December 31, 2023, 79.8% of the fair value of our debt investments consisted of such investments. First lien loans may contain some minimum amount of principal amortization, excess cash flow sweep feature, prepayment penalties, or any combination of the foregoing. First lien loans are secured by a first priority lien in existing and future assets of the borrower and may take the form of term loans, delayed draw facilities, or revolving credit facilities. In some cases, first lien loans may be subordinated, solely with respect to the payment of cash interest, to an asset based revolving credit facility. Unitranche debt, a form of first lien loan, typically involves issuing one debt security that blends the risk and return profiles of both senior secured and subordinated debt in one debt security, bifurcating the loan into a first-out tranche and last-out tranche. As of December 31, 2023, none of our first lien loans consisted of last-out loans. We believe that unitranche debt can be attractive for many lower middle-market and traditional middle-market businesses, given the reduced structural complexity, single lender interface and elimination of intercreditor or potential agency conflicts among lenders.

We may also invest in debt instruments structured as second lien loans. Second lien loans are loans which have a second priority security interest in all or substantially all of the borrower's assets, and in some cases, may be subject to the interruption of cash interest payments upon certain events of default, at the discretion of the first lien lender. On a fair market value basis, 5.1% of our debt investments consisted of second lien loans as of December 31, 2023.

Some of our debt investments have payment-in-kind ("PIK") interest, which is a form of interest that is not paid currently in cash but is accrued and added to the loan balance until paid at the end of the term. While we generally seek to minimize the percentage of our fixed return that is in the form of PIK interest, we sometimes receive PIK interest due to prevailing market conditions that do not support the overall blended interest yield on our debt investments being paid in all-cash interest. As of December 31, 2023, our weighted average PIK yield was 0.8% (excluding the income from non-accruals and collateralized loan obligations). As of December 31, 2023, the weighted average annualized cash yield on our debt portfolio was 10.4% (excluding the income from non-accruals and collateralized loan obligations). In addition to yield in the form of current cash and PIK interest, some of our debt investments include an equity component, such as a warrant to purchase a common equity interest in the borrower for a nominal price.

The weighted annualized yield is calculated based on the effective interest rate as of period end, divided by the fair value of our debt investments. The weighted average annualized yield of our debt investments is not the same as a return on investment for our stockholders but, rather, relates to a portion of our investment portfolio and is calculated before the payment of all of our fees and expenses. There can be no assurance that the weighted average yield will remain at its current level.

Equity Investments

When we make a debt investment, we may be granted equity participation in the form of detachable warrants to purchase common equity in the company in the same class of security that the owners or equity sponsors receive upon funding. In addition, we may make non-control equity co-investments in conjunction with a loan transaction with a borrower. The Investment Adviser's investment team generally seeks to structure our equity investments, such as direct equity co-investments, to provide us with minority rights provisions and, to the extent available, event-driven put rights. They also seek to obtain limited registration rights in connection with these investments, which may include "piggyback" registration rights. In addition to warrants and equity co-investments, our debt investments in the future may contain a synthetic equity position.

INVESTMENT PROCESS

The management of our investment portfolio is the responsibility of Mount Logan and the Logan Ridge investment team (the "LRFC Investment Team"). All investment decisions require the majority approval of the Mount Logan Investment Committee. The LRFC Investment Team sources, identifies and diligences investment opportunities and presents the opportunity to the Mount Logan Investment Committee for approval. The Mount Logan Investment Committee is currently comprised of three members of BC Partners Credit (Ted Goldthorpe, Matthias Ederer and Henry Wang), and one member of BC Partners Private Equity (Raymond Svider). The Mount Logan Investment Committee meets regularly to review the opportunities presented by the LRFC Investment Team. Follow-on investments in existing portfolio companies may require the Mount Logan's Investment Committee approval beyond that obtained when the initial investment in the company was made. In addition, temporary investments, such as those in cash equivalents, U.S. government securities and other high quality debt investments that mature in one year or less, may require approval by the Mount Logan Investment Committee. The Board, including a majority of the Independent Directors, oversees and monitors the investment performance and, beginning with the second anniversary of the effective date of the Investment Advisory Agreement, will annually review the compensation Logan Ridge pays to Mount Logan.

None of Mount Logan's investment professionals receive any direct compensation from Logan Ridge in connection with the management of Logan Ridge's portfolio.

The following individuals (the "LRFC Portfolio Managers") have senior responsibility for the management of our investment portfolio: Ted Goldthorpe, Matthias Ederer, Henry Wang, Raymond Svider and Patrick Schafer. Mr. Schafer is Logan Ridge's Chief Investment Officer and has primary responsibility for the day-to-day implementation and management of Logan Ridge's investment portfolio.

The stages of our investment selection process are as follows:

Deal Generation/Origination

Deal generation and origination is maximized through long-standing and extensive relationships with industry contacts, brokers, commercial and investment bankers, entrepreneurs, service providers (such as lawyers and accountants), as well as current and former clients, portfolio companies and investors.

Screening

All potential investments that are received are screened for suitability and consistency with our investment criteria (see “— Due Diligence and Underwriting,” below). If a potential investment meets our basic investment criteria, a deal team is assigned to perform preliminary due diligence. In doing so, we consider some or all of the following factors:

- A comprehensive financial model that we prepare based on quantitative analysis of historical financial performance, financial projections made by management or the financial sponsor, and pro forma financial ratios assuming an investment consistent with possible structures. In analyzing our model, we test various investment structures, pricing options, downside scenarios and other sensitivities in order to better understand potential risks and possible financial covenant ratios;
- The competitive landscape and industry dynamics impacting the potential portfolio company;
- Strengths and weaknesses of the potential investment’s business strategy and industry outlook; and
- Results of a broad qualitative analysis of the company’s products or services, market position and outlook, customers, suppliers and quality of management.

If the results of this preliminary due diligence are satisfactory, the deal team prepares an executive summary that is presented to our Investment Adviser’s investment committee in a meeting that includes all members of the portfolio and investment teams. This executive summary includes the following areas:

- Company history and summary of product(s) and/or service(s);
- An overview of investors, anticipated capital sources and transaction timing;
- Investment structure and expected returns, including initial projected financial ratios;
- Analysis of historical financial results and key assumptions;
- Analysis of the company’s business strategy;
- Analysis of the financial sponsor’s relevant experience or expected strategy;
- Investment strengths, weaknesses and priority issues to be addressed in due diligence; and
- Pro forma capitalization and ownership.

If our investment committee recommends moving forward, we will issue a non-binding term sheet or indication of interest to the potential portfolio company and, when applicable, its financial sponsor. If a term sheet is successfully negotiated, we will begin more formal due diligence and underwriting as we progress towards the ultimate investment approval and closing.

Due Diligence and Underwriting

The completion of due diligence deliverables is led by at least two investment professionals. However, all investment and portfolio team members are regularly updated with due diligence progress, especially any issues that emerge. The investment professionals leading the due diligence efforts are typically assigned to the original deal team that worked on the executive summary. However, post-term sheet deal teams sometimes contain one or more additional investment professionals and may include other professionals from business development, portfolio or other areas if a particular skill or experience set would be especially valuable in the due diligence process. The members of the underwriting team complete due diligence and analyze the relationships among the prospective portfolio company’s business plan, operations and expected financial performance. Due diligence consists of some or all of the following:

- On-site visits with management and relevant key employees;
- In-depth review of historical and projected financial statements, including covenant calculation work sheets;
- Interviews with customers and suppliers;
- Management background checks;
- Review of reports by third-party accountants, outside counsel and other industry, operational or financial experts, whether retained by us or the financial sponsor;
- Review of material contracts; and
- Review of financial sponsor’s due diligence package and internal executive summaries.

Typically, we utilize outside experts to analyze the legal affairs, accounting systems and financial results and, where appropriate, we engage specialists to investigate certain issues. During the underwriting process, significant, ongoing attention is devoted to sensitivity analyses regarding whether a company might bear a significant “downside” case and remain profitable and in compliance with assumed financial covenants. These “downside” scenarios typically involve assumptions regarding the loss of key customers and/or suppliers, an economic downturn, adverse regulatory changes and other relevant stressors that we attempt to simulate in our quantitative and qualitative analyses. Further, we continually examine the effect of these scenarios on financial ratios and other metrics.

During the underwriting process, the executive summary that was completed for the initial investment committee presentation is expanded upon into a full diligence memo and key findings are presented at subsequent, weekly meetings of the investment committee for continued discussion and, to the extent applicable, the investment committee issues new instructions to the underwriting team.

Approval, Documentation and Closing

The underwriting team for the proposed investment presents the full diligence memo and key findings from due diligence to the investment committee on an ongoing basis. Prior to the commencement of documentation, approval from the investment committee is sought and, if approved, the underwriting professionals heretofore involved proceed to documentation.

At all times during the documentation process, the underwriting professionals who conducted the due diligence remain involved; likewise, all extensively negotiated documentation decisions are made by the lead underwriting team member, in accordance with input from at least one investment committee member and guidance from outside counsel. As and to the extent necessary, key documentation challenges are brought before the investment committee for prompt discussion and resolution. Upon the completion of satisfactory documentation and the satisfaction of closing conditions, final approval is sought from the investment committee before closing and funding.

ONGOING RELATIONSHIPS WITH PORTFOLIO COMPANIES

Monitoring

Our Investment Adviser monitors our portfolio companies on an ongoing basis. It monitors the financial trends of each portfolio company to determine if it is meeting its business plan and to assess the appropriate course of action for each company. We generally require our portfolio companies to provide annual audited financial statements and quarterly unaudited financial statements, in each case, with management discussion and analysis and covenant compliance certificates, and monthly unaudited financial statements. Using the monthly financial statements, we calculate and evaluate all financial covenants and additional financial coverage ratios that might not be part of our covenant package in the loan documents. For purposes of analyzing a portfolio company's financial performance, we may adjust their financial statements to reflect pro forma results in the event of a recent change of control, sale, acquisition or anticipated cost savings.

Our Investment Adviser has several methods of evaluating and monitoring the performance and fair value of our investments, including the following:

- Assessment of success in adhering to each portfolio company's business plan and compliance with covenants;
- Periodic and regular contact with portfolio company management and, if appropriate, the financial or strategic sponsor, to discuss financial position, requirements and accomplishments;
- Comparisons to our other portfolio companies in the industry, if any;
- Attendance at and participation in the board meetings; and
- Review of monthly and quarterly financial statements and financial projections for portfolio companies.

AGREEMENTS

Investment Advisory Agreement

On July 1, 2021, the Company entered into an investment advisory agreement (the "Investment Advisory Agreement") with the Investment Adviser, which was approved by the Company's stockholders on May 27, 2021. Unless earlier terminated in accordance with its terms, the Investment Advisory Agreement will remain in effect from year-to-year if approved annually by the Board or by a majority of our outstanding voting securities, including, in either case, by a majority of our directors who are not "interested persons" as such term is defined in Section 2(a)(19) of the 1940 Act ("Independent Directors"). The Board most recently approved the renewal of the Investment Advisory Agreement at a meeting on May 9, 2023. Subject to the overall supervision of the Board, the Investment Adviser manages our day-to-day operations and provides investment advisory and management services to us. Under the terms of the Investment Advisory Agreement, the Investment Adviser:

- determines the composition of our portfolio, the nature and timing of the changes to our portfolio, and the manner of implementing such changes;
- identifies, evaluates, and negotiates the structure of the investments we make (including performing due diligence on our prospective portfolio companies);
- closes and monitors the investments we make; and
- provides us with other investment advisory, research, and related services as we may from time to time require.

The Investment Adviser's services under the Investment Advisory Agreement are not exclusive, and it is free to furnish similar services to other entities so long as its services to us are not impaired.

The Investment Advisory Agreement provides that, absent willful misfeasance, bad faith, or negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, the Investment Adviser and its officers, managers, partners, agents, employees, controlling persons, members, and any other person or entity affiliated with it are entitled to indemnification from the Company for any damages, liabilities, costs, and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of our Investment Adviser's services under the Investment Advisory Agreement or otherwise as Investment Adviser for the Company.

Pursuant to the Investment Advisory Agreement, the Company has agreed to pay the Investment Adviser a fee for investment advisory and management services consisting of two components — a base management fee and an incentive fee.

The base management fee is calculated at an annual rate of 1.75% of the gross assets, which are the total assets reflected on the consolidated statements of assets and liabilities and includes any borrowings for investment purposes. Although the Company does not anticipate making significant investments in derivative financial instruments, the fair value of any such investments, which will not necessarily equal their notional value, will be included in the calculation of gross assets. For services rendered under the Investment Advisory Agreement, the base management fee is payable quarterly in arrears. The base management fee is calculated based on the average value of the gross assets at the end of the two most recently completed calendar quarters, and appropriately adjusted for any share issuances or repurchases during the current calendar quarter.

The incentive fee consists of the following two parts:

The first part of the incentive fee is calculated and payable quarterly in arrears based on the pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income, and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, diligence, and consulting fees or other fees that we receive from portfolio companies) accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under the Administration Agreement, dated July 1, 2021, between us and the Administrator (the "Administration Agreement"), to our Administrator, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with PIK interest and zero coupon securities), accrued income that we have not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, computed net of all realized capital losses or

unrealized capital appreciation or depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, is compared to a hurdle of 2.0% per quarter (8.0% annualized). The Company pays the Investment Adviser an incentive fee with respect to the pre-incentive fee net investment income in each calendar quarter as follows:

- no incentive fee in any calendar quarter in which the pre-incentive fee net investment income does not exceed the hurdle of 2.0%;
- 100% of the pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle but is less than 2.5% in any calendar quarter (10.0% annualized). The Company refers to this portion of the pre-incentive fee net investment income (which exceeds the hurdle but is less than 2.5%) as the “catch-up.” The “catch-up” is meant to provide the Investment Adviser with 20% of the pre-incentive fee net investment income as if a hurdle did not apply if this net investment income exceeds 2.5% in any calendar quarter; and
- 20.0% of the amount of the pre-incentive fee net investment income, if any, that exceeds 2.5% in any calendar quarter (10.0% annualized) is payable to the Investment Adviser (once the hurdle is reached and the catch-up is achieved, 20.0% of all pre-incentive fee investment income thereafter is allocated to the Investment Adviser).

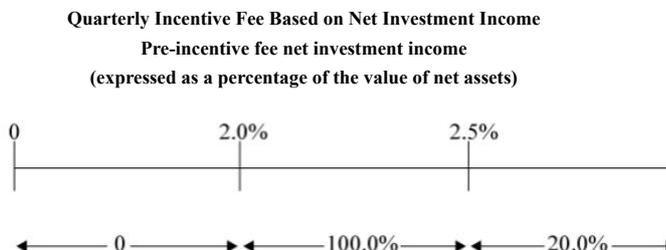
The second part of the incentive fee is determined and payable in arrears as of the end of each calendar year, commencing on December 31, 2021, and equals 20.0% of the Company’s realized capital gains, if any, on a cumulative basis with respect to each of the investments in the Company’s portfolio from the fiscal quarter ending on or immediately prior to July 1, 2021 through the end of each calendar year, beginning with the calendar year ending December 31, 2021, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis from September 30, 2021 through the end of each calendar year, beginning with the calendar year ending December 31, 2021, less the aggregate amount of any previously paid capital gain fees under the Investment Advisory Agreement. Any realized capital gains, realized capital losses and unrealized capital depreciation with respect to the Company’s portfolio as of the end of the fiscal quarter ending on or immediately prior to July 1, 2021 are excluded from the calculations of the capital gains fee. In the event that the Investment Advisory Agreement terminates as of a date that is not a calendar year end, the termination date will be treated as though it were a calendar year end for purposes of calculating and paying a capital gains fee.

The Company will defer cash payment of the portion of any incentive fee otherwise earned by the Investment Adviser that would, when taken together with all other incentive fees paid to the Investment Adviser during the most recent 12 full calendar month period ending on or prior to the date such payment is to be made, exceed 20.0% of the sum of (a) the pre-incentive fee net investment income during such period, (b) the net unrealized appreciation or depreciation during such period and (c) the net realized capital gains or losses during such period. Any deferred incentive fees will be carried over for payment in subsequent calculation periods to the extent such payment is payable under the Investment Advisory Agreement. As of December 31, 2023 and 2022, the Company did not have incentive fees payable to the Investment Adviser related to fees earned in prior years but deferred under the incentive fee deferral mechanism, respectively.

Beginning on July 1, 2021, the Investment Adviser entered into a two-year contractual fee waiver (the “Fee Waiver”) with the Company to waive, to the extent necessary, any capital gains fee under the Investment Advisory Agreement that exceeds what would have been paid to our prior investment adviser, Capitala Investment Advisors, LLC, in the aggregate over such two-year period under the prior advisory agreement. The Fee Waiver expired at the end of the two-year period.

Graphical Representation and Examples under the Investment Advisory Agreement

The following is a graphical representation of the calculation of the income-related portion of the incentive fee:



Percentage of pre-incentive fee net investment income allocated to the Mount Logan Management LLC

These calculations are appropriately pro-rated for any period of less than three months and adjusted for any share issuances or repurchases during the relevant quarter. You should be aware that a rise in the general level of interest rates can be expected to lead to higher interest rates applicable to our debt investments. Accordingly, an increase in interest rates would make it easier for us to meet or exceed the incentive fee hurdle rate and may result in a substantial increase of the amount of incentive fees payable to our Investment Adviser with respect to pre-incentive fee net investment income.

Examples of Quarterly Incentive Fee Calculation under the Investment Advisory Agreement

Example 1: Income Related Portion of Incentive Fee*

Alternative 1:

Assumptions

Investment income (including interest, dividends, fees, etc.) = 1.25%

Hurdle rate⁽¹⁾ = 2.00%

Management fee⁽²⁾ = 0.50%

Other expenses (legal, accounting, custodian, transfer agent, etc.)⁽³⁾ = 0.20% Pre-incentive fee net investment income

(investment income – (management fee + other expenses)) = 0.55%

Pre-incentive net investment income does not exceed hurdle rate, therefore there is no incentive fee.

Alternative 2:**Assumptions**

Investment income (including interest, dividends, fees, etc.) = 2.90%

Hurdle rate⁽¹⁾ = 2.00%

Management fee⁽²⁾ = 0.50%

Other expenses (legal, accounting, custodian, transfer agent, etc.)⁽³⁾ = 0.20%

Pre-incentive fee net investment income

(investment income – (management fee + other expenses)) = 2.20%

Incentive fee = 100% × pre-incentive fee net investment income, subject to the “catch-up”⁽⁴⁾
 = 100% × (2.20% – 2.00%)
 = 0.20%

Pre-incentive fee net investment income exceeds the hurdle rate, but does not fully satisfy the “catch-up” provision, therefore the income related portion of the incentive fee is 0.20%.

Alternative 3:**Assumptions**

Investment income (including interest, dividends, fees, etc.) = 3.50%

Hurdle rate⁽¹⁾ = 2.00%

Management fee⁽²⁾ = 0.50%

Other expenses (legal, accounting, custodian, transfer agent, etc.)⁽³⁾ = 0.20%

Pre-incentive fee net investment income

(investment income – (management fee + other expenses)) = 2.80%

Incentive fee = 20% × pre-incentive fee net investment income, subject to “catch-up”⁽⁴⁾
 Incentive fee = 100% × “catch-up” + (20% × (pre-incentive fee net investment income – 2.50%))
 Catch-up = 2.50% – 2.00%
 = 0.50%
 Incentive fee = (100% × 0.50%) + (20% × (2.80% – 2.50%))
 = 0.50% + (20% × 0.30%)
 = 0.50% + 0.06%
 = 0.56%

Pre-incentive fee net investment income exceeds the hurdle rate, and fully satisfies the “catch-up” provision, therefore the income related portion of the incentive fee is 0.56%.

* The hypothetical amount of pre-incentive fee net investment income shown is based on a percentage of total net assets.

- (1) Represents 8.00% annualized hurdle rate.
- (2) Represents 2.00% annualized management fee.
- (3) Excludes organizational and offering expenses.
- (4) The “catch-up” provision is intended to provide the Investment Adviser with an incentive fee of 20.00% on all of Logan Ridge’s pre-incentive fee net investment income as if a hurdle rate did not apply when its net investment income exceeds 2.50% in any calendar quarter.

Example 2: Capital Gains Portion of Incentive Fee**Alternative 1:****Assumptions**

- Year 1: \$20 million investment made in Company A (“Investment A”), and \$30 million investment made in Company B (“Investment B”)
- Year 2: Investment A sold for \$50 million and fair market value (“FMV”) of Investment B determined to be \$32 million
- Year 3: FMV of Investment B determined to be \$25 million
- Year 4: Investment B sold for \$31 million

The capital gains portion of the incentive fee would be:

- Year 1: None
- Year 2: Capital gains incentive fee of \$6 million (\$30 million realized capital gains on sale of Investment A multiplied by 20.00%)
- Year 3: None

\$5 million (20.00% multiplied by (\$30 million cumulative capital gains less \$5 million cumulative capital depreciation)) less \$6 million (previous capital gains fee paid in Year 2).

- Year 4: Capital gains incentive fee of \$200,000

\$6.2 million (\$31 million cumulative realized capital gains multiplied by 20.00%) less \$6 million (capital gains fee taken in Year 2).

Alternative 2:

Assumptions

- Year 1: \$20 million investment made in Company A (“Investment A”), \$30 million investment made in Company B (“Investment B”) and \$25 million investment made in Company C (“Investment C”)
- Year 2: Investment A sold for \$50 million, FMV of Investment B determined to be \$25 million and FMV of Investment C determined to be \$25 million
- Year 3: FMV of Investment B determined to be \$27 million and Investment C sold for \$30 million
- Year 4: FMV of Investment B determined to be \$24 million
- Year 5: Investment B sold for \$20 million

The capital gains incentive fee, if any, would be:

- Year 1: None
- Year 2: \$5 million capital gains incentive fee

20.00% multiplied by \$25 million (\$30 million realized capital gains on Investment A less unrealized capital depreciation on Investment B).

- Year 3: \$1.4 million capital gains incentive fee⁽¹⁾

\$6.4 million (20.00% multiplied by \$32 million (\$35 million cumulative realized capital gains less \$3 million unrealized capital depreciation)) less \$5 million capital gains fee received in Year 2.

- Year 4: None
- Year 5:

None \$5 million (20.00% multiplied by \$25 million (cumulative realized capital gains of \$35 million less realized capital losses of \$10 million)) less \$6.4 million cumulative capital gains fee paid in Year 2 and Year 3.

(1) As illustrated in Year 3 of Alternative 2 above, if the Company were to be wound up on a date other than December 31 of any year, the Company may have paid aggregate capital gain incentive fees that are more than the amount of such fees that would be payable if the Company had been wound up on December 31 of such year.

Example 3: Application of the Incentive Fee Deferral Mechanism

Assumptions

- In each of Years 1 through 4 in this example pre-incentive fee net investment income equals \$40.0 million per year, which we recognized evenly in each quarter of each year and paid quarterly. This amount exceeds the hurdle rate and the requirement of the “catch-up” provision in each quarter of such year. As a result, the annual income related portion of the incentive fee before the application of the deferral mechanism in any year is \$8.0 million (\$40.0 million multiplied by 20.00%). All income-related incentive fees were paid quarterly in arrears.
- In each year preceding Year 1, we did not generate realized or unrealized capital gains or losses, no capital gain-related incentive fee was paid and there was no deferral of incentive fees.
- Year 1: We did not generate realized or unrealized capital gains or losses.
- Year 2: We realized a \$30.0 million capital gain and did not otherwise generate realized or unrealized capital gains or losses.
- Year 3: We recognized \$5.0 million of unrealized capital depreciation and did not otherwise generate realized or unrealized capital gains or losses.
- Year 4: We realized a \$6.0 million capital gain and did not otherwise generate realized or unrealized capital gains or losses.

	Income Related Incentive Fee Accrued Before Application of Deferral Mechanism	Capital Gains Related Incentive Fee Accrued Before Application of Deferral Mechanism	Incentive Fee Calculations	Incentive Fees Paid and Deferred
Year 1	\$8.0 million (\$40.0 million multiplied by 20%)	None	\$8.0 million	Incentive fees of \$8.0 million paid; no incentive fees deferred
Year 2	\$8.0 million (\$40.0 million multiplied by 20%)	\$6.0 million (20% of \$30.0 million)	\$14.0 million	Incentive fees of \$14.0 million paid; no incentive fees deferred
Year 3	\$8.0 million (\$40.0 million multiplied by 20%)	None (20% of cumulative net capital gains of \$25.0 million (\$30.0 million in cumulative realized gains less \$5.0 million in cumulative unrealized capital depreciation) less \$6.0 million of capital gains fee paid in Year 2)	\$7.0 million (20% of the sum of (a) our pre-incentive fee net investment income, (b) our net unrealized appreciation or depreciation during such period and (c) our net realized capital gains or losses during Year 3)	Incentive fees of \$7.0 million paid; \$8.0 million of incentive fees accrued but payment restricted to \$7.0 million; \$1.0 million of incentive fees deferred
Year 4	\$8.0 million (\$40.0 million multiplied by 20%)	\$0.2 million (20% of cumulative net capital gains of \$31.0 million (\$36.0 million cumulative realized capital gains less \$5.0 million cumulative unrealized capital depreciation) less \$6.0 million of capital gains fee paid in Year 2)	\$8.2 million	Incentive fees of \$9.2 million paid (\$8.2 million of incentive fees accrued in Year 4 plus \$1.0 million of deferred incentive fees); no incentive fees deferred

Prior Investment Advisory Agreement

On September 24, 2013, the Company entered into an investment advisory agreement (the “Prior Investment Advisory Agreement”) with our Prior Investment Adviser, Capitala Investment Advisors, LLC (“Capitala”), which was initially approved by the Board on June 10, 2013. As described in our Proxy Statement on Schedule 14A, filed on May 4, 2021, which is incorporated herein by reference, the terms of the Prior Investment Advisory Agreement are substantially the same as those contained in the Investment Advisory Agreement, other than the reset of the capital gains incentive fee lookback feature to the date when Mount Logan assumed management of the Company.

Our Prior Investment Adviser is registered as an investment adviser under the Advisers Act. Subject to the overall supervision of our Board, our Prior Investment Adviser managed our day-to-day operations, and provided investment advisory and management services to us. Under the terms of our Prior Investment Advisory Agreement, the Prior Investment Adviser:

- determined the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes;
- identified, evaluated and negotiated the structure of the investments we made (including performing due diligence on our prospective portfolio companies);
- closed and monitored the investments we made; and
- provided us with other investment advisory, research and related services as we may have from time to time required.

The Prior Investment Adviser’s services under the Prior Investment Advisory Agreement were not exclusive, and it was free to furnish similar services to other entities so long as its services to us were not impaired.

Pursuant to the Prior Investment Advisory Agreement, we agreed to pay the Prior Investment Adviser a fee for investment advisory and management services consisting of two components — a base management fee and an incentive fee.

Prior Management Fee

The prior base management fee was calculated at an annual rate of 1.75% of our gross assets, which was our total assets as reflected on our consolidated statements of assets and liabilities and included any borrowings for investment purposes. Although we did not anticipate making significant investments in derivative financial instruments, the fair value of any such investments, which would not necessarily equal their notional value, would be included in our calculation of gross assets. For services rendered under the Prior Investment Advisory Agreement, the base management fee was payable quarterly in arrears. The base management fee was calculated based on the average value of our gross assets at the end of the two most recently completed calendar quarters, and appropriately adjusted for any share issuances or repurchases during the current calendar quarter.

Prior Incentive Fee

The prior incentive fee consists of the following two parts:

The first part of the prior incentive fee was calculated and payable quarterly in arrears based on our pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, diligence and consulting fees or other fees that we received from portfolio companies) accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under an administration agreement between us and the prior administrator (the “Prior Administration Agreement”), and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the prior incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with PIK interest and zero coupon securities), accrued income that we have not yet received in cash. Pre-incentive fee net investment income did not include any realized capital gains, computed net of all realized capital losses or unrealized capital appreciation or depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, was compared to a hurdle of 2.0% per quarter (8.0% annualized). We paid the Prior Investment Adviser an incentive fee with respect to our pre-incentive fee net investment income in each calendar quarter as follows:

- no incentive fee in any calendar quarter in which our pre-incentive fee net investment income did not exceed the hurdle of 2.0%;

- 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeded the hurdle but was less than 2.5% in any calendar quarter (10.0% annualized). We refer to this portion of our pre-incentive fee net investment income (which exceeded the hurdle but was less than 2.5%) as the “catch-up.” The “catch-up” was meant to provide our Prior Investment Adviser with 20.0% of our pre-incentive fee net investment income as if a hurdle did not apply if this net investment income exceeded 2.5% in any calendar quarter; and
- 20.0% of the amount of our pre-incentive fee net investment income, if any, that exceeded 2.5% in any calendar quarter (10.0% annualized) was payable to the Prior Investment Adviser (once the hurdle was reached and the catch-up was achieved, 20.0% of all pre-incentive fee investment income thereafter was allocated to the Prior Investment Adviser).

The second part of the prior incentive fee was determined and payable in arrears as of the end of each calendar year (or upon termination of the Prior Investment Advisory Agreement, as of the termination date), and would equal 20.0% of our realized capital gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees with respect to each of the investments in our portfolio.

The Company would defer cash payment of the portion of any incentive fee otherwise earned by the Prior Investment Adviser that would, when taken together with all other prior incentive fees paid to the Prior Investment Adviser during the most recent 12 full calendar month period ending on or prior to the date such payment was to be made, exceed 20.0% of the sum of (a) the pre-incentive fee net investment income during such period, (b) the net unrealized appreciation or depreciation during such period and (c) the net realized capital gains or losses during such period. Any deferred incentive fees would be carried over for payment in subsequent calculation periods to the extent such payment was payable under the Prior Investment Advisory Agreement.

The Prior Investment Adviser voluntarily agreed to waive all or such portion of the quarterly incentive fees earned by the Prior Investment Adviser that would otherwise cause our quarterly net investment income to be less than the distribution payments declared by our Board. Quarterly prior incentive fees were earned by the Prior Investment Adviser pursuant to the Prior Investment Advisory Agreement. Prior Incentive fees subject to the waiver could not exceed the amount of incentive fees earned during the period, as calculated on a quarterly basis. The Prior Investment Adviser would not be entitled to recoup any amount of prior incentive fees that it waived. The waiver was effective in the fourth quarter of 2015 and continued through termination of the Prior Investment Advisory Agreement.

Payment of Our Expenses

The investment team of our Investment Adviser and their respective staffs, when and to the extent engaged in providing investment advisory and management services, and the compensation and routine overhead expenses of such personnel allocable to such services, are provided and paid for by the Investment Adviser. We bear all other costs and expenses of our operations and transactions, including (without limitation):

- the cost of our organization;
- the cost of calculating our net asset value, including the cost of any third-party valuation services;
- the cost of effecting sales and repurchases of our shares and other securities;
- interest payable on debt, if any, to finance our investments;
- fees payable to third parties relating to, or associated with, making investments (such as legal, accounting, and travel expenses incurred in connection with making investments), including fees and expenses associated with performing due diligence reviews of prospective investments and advisory fees;
- transfer agent and custodial fees;
- fees and expenses associated with marketing efforts;
- costs associated with our reporting and compliance obligations under the 1940 Act, the Securities Exchange Act of 1934, as amended (the “1934 Act”), and other applicable federal and state securities laws, and ongoing stock exchange listing fees;
- federal, state and local taxes;
- independent directors’ fees and expenses;
- brokerage commissions;
- costs of proxy statements, stockholders’ reports and other communications with stockholders;
- fidelity bond, directors’ and officers’ liability insurance, errors and omissions liability insurance and other insurance premiums;
- direct costs and expenses of administration, including printing, mailing, telephone and staff;
- fees and expenses associated with independent audits and outside legal costs; and
- all other expenses incurred by either our Administrator or us in connection with administering our business, including payments under the Administration Agreement that will be based upon our allocable portion of overhead and other expenses incurred by our Administrator in performing its obligations under the Administration Agreement, including rent, the fees and expenses associated with performing compliance functions, and our allocable portion of any costs of compensation and related expenses of our chief compliance officer, our chief financial officer and their respective administrative support staff.

Duration and Termination

On July 1, 2021, the Company entered into an investment advisory agreement (the “Investment Advisory Agreement”) with the Investment Adviser, which was approved by the Company’s stockholders on May 27, 2021. Unless earlier terminated in accordance with its terms, the Investment Advisory Agreement will remain in effect from year-to-year if approved annually by the Board or by a majority of our outstanding voting securities, including, in either case, by a majority of our directors who are not “interested persons” as such term is defined in Section 2(a)(19) of the 1940 Act (“Independent Directors”). The Board most recently approved the renewal of the Investment Advisory Agreement at a meeting on May 9, 2023. The Investment Advisory Agreement will automatically terminate in the event of its assignment. The Investment Advisory Agreement may also be terminated by either party without penalty upon not less than 60 days’ written notice to the other party. See “Risk Factors — Risks Relating to Our Business and Structure — Our Investment Adviser has the right to resign on 60 days’ notice and we may not be able to find a suitable replacement within such time, resulting in a disruption in our operations that could adversely affect our financial condition, business and results of operations.”

Indemnification

The Investment Advisory Agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, the Investment Adviser and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from Logan Ridge for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of the Investment Adviser's services under the Investment Advisory Agreement or otherwise as an investment adviser of Logan Ridge.

Organization of the Investment Adviser

The Investment Adviser is a Delaware limited liability company. The principal executive offices of the Investment Adviser are located at 650 Madison Avenue, 23rd Floor, New York, New York 10022.

Administration Agreement

BC Partners Management LLC, a Delaware limited liability company, serves as our administrator. The principal executive offices of our administrator are located at 650 Madison Avenue, 23rd Floor, New York, New York 10022. Pursuant to the Administration Agreement, our administrator furnishes us with office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities. Under the Administration Agreement, our administrator also performs, or oversees the performance of, our required administrative services, which include, among other things, being responsible for the financial records that we are required to maintain and preparing reports to our stockholders. In addition, our administrator assists us in determining and publishing our net asset value, oversees the preparation and filing of our tax returns and the printing and dissemination of reports to our stockholders, and generally oversees the payment of our expenses and the performance of administrative and professional services rendered to us by others. Payments under the Administration Agreement are equal to an amount based upon our allocable portion of our administrator's overhead in performing its obligations under the Administration Agreement, including rent, the fees and expenses associated with performing compliance functions and our allocable portion of the compensation of our chief financial officer, chief compliance officer and our allocable portion of the compensation of their respective administrative support staff. Under the Administration Agreement, our administrator will also provide on our behalf managerial assistance to those portfolio companies that request such assistance. Unless terminated earlier in accordance with its terms, the Administration Agreement will remain in effect if approved annually by our Board. On July 1, 2021, we entered into the Administration Agreement. The Administration Agreement may be terminated by either party without penalty upon 60 days' written notice to the other party. To the extent that our administrator outsources any of its functions, we will pay the fees associated with such functions on a direct basis without any incremental profit to our administrator. Stockholder approval is not required to amend the Administration Agreement.

The Administration Agreement provides that, absent willful misfeasance, bad faith or negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, our administrator and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from Logan Ridge for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of our administrator's services under the Administration Agreement or otherwise as administrator for Logan Ridge.

Prior Administration Agreement

The Prior Administration Agreement was initially approved by the Board on June 10, 2013 (the "Prior Administration Agreement") and signed on September 24, 2013. The principal executive offices of our Prior Administrator, Capitala Advisors Corp., are located at 4201 Congress Street, Suite 360, Charlotte, North Carolina 28209. The Prior Administrator, pursuant to a sub-administration agreement, engaged U.S. Bank Global Fund Services to act on behalf of the Prior Administrator in its performance of certain administrative services for us. The principal office of U.S. Bank Global Fund Services is 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202. Pursuant to the Prior Administration Agreement, our prior administrator furnished us with office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities. Under the Prior Administration Agreement, our Prior Administrator also performed, or oversaw the performance of, our required administrative services, which included, among other things, being responsible for the financial records that we are required to maintain and preparing reports to our stockholders. In addition, our Prior Administrator assisted us in determining and publishing our net asset value, oversaw the preparation and filing of our tax returns and the printing and dissemination of reports to our stockholders, and generally oversaw the payment of our expenses and the performance of administrative and professional services rendered to us by others. Payments under the Prior Administration Agreement were equal to an amount based upon our allocable portion of our Prior Administrator's overhead in performing its obligations under the Prior Administration Agreement, including rent, the fees and expenses associated with performing compliance functions, and our allocable portion of the compensation of our chief financial officer, chief compliance officer and our allocable portion of the compensation of their respective administrative support staff. Under the Prior Administration Agreement, our Prior Administrator would also provide on our behalf managerial assistance to those portfolio companies that requested such assistance. Unless terminated earlier in accordance with its terms, the Prior Administration Agreement would remain in effect if approved annually by our Board. On July 30, 2020, the Board approved the renewal of the Prior Administration Agreement. The Prior Administration Agreement could be terminated by either party without penalty upon 60 days' written notice to the other party. To the extent that our Prior Administrator outsourced any of its functions, we would pay the fees associated with such functions on a direct basis without any incremental profit to our Prior Administrator. Stockholder approval was not required to amend the Prior Administration Agreement.

Our Prior Administrator also provided administrative services to our Prior Investment Adviser. As a result, the Prior Investment Adviser would also reimburse our Prior Administrator for its allocable portion of our Prior Administrator's overhead, including rent, the fees and expenses associated with performing compliance functions for the Prior Investment Adviser, and its allocable portion of the compensation of any administrative support staff. The Prior Administration Agreement provided that, absent willful misfeasance, bad faith or negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, our Prior Administrator and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with it were entitled to indemnification from Logan Ridge for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of our Prior Administrator's services under the Prior Administration Agreement or otherwise as administrator for Logan Ridge.

Prior License Agreement

We entered into a license agreement with the Prior Investment Adviser pursuant to which the Prior Investment Adviser agreed to grant us a non-exclusive, royalty-free license to use the name "Capitala." Under this agreement, we had a right to use the Capitala name for so long as the Prior Investment Advisory Agreement with the Prior Investment Adviser was in effect. Other than with respect to this limited license, we had no legal right to the "Capitala" name.

Staffing

Logan Ridge has no employees. The Company is externally managed by the Investment Adviser, an affiliate of BC Partners, pursuant to the Investment Advisory Agreement. Mr. Goldthorpe, an interested member of the Board, has a direct or indirect pecuniary interest in the Investment Adviser. The Investment Adviser is a registered investment adviser under the Advisers Act. The Adviser is an affiliate of BC Partners Advisors L.P. for U.S. regulatory purposes. MLC is the ultimate control person of the Investment Adviser.

Under the Investment Advisory Agreement, fees payable to the Investment Adviser equal (i) the Base Management Fee and (ii) the Incentive Fee. Unless earlier terminated as described below, the Investment Advisory Agreement will remain in effect from year-to-year if approved annually by a majority of the Board or by the holders of a majority of the outstanding shares, and, in each case, a majority of the independent directors.

Pursuant to the Administration Agreement, the Administrator provides administrative services to the Company necessary for the operations of the Company, which include providing to the Company office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities and such other services as the Administrator, subject to review by the Board, shall from time to time deem to be necessary or useful to perform its obligations under the applicable Administration Agreement. The Administrator also provides to the Company portfolio collection functions for and is responsible for the financial and other records that the Company is required to maintain and prepares, prints and disseminates reports to the Company's stockholders and reports and all other materials filed with the SEC.

For providing these services, facilities and personnel, the Company reimburses the Administrator the allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations under the Administration Agreement, including the Company's allocable portion of the costs of compensation and related expenses of its chief financial officer, and chief compliance officer, and their respective staffs.

VALUATION PROCESS AND DETERMINATION OF NET ASSET VALUE

We determine the net asset value of our investment portfolio each quarter by subtracting our total liabilities from the fair value of our gross assets.

We conduct the valuation of our assets, pursuant to which our net asset value shall be determined, at all times consistent with U.S. generally accepted accounting principles ("U.S. GAAP") and the 1940 Act. Our valuation procedures are set forth in more detail below:

Investment transactions are recorded on the trade date. Realized gains or losses on investments are calculated using the specific identification method as the difference between the net proceeds received (excluding prepayment fees, if any) and the amortized cost basis of the investment without regard to unrealized appreciation or depreciation previously recognized, and include investments charged off during the period, net of recoveries. Net change in unrealized appreciation or depreciation reflects the change in portfolio investment values during the reporting period, including any reversal of previously recorded unrealized appreciation or depreciation when gains or losses are recognized.

Investments for which market quotations are available are typically valued at those market quotations. To validate market quotations, the Company will utilize a number of factors to determine if the quotations are representative of fair value, including the source and number of the quotations.

Debt that is not publicly traded but for which there are external pricing sources available as of the valuation date is valued using independent broker-dealer, market maker quotations or independent pricing services. The valuation committee, comprised of members of the Adviser, (the "Valuation Committee") subjects these quotes to various criteria including, but not limited to, the number and quality of quotes, the deviation among the quotes and information derived from analyzing the Company's own transactions in such investments throughout the reporting period. Generally, such investments are categorized in level 2 of the fair value hierarchy, unless the Valuation Committee determines that the quality, quantity or deviation among quotes warrants significant adjustment to the inputs utilized.

The Board has designated the Adviser as its "valuation designee" pursuant to Rule 2a-5 under the 1940 Act, and in that role the Adviser is responsible for performing fair value determinations relating to all of the Company's investments, including periodically assessing and managing any material valuation risks and establishing and applying fair value methodologies, in accordance with valuation policies and procedures that have been approved by the Board. The Board remains ultimately responsible for fair value determinations under the 1940 Act and satisfies its responsibility through oversight of the valuation designee in accordance with Rule 2a-5. Investments that are not publicly traded or whose market prices are not readily available, as is expected to be the case for substantially all of the Company's investments, are valued at fair value as determined in good faith by the Adviser, based on, among other things, input of independent third-party valuation firm(s).

The Adviser undertakes a multi-step valuation process, which includes, among other procedures, the following:

- The Company's quarterly valuation process begins with each portfolio company or investment being initially valued using certain inputs, among others, provided by the investment professionals responsible for the portfolio investment in conjunction with the Company's portfolio management team. The Company utilizes an independent valuation firm to provide valuation on each material illiquid security at least once every trailing 12-month period;
- Preliminary valuations are reviewed and discussed with management of the Adviser and investment professionals; and
- The Adviser will review the valuations and determine the fair value of each investment. Valuations that are not based on readily available market quotations will be valued in good faith based on, among other things, the input of, where applicable, third parties.

As part of the valuation process, the Adviser may consider other information and may use valuation methods including but not limited to (i) market quotes for similar investments, (ii) recent trading activity, (iii) discounting forecasted cash flows of the investment, (iv) models that consider the implied yields from comparable debt, (v) third party appraisal, (vi) sale negotiations and purchase offers received from independent parties and (vii) estimated value of underlying assets to be received in liquidation or restructuring.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may fluctuate from period to period. Additionally, the fair value of such investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that may ultimately be realized. Further, such investments are generally less liquid than publicly traded securities and may be subject to contractual and other restrictions on resale. If the Company were required to liquidate a portfolio investment in a forced or liquidation sale, it could realize amounts that are different from the amounts presented and such differences could be material.

In addition, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the unrealized gains or losses reflected herein.

Under existing accounting guidance, fair value is defined as the price that the Company would receive upon selling an investment or pay to transfer a liability in an orderly transaction to a market participant in the principal or most advantageous market for the investment. This accounting guidance emphasizes valuation techniques

that maximize the use of observable market inputs and minimize the use of unobservable inputs. Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances.

The Company classifies the inputs used to measure these fair values into the following hierarchy as defined by current accounting guidance:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible to the Company.

Level 2: Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

Level 3: Significant inputs that are unobservable for an asset or liability.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Investments for which no external pricing sources are available as of the valuation date are included in level 3 of the fair value hierarchy.

As a practical expedient, the Company uses net asset value ("NAV") as the fair value for its equity investment in Great Lakes Funding II LLC ("Great Lakes II Joint Venture"). The Great Lakes II Joint Venture records its underlying investments at fair value on a quarterly basis in accordance with the 1940 Act and US GAAP.

Determinations in Connection with Offerings

In connection with certain future offerings of shares of our common stock, our Board, or an authorized committee thereof, will be required to make the determination that we are not selling shares of our common stock at a price below the then current net asset value of shares of our common stock at the time at which the sale is made. Our Board, or an authorized committee thereof, will consider the following factors, among others, in making such a determination:

- the net asset value of shares of our common stock disclosed in the most recent periodic report that we filed with the SEC;
- our management's assessment of whether any material change in the net asset value of shares of our common stock has occurred (including through the realization of gains on the sale of our portfolio securities) during the period beginning on the date of the most recently disclosed net asset value of shares of our common stock and ending as of a time within 48 hours (excluding Sundays and holidays) of the sale of shares of our common stock; and
- the magnitude of the difference between (i) a value that our Board, or an authorized committee thereof, has determined reflects the current (as of a time within 48 hours, excluding Sundays and holidays) net asset value of shares of our common stock, which is based upon the net asset value of shares of our common stock disclosed in the most recent periodic report that we filed with the SEC, as adjusted to reflect our management's assessment of any material change in the net asset value of shares of our common stock since the date of the most recently disclosed net asset value of shares of our common stock, and (ii) the offering price of the shares of our common stock in the proposed offering.

Moreover, to the extent that there is even a remote possibility that we may (i) issue shares of our common stock at a price per share below the then current net asset value per share of our common stock at the time at which the sale is made or (ii) trigger the undertaking (which we provide in certain registration statements we file with the SEC) to suspend the offering of shares of our common stock if the net asset value per share of our common stock fluctuates by certain amounts in certain circumstances until the prospectus is amended, our Board will elect, in the case of clause (i) above, either to postpone the offering until such time that there is no longer the possibility of the occurrence of such event or to undertake to determine the net asset value per share of our common stock within two days prior to any such sale to ensure that such sale will not be below our then current net asset value per share and, in the case of clause (ii) above, to comply with such undertaking or to undertake to determine the net asset value per share of our common stock to ensure that such undertaking has not been triggered.

These processes and procedures are part of our compliance policies and procedures. Records will be made contemporaneously with all determinations described in this section and these records will be maintained with other records that we are required to maintain under the 1940 Act.

COMPETITION

We compete for investments with other BDCs and investment funds (including private equity funds, private credit funds, mezzanine funds and other SBICs), as well as traditional financial services companies such as commercial banks and other sources of funding. Additionally, competition for investment opportunities has emerged among alternative investment vehicles, such as collateralized loan obligations ("CLOs") and other BDCs, some of which are sponsored by other alternative asset investors, as these entities have begun to focus on making investments in lower middle-market and traditional middle-market companies. As a result of these new entrants, competition for our investment opportunities may intensify. Many of these entities have greater financial and managerial resources than we do. We believe we will be able to compete with these entities primarily on the basis of our experience and reputation, our willingness to make smaller investments than other specialty finance companies, the contacts and relationships of our Investment Adviser, our responsive and efficient investment analysis and decision-making processes, and the investment terms we offer.

We believe that certain of our competitors may make first lien and second lien loans with interest rates and returns that will be comparable to or lower than the rates and returns that we will target. Therefore, we will not seek to compete solely on the interest rates and returns that we offer to potential portfolio companies. For additional information concerning the competitive risks we face, see "Risk Factors — Risks Relating to Our Business and Structure — We operate in a highly competitive market for investment opportunities, which could reduce returns and result in losses."

ELECTION TO BE TAXED AS A RIC

As a BDC, the Company has elected to be treated, and intends to comply with the requirements to continue to qualify annually, as a RIC under subchapter M of the Code. As a RIC, we generally will not have to pay corporate-level U.S. federal income taxes on any income that we timely distribute to our stockholders as dividends. To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements (as described below). In addition, to qualify for RIC tax treatment we must distribute to our stockholders, for each taxable year, at least 90% of our "investment company taxable income," which generally is our ordinary income plus the excess of our realized net short-term capital gains over our realized net long-term capital losses (the "Annual Distribution Requirement").

TAXATION AS A RIC

For any taxable year in which we:

- qualify as a RIC; and
- satisfy the Annual Distribution Requirement,

we generally will not be subject to U.S. federal income tax on the portion of our income we timely distribute to stockholders. We will be subject to U.S. federal income tax at the regular corporate rates on any income or capital gains not distributed to our stockholders.

We will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income unless we distribute for each calendar year in a timely manner an amount at least equal to the sum of (1) 98% of our ordinary income for the calendar year, (2) 98.2% of our capital gain net income for the one-year period ending October 31 in that calendar year and (3) any ordinary income and capital gain net income that we recognized in preceding years, but were not distributed during such years, and on which we paid no corporate-level U.S. federal income tax (the "Excise Tax Distribution Requirement").

In order to qualify as a RIC for U.S. federal income tax purposes, we must, among other things:

- continue to qualify as a BDC under the 1940 Act at all times during each taxable year;
- derive in each taxable year at least 90% of our gross income from dividends, interest, payments with respect to certain loans of securities, gains from the sale or other disposition of stock, securities or foreign currencies, net income from certain "qualified publicly traded partnerships," or other income derived with respect to our business of investing in such stock, securities or currencies (the "90% Income Test"); and
- diversify our holdings so that at the end of each quarter of the taxable year:
 - o at least 50% of the value of our assets consists of cash, cash equivalents, U.S. government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of the issuer; and
 - o no more than 25% of the value of our assets is invested in the securities, other than U.S. government securities or securities of other RICs, of one issuer, of two or more issuers that are controlled, as determined under applicable Code rules, by us and that are engaged in the same or similar or related trades or businesses or of certain "qualified publicly traded partnerships" (the "Diversification Tests").

In accordance with certain applicable U.S. Treasury regulations and other guidance issued by the Internal Revenue Service ("IRS"), a publicly offered RIC may treat a distribution of its own stock as fulfilling its RIC distribution requirements if each stockholder may elect to receive his or her entire distribution in either cash or stock of the RIC, subject to a limitation that the aggregate amount of cash available to be distributed to all stockholders must be at least 20% of the aggregate declared distribution. If too many stockholders elect to receive cash, each stockholder electing to receive cash must receive a pro rata amount of cash (with the balance of the distribution paid in stock). In no event will any stockholder, electing to receive cash, receive less than 20% of his or her entire distribution in cash. If these and certain other requirements are met, for U.S. federal income tax purposes, the amount of the dividend paid in stock will be equal to the amount of cash that could have been received instead of stock. We have no current intention of paying dividends in shares of our stock in accordance with these Treasury regulations or other applicable IRS guidance.

We may be required to recognize taxable income in circumstances in which we do not receive cash. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments with PIK interest or, in certain cases, increasing interest rates or issued with warrants), we must include in income each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. We may also have to include in income other amounts that we have not yet received in cash, such as PIK interest, deferred loan origination fees that are paid after origination of the loan or are paid in non-cash compensation such as warrants or stock, or certain income with respect to equity investments in foreign corporations. Because any original issue discount or other amounts accrued will be included in our investment company taxable income for the year of accrual, we may be required to make a distribution to our stockholders in order to satisfy the Annual Distribution Requirement, even though we will not have received any corresponding cash amount.

Gain or loss realized by us from the sale or exchange of warrants acquired by us as well as any loss attributable to the lapse of such warrants generally will be treated as capital gain or loss. Such gain or loss generally will be long-term or short-term, depending on how long we held a particular warrant.

Although we do not presently expect to do so, we are authorized to borrow funds and to sell assets in order to satisfy distribution requirements. However, under the 1940 Act, we are not permitted to make distributions to our stockholders while our debt obligations and other senior securities are outstanding unless certain "asset coverage" tests are met. Moreover, our ability to dispose of assets to meet our distribution requirements may be limited by (1) the illiquid nature of our portfolio and/or (2) other requirements relating to our status as a RIC, including the Diversification Tests. If we dispose of assets in order to meet the Annual Distribution Requirement or the Excise Tax Distribution Requirement, we may make such dispositions at times that, from an investment standpoint, are not advantageous. If we are prohibited from making distributions or are unable to obtain cash from other sources to make the distributions, we may fail to qualify as a RIC, which would result in us becoming subject to corporate-level U.S. federal income tax.

Subject to the discussion below under "Business – Failure to Qualify as a RIC," the remainder of this discussion assumes that we will qualify as a RIC and have satisfied the Annual Distribution Requirement.

Any transactions in options, futures contracts, constructive sales, hedging, straddle, conversion or similar transactions, and forward contracts will be subject to special tax rules, the effect of which may be to accelerate income to us, defer losses, cause adjustments to the holding periods of our investments, convert long-term capital gains into short-term capital gains, convert short-term capital losses into long-term capital losses or have other tax consequences. These rules could affect the amount, timing and character of distributions to stockholders.

A RIC is limited in its ability to deduct expenses in excess of its "investment company taxable income" (which is, generally, ordinary income plus net realized short-term capital gains in excess of net realized long-term capital losses). If our expenses in a given year exceed gross taxable income (e.g., as the result of large amounts of equity-based compensation), we would experience a net operating loss for that year. However, a RIC is not permitted to carry forward net operating losses to subsequent years. In addition, expenses can be used only to offset investment company taxable income, not net capital gain. Due to these limits on the deductibility of expenses, we may for U.S. federal income tax purposes have aggregate taxable income for several years that we are required to distribute and that is taxable to our stockholders even if such income is greater than the aggregate net income we actually earned during those years. Such required distributions may be made from our cash assets or by liquidation of investments, if necessary. We may realize gains or losses from such liquidations. In the event we realize net capital gains from such transactions, you may receive a larger capital gain distribution than you would have received in the absence of such transactions.

Investment income received from sources within foreign countries, or capital gains earned by investing in securities of foreign issuers, may be subject to foreign income taxes withheld at the source. In this regard, withholding tax rates in countries with which the United States does not have a tax treaty are often as high as 35%. The U.S. has entered into tax treaties with many foreign countries that may entitle us to a reduced rate of tax or exemption from tax on this related income and gains. The effective rate of foreign tax cannot be determined at this time since the amount of our assets to be invested within various countries is not now known. We do not anticipate being eligible for the special election that allows a RIC to treat foreign income taxes paid by such RIC as paid by its stockholders.

If we acquire stock in certain foreign corporations that receive at least 75% of their annual gross income from passive sources (such as interest, dividends, rents, royalties or capital gain) or hold at least 50% of their total assets in investments producing such passive income (“passive foreign investment companies”), we could be subject to U.S. federal income tax and additional interest charges on “excess distributions” received from such companies or gain from the sale of stock in such companies, even if all income or gain actually received by us is timely distributed to our stockholders. We would not be able to pass through to our stockholders any credit or deduction for such a tax. Certain elections may, if available, ameliorate these adverse tax consequences, but any such election requires us to recognize taxable income or gain without the concurrent receipt of cash. We intend to limit and/or manage our holdings in passive foreign investment companies to minimize our tax liability.

Foreign exchange gains and losses realized by us in connection with certain transactions involving non-dollar debt securities, certain foreign currency futures contracts, foreign currency option contracts, foreign currency forward contracts, foreign currencies, or payables or receivables denominated in a foreign currency are subject to Code provisions that generally treat such gains and losses as ordinary income and losses and may affect the amount, timing and character of distributions to our stockholders. Any such transactions that are not directly related to our investment in securities (possibly including speculative currency positions or currency derivatives not used for hedging purposes) could, under future Treasury regulations, produce income not among the types of “qualifying income” from which a RIC must derive at least 90% of its annual gross income.

FAILURE TO QUALIFY AS A RIC

If we fail to satisfy the 90% Income Test or the Diversification Tests for any taxable year, we may nevertheless continue to qualify as a RIC for such year if certain relief provisions are applicable (which may, among other things, require us to pay certain corporate-level U.S. federal income taxes or to dispose of certain assets).

If we were unable to qualify for treatment as a RIC and the foregoing relief provisions are not applicable, we would be subject to U.S. federal income tax on all of our taxable income at regular corporate rates, regardless of whether we make any distributions to our stockholders. Distributions would not be required, and any distributions would be taxable to our stockholders as ordinary dividend income to the extent of our current or accumulated earnings and profits and, subject to certain limitations, may be eligible for the 20% maximum rate for noncorporate taxpayers provided certain holding period and other requirements were met. Subject to certain limitations under the Code, corporate distributees would be eligible for the dividends-received deduction. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder’s tax basis, and any remaining distributions would be treated as a capital gain. To requalify as a RIC in a subsequent taxable year, we would be required to satisfy the RIC qualification requirements for that year and dispose of any earnings and profits from any year in which we failed to qualify as a RIC. Subject to a limited exception applicable to RICs that qualified as such under the Code for at least one year prior to disqualification and that requalify as a RIC no later than the second year following the nonqualifying year, we could be subject to tax on any unrealized net built-in gains in the assets held by us during the period in which we failed to qualify as a RIC that are recognized within the subsequent five years, unless we made a special election to pay corporate-level U.S. federal income tax on such built-in gain at the time of our requalification as a RIC.

We believe we qualified as a RIC under the Code for the fiscal year ended December 31, 2023, and we intend to comply with the requirements to continue to qualify annually as a RIC under the Code. The Company filed its tax returns as a RIC for the fiscal years ended December 31, 2022, 2021, and 2020. However, in March 2024, the Company determined that information received from a portfolio company held in prior fiscal years and sold in 2022 was inaccurate, and, as a result, the Company did not satisfy the income source requirement for the fiscal years ended December 31, 2022, 2021, and 2020. Accordingly, the Company did not qualify as a RIC under the Code for the fiscal years ended December 31, 2022, 2021 and 2020, and thus the Company would be subject to U.S. federal income tax on all of its taxable income at regular corporate rates for these periods. Based on the assessment that the Company did not qualify as a RIC for the fiscal years ended December 31, 2022, 2021 and 2020, the Company calculated its provision for income tax as a C-Corporation for such fiscal years. Given the operations of the Company for that period, the Company has determined no income tax or capital gains taxes would be due and payable for those periods, had the Company claimed status and filed returns as a C-Corporation. Thus, the Company has determined that there would be no quantitative impact to the consolidated statements of assets and liabilities, the consolidated statements of operations, the consolidated statements of changes in net assets, and the consolidated statements of cash flows as of and for the years ended December 31, 2022, 2021 and 2020. The Company did not have a net unrealized gain on its portfolio as of the first day of the fiscal year the Company requalified as a RIC that would be subject to tax if recognized within the subsequent five years.

REGULATION

A BDC is regulated under the 1940 Act. A BDC must be organized in the U.S. for the purpose of investing in or lending to primarily private companies and making significant managerial assistance available to them. A BDC may use capital provided by public stockholders and from other sources to make long-term, private investments in businesses. A BDC provides stockholders the ability to retain the liquidity of a publicly traded stock while sharing in the possible benefits, if any, of investing in primarily privately owned companies.

We may not change the nature of our business so as to cease to be, or withdraw our election as, a BDC unless authorized by vote of a majority of the outstanding voting securities, as required by the 1940 Act. A majority of the outstanding voting securities of a company is defined under the 1940 Act as the lesser of: (a) 67% or more of such company’s voting securities present at a meeting if more than 50% of the outstanding voting securities of such company are present or represented by proxy, or (b) more than 50% of the outstanding voting securities of such company. We do not anticipate any substantial change in the nature of our business.

As with other companies regulated by the 1940 Act, a BDC must adhere to certain substantive regulatory requirements. A majority of our directors must be independent directors. Additionally, we are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect the BDC. Furthermore, as a BDC, we are prohibited from protecting any director or officer against any liability to us or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person’s office.

As a BDC, we are generally required to meet an asset coverage ratio, defined under the 1940 Act as the ratio of our gross assets (less all liabilities and indebtedness not represented by senior securities) to our outstanding senior securities, of at least 150%, if certain conditions are met, after each issuance of senior securities. On March 23, 2018, the Small Business Credit Availability Act (the “SBCA”) was signed into law, which included various changes to regulations under the federal securities laws that impact BDCs. The SBCA included changes to the 1940 Act to allow BDCs to decrease their asset coverage requirement from 200% to 150% (i.e., the amount of debt may not exceed 66.7% of the value of our total assets), if certain requirements are met. On November 1, 2018, the Board, including a “required majority” (as such term is defined in Section 57(o) of the 1940 Act) approved the application of the modified asset coverage. As a result, our asset coverage ratio requirement for senior securities was changed from 200% to 150%, effective November 1, 2019.

We may also be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our directors who are not interested persons and, in some cases, prior approval by the SEC. On April 10, 2023, superseding a prior exemptive order granted on October 23, 2018, the SEC issued an order granting an application for exemptive relief to us and certain of our affiliates that allows BDCs managed by the Investment Adviser, including Logan Ridge, to co-invest, subject to the satisfaction of certain conditions, in certain private placement transactions, with other funds managed by the Investment Adviser or its affiliates, certain proprietary accounts of the Investment Adviser or its affiliates and any future funds that are advised by the Investment Adviser or its affiliated investment advisers. Under the terms of the exemptive order, in order for Logan Ridge to participate in a co-investment transaction, a “required majority” (as defined in Section 57(o) of the 1940 Act) of Logan Ridge’s independent directors must conclude that (i) the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair to Logan Ridge and its stockholders and do not involve overreaching with respect of Logan Ridge or its stockholders on the part of any person concerned, and (ii) the proposed transaction is consistent with the interests of Logan Ridge’s stockholders and is consistent with Logan Ridge’s investment objectives and strategies and certain criteria established by the Board. We believe this relief may not only enhance our ability to further our investment objectives and strategies, but may also increase favorable investment opportunities for us, in part by allowing us to participate in larger investments, together with our co-investment affiliates, than would be available to us in the absence of such relief.

We are generally not permitted to issue and sell shares of our common stock at a price below net asset value per share. See “Risk Factors — Risks Relating to Our Business and Structure — Regulations governing our operation as a BDC affect our ability to raise additional capital and the way in which we do so. As a BDC, the necessity of raising additional capital may expose us to risks, including the typical risks associated with leverage.” We may, however, sell shares of our common stock, or warrants, options or rights to acquire our common stock, at a price below the then-current net asset value of our common stock if our Board determines that such sale is in our best interests and the best interests of our stockholders, and our stockholders approve our policy and practice of making such sales. In any such case, under such circumstances, the price at which shares of our common stock is to be issued and sold may not be less than a price which, in the determination of our Board, closely approximates the market value of such common stock. In addition, we may generally issue new shares of our common stock at a price below net asset value in rights offerings to existing stockholders, in payment of dividends and in certain other limited circumstances.

We will be periodically examined by the SEC for compliance with the 1940 Act.

As a BDC, we are subject to certain risks and uncertainties. See “Risk Factors — Risks Relating to Our Business and Structure.”

QUALIFYING ASSETS

Under the 1940 Act, a BDC may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as “qualifying assets”, unless, immediately after such acquisition is made, qualifying assets represent at least 70% of the BDC’s gross assets. The principal categories of qualifying assets relevant to our proposed business are the following:

- Securities purchased in transactions not involving any public offering, the issuer of which is an eligible portfolio company;
- Securities received in exchange for or distributed with respect to securities described in the bullet above or pursuant to the exercise of options, warrants or rights relating to such securities; and
- Cash, cash items, government securities or high quality debt securities (within the meaning of the 1940 Act), maturing in one year or less from the time of investment.

An eligible portfolio company is generally a domestic company that is not an investment company (other than a SBIC wholly owned by a BDC) and that:

- does not have a class of securities with respect to which a broker may extend margin credit at the time the acquisition is made;
- is controlled by the BDC and has an affiliate of the BDC on its board;
- does not have any class of securities listed on a national securities exchange;
- is a public company that lists its securities on a national securities exchange with a market capitalization of less than \$250 million; or
- meets such other criteria as may be established by the SEC.

Control, as defined by the 1940 Act, is presumed to exist where a BDC beneficially owns more than 25% of the outstanding voting securities of the portfolio company.

In addition, a BDC must have been organized and have its principal place of business in the U.S. and must be operated for the purpose of making investments in eligible portfolio companies, or in other securities that are consistent with its purpose as a BDC.

SIGNIFICANT MANAGERIAL ASSISTANCE TO PORTFOLIO COMPANIES

BDCs generally must offer to make available to the issuer of the securities significant managerial assistance, except in circumstances where either (i) the BDC controls such issuer of securities or (ii) the BDC purchases such securities in conjunction with one or more other persons acting together and one of the other persons in the group makes available such managerial assistance. Making available significant managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company.

TEMPORARY INVESTMENTS

Pending investment in other types of qualifying assets, as described above, our investments may consist of cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, so that 70% of our assets are qualifying assets. Typically, we will invest in U.S. Treasury bills or in repurchase agreements, provided that such agreements are fully collateralized by cash or securities issued by the U.S. government or its agencies.

REPURCHASE AGREEMENTS

A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed-upon future date and at a price which is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25% of our gross assets constitute repurchase agreements with a single counterparty, we may not meet the diversification tests in order to qualify as a RIC under the Code. Thus, we do not intend to enter into repurchase agreements

with a single counterparty in excess of this limit. Our Investment Adviser will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

SENIOR SECURITIES

We are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 150%, if certain requirements are met, immediately after each such issuance. On June 10, 2014, we received an exemptive order from the SEC granting relief from the asset coverage requirements for certain indebtedness issued by Fund II and Fund III as SBICs. In addition, while any senior securities remain outstanding, we must make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our gross assets for temporary or emergency purposes without regard to asset coverage. For a discussion of the risks associated with leverage, see “Risk Factors — Risks Relating to Our Business and Structure.”

CODE OF ETHICS

We and our Investment Adviser have adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act and Rule 204A-1 under the Advisers Act that establishes procedures for personal investments and restricts certain transactions by our personnel. Our code of ethics generally does not permit investments by our employees in securities that may be purchased or held by us. Our code of ethics is also available on our website at www.loganridgefinance.com.

COMPLIANCE POLICIES AND PROCEDURES

We and our Investment Adviser have adopted and implemented written policies and procedures reasonably designed to detect and prevent violation of the federal securities laws and are required to review these compliance policies and procedures annually for their adequacy and the effectiveness of their implementation and designate a chief compliance officer to be responsible for administering the policies and procedures. David Held currently serves as our chief compliance officer.

SARBANES-OXLEY ACT OF 2002

The Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”) imposes a wide variety of regulatory requirements on publicly-held companies and their insiders. Many of these requirements affect us. For example:

- pursuant to Rule 13a-14 of the 1934 Act, our chief executive officer and chief financial officer must certify the accuracy of the financial statements contained in our periodic reports;
- pursuant to Item 307 of Regulation S-K, our periodic reports must disclose our conclusions about the effectiveness of our disclosure controls and procedures;
- pursuant to Rule 13a-15 of the 1934 Act, our management is required to prepare an annual report regarding its assessment of our internal control over financial reporting. As a non-accelerated filer, we are not currently required to obtain an audit of the effectiveness of internal control over financial reporting from our independent registered public accounting firm.
- pursuant to Item 308 of Regulation S-K and Rule 13a-15 of the 1934 Act, our periodic reports must disclose whether there were significant changes in our internal controls over financial reporting or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The Sarbanes-Oxley Act requires us to review our current policies and procedures to determine whether we comply with the Sarbanes-Oxley Act and the regulations promulgated thereunder. We will continue to monitor our compliance with all regulations that are adopted under the Sarbanes-Oxley Act and will take actions necessary to ensure that we are in compliance therewith.

PROXY VOTING POLICIES AND PROCEDURES

We have delegated our proxy voting responsibility to the Investment Adviser. The proxy voting policies and procedures of the Investment Adviser are set forth below. The guidelines will be reviewed periodically by the Investment Adviser and our non-interested directors, and, accordingly, are subject to change. For purposes of the proxy voting policies and procedures described below, “we,” “our” and “us” refers to the Investment Adviser.

Introduction

An investment adviser registered under the Advisers Act has a fiduciary duty to act solely in the best interests of its clients. As part of this duty, we recognize that we must vote client securities in a timely manner free of conflicts of interest and in the best interests of our clients.

These policies and procedures for voting proxies for our investment advisory clients are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

Proxy Policies

We will vote proxies relating to our portfolio securities in what we perceive to be the best interest of our clients’ stockholders. We will review on a case-by-case basis each proposal submitted to a stockholder vote to determine its impact on the portfolio securities held by our clients. Although we will generally vote against proposals that may have a negative impact on our clients’ portfolio securities, we may vote for such a proposal if there exist compelling long-term reasons to do so.

Our proxy voting decisions will be made by the senior officers who are responsible for monitoring each of our clients’ investments. To ensure that our vote is not the product of a conflict of interest, we will require that: (1) anyone involved in the decision making process disclose to our managing member any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (2) employees involved in the decision making process or vote administration are prohibited from revealing how we intend to vote on a proposal in order to reduce any attempted influence from interested parties.

Proxy Voting Records

You may obtain information about how we voted proxies by making a written request for proxy voting information to: Mount Logan Management LLC, 650 Madison Avenue, 23rd Floor, New York, New York 10022.

PRIVACY PRINCIPLES

We are committed to maintaining the privacy of our stockholders and to safeguarding their non-public personal information. The following information is provided to help you understand what personal information we collect, how we protect that information and why, in certain cases, we may share information with select other parties.

Generally, we do not receive any non-public personal information relating to our stockholders, although certain non-public personal information of our stockholders may become available to us. We do not disclose any non-public personal information about our stockholders or former stockholders to anyone, except as permitted by law or as is necessary in order to service stockholder accounts (for example, to a transfer agent or third-party administrator).

We restrict access to non-public personal information about our stockholders to employees of our Investment Adviser and its affiliates with a legitimate business need for the information. We maintain physical, electronic and procedural safeguards designed to protect the non-public personal information of our stockholders.

NASDAQ GLOBAL SELECT MARKET REQUIREMENTS

We have adopted certain policies and procedures intended to comply with the NASDAQ Global Select Market's corporate governance rules. We will continue to monitor our compliance with all future listing standards that are approved by the SEC and will take actions necessary to ensure that we are in compliance therewith.

AVAILABLE INFORMATION

Our corporate headquarters are located at 650 Madison Avenue, 23rd Floor, New York, New York 10022. We maintain a website located at www.loganridgefinance.com and our phone number is (212) 891-2880. We make available free of charge on our website our proxy statement, annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports as soon as reasonably practical after we file such material with, or furnish to, the SEC. Information contained on our website is not incorporated by reference into this Annual Report on Form 10-K and you should not consider information contained on our website to be part of this Annual Report on Form 10-K or any other report we file with the SEC.

The SEC also maintains a website that contains reports, proxy and information statements and other information we file with the SEC at www.sec.gov.

ITEM 1A. RISK FACTORS

Investing in our securities involves a number of significant risks. The risk factors described below are the principal risk factors associated with an investment in our securities as well as those factors generally associated with an investment company with investment objectives, investment policies, capital structure or trading markets similar to ours. You should carefully consider the risk factors described below, together with all of the other information included in this Annual Report, including our consolidated financial statements and the related notes thereto, before you decide whether to make an investment in our securities. The risks set out below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business, financial condition and operating results. If any of the following events occur, our business, financial condition and results of operations could be materially and adversely affected. In such case, the net asset value and the trading price of our securities could decline, and you may lose all or part of your investment.

Risks Relating to Our Business and Structure

Our Board may change our investment objective, operating policies and strategies without prior notice or stockholder approval, the effects of which may be adverse to our results of operations and financial condition.

Our Board has the authority to modify or waive our current investment objective, operating policies, investment criteria and strategies without prior notice and without stockholder approval. We cannot predict the effect any changes to our current operating policies, investment criteria and strategies would have on our business, net asset value, operating results and value of our securities. However, the effects might be adverse, which could negatively impact our ability to make distributions and cause you to lose all or part of your investment. Moreover, we have significant flexibility in investing our assets and may invest in ways investors may not agree with or in the future may invest in ways other than those previously disclosed or disclosed herein.

Price declines in the medium- and large-sized U.S. corporate debt market may adversely affect the fair value of our portfolio, reducing our net asset value through increased net unrealized depreciation.

Conditions in the medium- and large-sized U.S. corporate debt market may deteriorate, as seen during the global financial crisis from 2007-2009 and to a lesser extent in recent years following the COVID-19 pandemic, which may cause pricing levels to similarly decline or be volatile. During the financial crisis, many institutions were forced to raise cash by selling their interests in performing assets in order to satisfy margin requirements or the equivalent of margin requirements imposed by their lenders and/or, in the case of hedge funds and other investment vehicles, to satisfy widespread redemption requests. This resulted in a forced deleveraging cycle of price declines, compulsory sales, and further price declines, with falling underlying credit values, and other constraints resulting from the credit crisis generating further selling pressure. If similar events occurred in the medium- and large-sized U.S. corporate debt market, our net asset value could decline through an increase in unrealized depreciation and incurrence of realized losses in connection with the sale of our investments, which could have a material adverse impact on our business, financial condition and results of operations.

Capital markets may experience periods of disruption and instability. These market conditions could materially adversely affect the Company's business, financial condition and results of operations.

As a BDC, we have to maintain our ability to raise additional capital for investment purposes. Without sufficient access to the capital markets or credit markets, we may be forced to curtail our business operations, or we may not be able to pursue new business opportunities. The U.S. and global capital markets have in the past experienced and may in the future experience periods of volatility and disruption, including during portions of the past three fiscal years, and accordingly, there has been and may continue to be uncertainty in the financial markets in general.

For example, the 2010 sovereign debt financial crisis in Europe and the 2011 downgrade of the U.S. credit rating by Standard & Poor's had negative impacts on the global economy and may have adversely impacted the operations of BDCs such as the Company.

Continuing U.S. debt ceiling and budget deficit concerns, including automatic spending cuts stemming from sequestration, together with signs of deteriorating sovereign debt conditions in Europe, have increased the possibility of additional credit-rating downgrades and economic slowdowns, or a recession in the U.S. The impact of this or any further downgrades to the U.S. government's sovereign credit rating or its perceived creditworthiness could adversely affect the U.S. and global financial markets and economic conditions. These developments, along with the European sovereign debt crisis, could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms. Continued adverse economic conditions could have a material adverse effect on our business, financial condition and results of operations. Any further disruptive conditions in the financial industry and the impact of new legislation in response to those conditions could restrict our business operations and could adversely impact our results of operations and financial condition.

Additionally, the effect of the United Kingdom (the "U.K.") ending its membership in the European Union ("Brexit") has led to economic and market uncertainty and periods of volatility in the U.K. and more broadly, and may continue to adversely affect European or worldwide economic or market conditions or could contribute to instability in global financial and real estate markets. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the U.K. determines which EU laws to replace or replicate. Any of these effects of Brexit, and others we cannot anticipate, could adversely affect our business, business opportunities, results of operations, financial condition and cash flows. Likewise, similar actions taken by other European and other countries in which we operate could have a similar or even more profound impact.

In recent years, the COVID-19 pandemic disrupted the global economy and its supply chains, and may have adversely impacted the operations of BDCs, such as the Company, as well as contributed to ongoing inflation in the U.S. and globally.

Such periods of disruption may be accompanied by depressed levels of consumer and commercial spending, a lack of liquidity in debt capital markets, significant write-offs in the financial services sector and the re-pricing of credit risk. The Company and the portfolio companies in which it invests may be adversely affected by these deteriorations in the financial markets and economic conditions throughout the world.

If the fair value of our assets declines substantially, we may fail to maintain the asset coverage ratios imposed upon us by the 1940 Act. Any such failure would affect our ability to issue senior securities, including borrowings, and pay dividends, which could materially impair our business operations. Our liquidity could be impaired further by an inability to access the capital markets or to consummate new borrowing facilities to provide capital for normal operations, including new originations. In recent years, reflecting concern about the stability of the financial markets, many lenders and institutional investors have reduced or ceased providing funding to borrowers.

We had \$50.0 million and \$15.0 million, respectively, of 2026 Notes and 2032 Convertible Notes outstanding as of December 31, 2023. In addition, as of December 31, 2023, we had \$39.6 million outstanding under the KeyBank Credit Facility that provides for borrowings of up to \$75.0 million on a revolving basis and may be increased up to \$125.0 million in accordance with the terms and in the manner described in the KeyBank Credit Facility. If we are unable to secure additional debt

financing on commercially reasonable terms, our liquidity could be reduced significantly. If we are unable to repay amounts outstanding under any debt facilities we may obtain and are declared in default or are unable to renew or refinance these facilities, we may not be able to operate our business in the normal course. These situations may arise due to circumstances that we may be unable to control, such as lack of access to the credit markets, a severe decline in the value of the U.S. dollar, another economic downturn or an operational problem that affects third parties or us and could materially damage our business.

Adverse developments in the credit markets may impair our ability to secure debt financing.

In past economic downturns, such as the financial crisis in the United States that began in mid-2007 and during other times of extreme market volatility, many commercial banks and other financial institutions stopped lending or significantly curtailed their lending activity. In addition, in an effort to stem losses and reduce their exposure to segments of the economy deemed to be high risk, some financial institutions limited routine refinancing and loan modification transactions and even reviewed the terms of existing facilities to identify bases for accelerating the maturity of existing lending facilities. If these conditions recur, it may be difficult for us to obtain desired financing to finance the growth of our investments on acceptable economic terms, or at all.

The commencement, continuation, or cessation of government and central bank policies and economic stimulus programs in response to adverse economic developments, including changes in monetary policy involving interest rate adjustments or governmental policies, may contribute to the development of or result in an increase in market volatility, illiquidity and other adverse effects that could negatively impact the credit markets and the Company.

If we are unable to consummate credit facilities on commercially reasonable terms, our liquidity may be reduced significantly. If we are unable to repay amounts outstanding under the KeyBank Credit Facility or any facility we may enter into and are declared in default or are unable to renew or refinance any such facility, it would limit our ability to initiate significant originations or to operate our business in the normal course. These situations may arise due to circumstances that we may be unable to control, such as inaccessibility of the credit markets, a severe decline in the value of the U.S. dollar, a further economic downturn or an operational problem that affects third parties or us, and could materially damage our business. Moreover, we are unable to predict when economic and market conditions may become more favorable. Even if such conditions improve broadly and significantly over the long term, adverse conditions in particular sectors of the financial markets could adversely impact our business.

Further downgrades of the U.S. credit rating, impending automatic spending cuts, another government shutdown or a failure to raise the statutory debt limit of the United States could negatively impact our liquidity, financial condition and earnings.

The U.S. debt ceiling and budget deficit concerns have increased the possibility of additional credit-rating downgrades and economic slowdowns, or a recession in the United States. Although U.S. lawmakers passed legislation to raise the federal debt ceiling on multiple occasions, including recent suspensions of the federal debt ceiling and an increase in the debt ceiling, ratings agencies have lowered or threatened to lower the long-term sovereign credit rating on the United States.

The impact of this or any further downgrades to the U.S. government's sovereign credit rating or its perceived credit worthiness could adversely affect the U.S. and global financial markets and economic conditions. Absent further quantitative easing by the Federal Reserve, these developments could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms. In addition, disagreement over the federal budget has caused the U.S. federal government to shut down for periods of time. Continued adverse political and economic conditions could have a material adverse effect on our business, financial condition and results of operations.

If we cannot obtain additional capital because of either regulatory or market price constraints, we could be forced to curtail or cease our new lending and investment activities, our net asset value could decrease and our level of distributions and liquidity could be affected adversely.

Our ability to secure additional financing and satisfy our financial obligations under indebtedness outstanding from time to time will depend upon our future operating performance, which is subject to the prevailing general economic and credit market conditions, including interest rate levels and the availability of credit generally, and financial, business and other factors, many of which are beyond our control. The prolonged continuation or worsening of current economic and capital market conditions could have a material adverse effect on our ability to secure financing on favorable terms, if at all.

If we are unable to obtain additional debt capital, then our equity investors will not benefit from the potential for increased returns on equity resulting from leverage to the extent that our investment strategy is successful, and we may be limited in our ability to make new commitments or fundings to our portfolio companies.

Terrorist attacks, acts of war or natural disasters may affect the market for our common stock, impact the businesses in which we invest and harm our business, operating results and financial condition.

Terrorist acts, acts of war or natural disasters may disrupt our operations, as well as the operations of the businesses in which we invest. Such acts have created, and continue to create, economic and political uncertainties and have contributed to global economic instability. Future terrorist activities, military or security operations, or natural disasters could further weaken the domestic/global economies and create additional uncertainties, which may negatively impact the businesses in which we invest directly or indirectly and, in turn, could have a material adverse impact on our business, operating results and financial condition. Losses from terrorist attacks and natural disasters are generally uninsurable.

In addition, the current U.S. political environment and the resulting uncertainties regarding actual and potential shifts in U.S. foreign investment, trade, taxation, economic, environmental and other policies under the current Administration, as well as the impact of geopolitical tension, such as a deterioration in the bilateral relationship between the U.S. and China, the military conflict between Russia and Ukraine or the military conflict between Israel and Hamas, could lead to disruption, instability and volatility in the global markets. Unfavorable economic conditions also would be expected to increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events may limit our investment originations, and limit our ability to grow and could have a material negative impact on our operating results, financial condition, results of operations and cash flows and the fair values of our debt and equity investments.

The ongoing military conflict between Russia and Ukraine and the ongoing military conflict between Israel and Hamas may have a material adverse impact on us and our portfolio companies.

In February 2022, Russian President Vladimir Putin commenced a military invasion of Ukraine, which has continued into 2023, and which has had, and may continue to have, a negative impact on the economy and business activity globally (including in the countries in which the Company invests), and therefore could adversely affect the performance of the Company's investments. Furthermore, the conflict between the two nations remains ongoing and the varying involvement of the United States and other NATO countries has had, and may continue to have, an unpredictable impact on global economic and market conditions, and, as a result, presents material uncertainty and risk with respect to the Company and the performance of its investments or operations, and the ability of the Company to achieve its investment objectives. Additionally, to the extent that third parties, investors, or related customer bases have material operations or assets in Russia or Ukraine, they may have adverse consequences related to the ongoing conflict.

In October 2023, Hamas (an organization which has been designated as a terrorist organization by the United States and several other nations), committed a terrorist attack within Israel which began an active armed conflict between Hamas and Israel. The conflict and measures taken in response could have a negative impact on the economy and business activity globally (including in countries in which the Company invests), and therefore could adversely affect the performance of the investments. The severity and duration of the conflict and its future impact on global economic and market conditions (including, for example, oil prices) present a material uncertainty and risk with respect to the economic stability and the performance of the investments and operations in the region. There is a risk that the armed conflict may expand, which may exacerbate the risks described above. Similar risks exist to the extent that any service providers, vendors or certain other parties have material operations or assets in the Middle East, or the immediate surrounding areas. The United States has announced sanctions and other measures against Hamas-related persons and organizations in response to the terrorist attacks, and the United States (and/or other countries) may announce further sanctions related to the ongoing conflict in the future.

Economic sanction laws in the United States and other jurisdictions may prohibit us and our affiliates from transacting with certain countries, individuals and companies.

In the United States, the U.S. Department of the Treasury's Office of Foreign Assets Control administers and enforces laws, executive orders and regulations establishing U.S. economic and trade sanctions, which prohibit, among other things, transactions with, and the provision of services to, certain non-U.S. countries, territories, entities and individuals. These types of sanctions may significantly restrict or completely prohibit investment activities in certain jurisdictions, and if we, our portfolio companies or other issuers in which we invest were to violate any such laws or regulations, we may face significant legal and monetary penalties.

The Foreign Corrupt Practices Act, or FCPA, and other anti-corruption laws and regulations, as well as anti-boycott regulations, may also apply to and restrict our activities, our portfolio companies and other issuers of our investments. If an issuer or we were to violate any such laws or regulations, such issuer or we may face significant legal and monetary penalties. The U.S. government has indicated that it is particularly focused on FCPA enforcement, which may increase the risk that an issuer or us becomes the subject of such actual or threatened enforcement. In addition, certain commentators have suggested that private investment firms and the funds that they manage may face increased scrutiny and/or liability with respect to the activities of their underlying portfolio companies. As such, a violation of the FCPA or other applicable regulations by us or an issuer of our portfolio investments could have a material adverse effect on us. We are committed to complying with the FCPA and other anti-corruption laws and regulations, as well as anti-boycott regulations, to which it is subject. As a result, we may be adversely affected because of our unwillingness to enter into transactions that violate any such laws or regulations.

Major public health issues could have an adverse impact on our financial condition and results of operations and other aspects of our business.

Major public health issues have impacted and, in the future, may impact our business, financial condition, results of operations, liquidity or prospects and those of our portfolio companies in a number of ways. For instance, our investment portfolio (and, specifically, the valuations of investment assets we hold) was adversely affected as a result of market developments from the COVID-19 pandemic, including disruptions to the businesses of our portfolio companies, global supply chain disruptions, and increased inflationary pressures nationally and globally.

Moreover, changes in interest rates, reduced liquidity or a continued slowdown in U.S. or global economic conditions has, and may continue to, adversely affect our business, financial condition, results of operations, liquidity and/or prospects and those of our portfolio companies. Further, extreme market volatility may leave us and our portfolio companies unable to react to market events in a prudent manner consistent with our historical practices in dealing with more orderly markets.

We will also continue to be negatively affected if our operations and effectiveness or the operations and effectiveness of a portfolio company (or any of the key personnel or service providers of the foregoing) is compromised or if necessary or beneficial systems and processes are disrupted.

Any public health emergency, including the COVID-19 pandemic or any outbreak of other existing or new epidemic diseases, or the threat thereof, and the resulting financial and economic market uncertainty could have a significant adverse impact on us and the fair value of our investments. Our valuations, and particularly valuations of private investments and private companies, are inherently uncertain, may fluctuate over short periods of time and are often based on estimates, comparisons and qualitative evaluations of private information that may not show the complete impact of a public health emergency and the resulting measures taken in response thereto. These potential impacts, while uncertain, could adversely affect our and our portfolio companies' operating results.

Even after any major public health emergency subsides, the U.S. economy and most other major global economies may experience a recession, and we anticipate our business and operations could be materially adversely affected by a prolonged recession in the United States and other major markets.

Our investments in the healthcare and pharmaceutical services industry sector are subject to extensive federal, state and local healthcare laws and regulations and certain other risks particular to that industry.

We invest in healthcare and pharmaceutical services. Our investments in portfolio companies that operate in this sector are subject to certain significant risks particular to that industry. The laws and rules governing the business of healthcare companies and interpretations of those laws and rules are subject to frequent change. Broad latitude is given to the agencies administering those regulations. Existing or future laws and rules could subject our portfolio companies engaged in healthcare to potential government inquiries, investigations and/or enforcement proceedings, and ultimately incur civil, criminal and administrative sanctions, including, without limitation, fines, penalties and exclusion from government programs. The application of such laws and regulations can also force these companies to change how they do business, restrict revenue, increase costs, change reserve levels and change business practices. Healthcare companies often must obtain and maintain regulatory approvals to market many of their products, change prices for certain regulated products and consummate some of their acquisitions and divestitures. Delays in obtaining or failing to obtain or maintain these approvals could reduce revenue or increase costs. Policy changes on the local, state and federal level, such as the expansion of the government's role in the healthcare arena and alternative assessments and tax increases specific to the healthcare industry or healthcare products as part of federal health care reform initiatives, could fundamentally change the dynamics of the healthcare industry. In particular, as health insurance reform such as the Patient Protection and Affordable Care Act as amended by the Health Care and Education Reconciliation Act of 2010, has had a significant effect on companies in this industry sector, other current and future health insurance initiatives may force our portfolio companies in this industry sector to change how they do business. We can give no assurance that these portfolio companies will be able to adapt successfully to these changes. Any of these factors could materially adversely affect the operations of a portfolio company in this industry sector and, in turn, impair our ability to timely collect principal and interest payments owed to us.

The U.S. capital markets have experienced extreme volatility and disruption over the past several years.

Disruptions in the capital markets caused by inflation and rising interest rates, the military conflict between Ukraine and Russia and the military conflict between Israel and Hamas, health epidemics and pandemics and other globally significant trends and events have increased the spread between the yields realized on risk-free and higher risk securities, resulting in illiquidity in parts of the capital markets. These and future market disruptions and/or illiquidity would be expected to have an adverse effect on our business, financial condition, results of operations and cash flows. Unfavorable economic conditions also would be expected to increase our funding costs,

limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events have limited and could continue to limit our investment originations, limit our ability to grow and have a material negative impact on our operating results and the fair values of our debt and equity investments.

Further, current market conditions may make it difficult for us to obtain debt capital on favorable terms and any failure to do so could have a material adverse effect on our business. The debt capital that will be available to us in the future, if at all, may be at a higher cost and on less favorable terms and conditions than what we would otherwise expect, including being at a higher cost in rising rate environments. If we are unable to raise debt, then our equity investors may not benefit from the potential for increased returns on equity resulting from leverage and we may be limited in our ability to make or fund commitments to portfolio companies. An inability to obtain indebtedness could have a material adverse effect on our business, financial condition or results of operations.

Our ability to achieve our investment objective depends on the ability of the Investment Adviser to manage and support our investment process. If the Investment Adviser were to lose any members of their respective senior management teams, our ability to achieve our investment objective could be significantly harmed.

Since we have no employees, we depend on the investment expertise, skill and network of business contacts of the broader networks of the Investment Adviser and its affiliates. The Investment Adviser evaluates, negotiates, structures, executes, monitors and services our investments. Our future success depends to a significant extent on the continued service and coordination of the Investment Adviser and its senior management team. The departure of any members of the Investment Adviser's senior management team could have a material adverse effect on our ability to achieve our investment objective.

Our ability to achieve our investment objective depends on the Investment Adviser's ability to identify and analyze, and to invest in, finance and monitor companies that meet our investment criteria. In addition to monitoring the performance of our existing investments, our Investment Adviser's investment team may also be called upon, from time to time, to provide managerial assistance to some of our portfolio companies as well as other funds that they manage. These demands on their time may distract them or slow our rate of investment. See also "—Risks Related to the Investment Adviser and its Affiliates—There are significant potential conflicts of interest that could negatively affect our investment returns." Even if we are able to grow and build upon our investment operations, any failure to manage our growth effectively could have a material adverse effect on our business, financial condition, results of operations and prospects. The results of our operations depend on many factors, including the availability of opportunities for investment, readily accessible short and long-term funding alternatives in the financial markets, and economic conditions. Furthermore, if we cannot successfully operate our business or implement our investment policies and strategies, it could negatively impact our ability to make distributions.

The Investment Adviser's capabilities in structuring the investment process, providing competent, attentive and efficient services to us, and facilitating access to financing on acceptable terms depend on the employment of investment professionals in an adequate number and of adequate sophistication to match the corresponding flow of transactions. To achieve our investment objective, the Investment Adviser may need to hire, train, supervise and manage new investment professionals to participate in our investment selection and monitoring process. The Investment Adviser may not be able to find investment professionals in a timely manner or at all. Failure to support our investment process could have a material adverse effect on our business, financial condition and results of operations.

The Investment Advisory Agreement between the Investment Adviser and us has been approved pursuant to Section 15 of the 1940 Act. In addition, the Investment Advisory Agreement has termination provisions that allow the parties to terminate the agreement. The Investment Advisory Agreement may be terminated at any time, without penalty, by us or by the Investment Adviser, upon 60 days' notice. If the agreement is terminated, we may not be able to find a new external investment adviser or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected.

Any inability of our Investment Adviser to maintain or develop strong referral relationships, or the failure of these relationships to generate investment opportunities, could adversely affect our business.

We depend upon our Investment Adviser to maintain its relationships with venture capital and private equity firms, placement agents, investment banks, management groups and other financial institutions, and we expect to rely to a significant extent upon these relationships to provide us with potential investment opportunities. If our Investment Adviser fails to maintain such relationships, or to develop new relationships with other sources of investment opportunities, we will not be able to grow our investment portfolio. In addition, individuals with whom our Investment Adviser has relationships are not obligated to provide us with investment opportunities, and we can offer no assurance that these relationships will generate investment opportunities for us in the future.

We operate in a highly competitive market for investment opportunities, which could reduce returns and result in losses.

We compete for investments with other BDCs and investment funds (including private equity funds, venture lending funds, finance companies with venture lending units, banks focused on venture lending, mezzanine funds and funds that invest in CLOs, structured notes, derivatives and other types of collateralized securities and structured products), as well as traditional financial services companies such as commercial banks and other sources of funding. Moreover, alternative investment vehicles, such as hedge funds, have begun to invest in areas in which they have not traditionally invested, including making investments in small to mid-sized private U.S. companies. As a result of these new entrants, competition for investment opportunities in small and middle-market private U.S. companies may intensify. Many of our potential competitors are substantially larger and have considerably greater financial, technical and marketing resources than we have. For example, some competitors may have a lower cost of capital and access to funding sources that are not available to us. In addition, some of our competitors have higher risk tolerances or different risk assessments than we have. These characteristics might allow our competitors to consider a wider variety of investments, establish more relationships or 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 or structure. If we are forced to match our competitors' pricing, terms or structure, we may not be able to achieve acceptable returns on our investments or may bear substantial risk of capital loss. We believe a significant part of our competitive advantage stems from the fact that the market for investments in lower and traditional middle-market companies is underserved by traditional commercial banks and other financing sources. A significant increase in the number and/or the size of our competitors in this target market could force us to accept less attractive investment terms. Furthermore, many of our potential competitors have greater experience operating under, or will not be subject to, the regulatory restrictions that the 1940 Act impose on us as a BDC.

We may have difficulty sourcing investment opportunities.

We cannot assure investors that we will be able to locate a sufficient number of suitable investment opportunities to allow us to deploy capital successfully. In addition, privately-negotiated investments in loans and illiquid securities of private middle market companies require substantial due diligence and structuring, and we cannot assure investors that we will achieve our anticipated investment pace. As a result, investors will be unable to evaluate any future portfolio company investments prior to purchasing shares of our common stock. Additionally, our Investment Adviser will select our investments, and our stockholders will have no input with respect to such investment decisions. These factors increase the uncertainty, and thus the risk, of investing in shares of our common stock. To the extent we are unable to deploy capital, our investment income and, in turn, our results of operations, will likely be materially adversely affected. There is no assurance that we will be able to consummate

investment transactions or that such transactions will be successful. BC Partners, the Company and their affiliates may also face certain conflicts of interests in connection with any transaction, including any warehousing transaction involving an affiliate.

Until such time we invest such capital in portfolio companies, we may invest these amounts in cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less from the date of investment. We expect these temporary investments to earn yields substantially lower than the income that we expect to receive in respect of investments in secured debt (including senior secured, unitranche and second lien debt) and unsecured debt (including senior unsecured and subordinated debt), as well as related equity securities.

As required by the 1940 Act, a significant portion of our investment portfolio is and will be recorded at fair value as determined by the Investment Adviser in its role as valuation designee, subject to the ultimate oversight of our Board and, as a result, there is and will be uncertainty as to the value of our portfolio investments.

Under the 1940 Act, we are required to carry our portfolio investments at market value or, if there is no readily available market value, at fair value as determined by the Investment Adviser in its role as valuation designee, subject to the ultimate oversight of our Board. Typically, there will not be a public market for the securities of the privately held companies in which we invest. As a result, we value these securities quarterly at fair value as determined in good faith by the Investment Adviser, based on, among other things, input of third-party independent valuation firm(s), subject to the oversight of our Board.

Certain factors that may be considered in determining the fair value of our investments include external events, such as private mergers, sales and acquisitions involving comparable companies. As a result, our determinations of fair value may differ materially from the values that would have been used if a ready market for these non-traded securities existed. Due to this uncertainty, our fair value determinations may cause our net asset value on a given date to materially differ from the value that we may ultimately realize upon the sale of one or more of our investments. As a result, investors purchasing our common stock based on an overstated net asset value would pay a higher price than the value of our investments might warrant. Conversely, investors selling shares during a period in which the net asset value understates the value of our investments would receive a lower price for their shares than the value of our investments might warrant. In addition, we may not be able to realize the values on our investments needed to pay interest on our borrowings.

The involvement of our interested directors in the valuation process may create conflicts of interest.

We make many of our portfolio investments in the form of loans and securities that are not publicly traded and for which no market-based price quotation is available. As a result, our Investment Adviser determines the fair value of these loans and securities subject to the Board's oversight, as described in the section titled "Valuation of Investments" in Note 2 to our consolidated financial statements. In connection with that determination, investment professionals from the Investment Adviser may provide our Board with valuations based upon the most recent portfolio company financial statements available and projected financial results of each portfolio company. While the valuation for certain portfolio investments is reviewed by an independent valuation firm quarterly, the Board remains ultimately responsible for fair value determinations, including our interested directors, and not by such third-party valuation firm. The participation of the Investment Adviser's investment professionals in our valuation process could result in conflicts of interest as the Investment Adviser's management fee is based, in part, on the value of our gross assets, and its incentive fees will be based, in part, on realized and unrealized gains and depreciation.

There is a risk that investors in our equity securities may not receive distributions consistent with historical levels or at all, or that our distributions may not grow over time and a portion of our distributions may be a return of capital.

We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions. Our ability to pay distributions might be, and has in the past been, adversely affected by the impact of one or more of the risk factors described in this annual report or incorporated herein by reference, including recent macro-economic trends and events, such as geo-political conflicts and high levels of inflation. If we declare a distribution and if more stockholders opt to receive cash distributions rather than participate in our dividend reinvestment plan, we may be forced to sell some of our investments in order to make cash distribution payments. To the extent we make distributions to stockholders that include a return of capital, such portion of the distribution essentially constitutes a return of the stockholder's investment. Although such return of capital may not be taxable, such distributions would generally decrease a stockholder's basis in our common stock and may therefore increase such stockholder's tax liability for capital gains upon the future sale of such stock. A return of capital distribution may cause a stockholder to recognize a capital gain from the sale of our common stock even if the stockholder sells its shares for less than the original purchase price.

As a RIC, if we do not distribute a certain percentage of our income annually, we may suffer adverse tax consequences, including possibly losing the U.S. federal income tax benefits allowable to RICs. We cannot assure you that you will receive distributions at a particular level or at all.

In certain cases, we may recognize income before or without receiving the accompanying cash. Depending on the amount of noncash income, this could result in difficulty satisfying the annual distributions requirement applicable to RICs. Accordingly, we may have to sell some portfolio investments at times we would not consider advantageous, raise additional debt or equity capital or reduce new investments to meet these distribution requirements.

We have not established any limit on the amount of funds we may use from available sources, such as borrowings, if any, to fund distributions (which may reduce the amount of capital we ultimately invest in assets).

Stockholders should understand that any distributions made from sources other than cash flow from operations or that are relying on fee or expense reimbursement waivers from the Investment Adviser or the Administrator are not based on our investment performance, and can only be sustained if we achieve positive investment performance in future periods and/or the Investment Adviser or the Administrator continues to make such expense reimbursements. Stockholders should also understand that our future repayments to the Investment Adviser will reduce the distributions that they would otherwise receive. There can be no assurance that we will achieve such performance in order to sustain these distributions, or be able to pay distributions at all. The Investment Adviser and the Administrator have no obligation to waive fees or receipt of expense reimbursements.

Changes in laws or regulations governing our operations may adversely affect our business or cause us to alter our business strategy.

We and our portfolio companies are subject to regulation at the local, state and federal level. New legislation may be enacted, or new interpretations, rulings or regulations could be adopted, including those governing the types of investments we are permitted to make, any of which could harm us and our stockholders, potentially with retroactive effect.

Additionally, any changes to the laws and regulations governing our operations relating to permitted investments may cause us to alter our investment strategy to avail ourselves of new or different opportunities. Such changes could result in material differences to our strategies and plans and may result in our investment focus shifting from the areas of expertise of the Investment Adviser to other types of investments in which the Investment Adviser may have less expertise or little or no experience. Thus, any such changes, if they occur, could have a material adverse effect on our financial condition and results of operations and the value of your investment.

Changes to U.S. tariff and import/export regulations may have a negative effect on our portfolio companies and, in turn, harm us.

There has been ongoing discussion and commentary regarding further potential significant changes to U.S. trade policies, treaties and tariffs. Since 2018, the U.S. has imposed various tariffs on Chinese goods, and China has retaliated by placing tariffs on various U.S. goods. Both countries signed a phase one trade agreement in January 2020 halting further tariffs and increasing sales of U.S. goods to China. The agreement left in place most tariffs, which remained in place as of the end of 2023. It is unclear what the final outcome of the negotiations and agreements will result in. These prior tariffs have resulted in, and may continue to trigger, retaliatory actions by affected countries, including the imposition of tariffs on the U.S. by other countries. These events have created significant uncertainty about the future relationship between the United States and other countries with respect to trade policies, treaties and tariffs. These developments, or the perception that any of them could occur, may have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global trade and, in particular, trade between the impacted nations and the United States. Any of these factors could depress economic activity, restrict our portfolio companies' access to suppliers or customers, increase costs, decrease margins, reduce the competitiveness of products and services offered by current or future portfolio companies and have a material adverse effect on their business, financial condition and results of operations, which in turn would negatively impact us.

As a publicly traded company, we are subject to increasingly complex corporate governance, public disclosure and accounting requirements that are costly and could adversely affect our business and financial results.

As a publicly traded company, we incur legal, accounting and other expenses, including costs associated with the periodic reporting requirements applicable to a company whose securities are registered under the 1934 Act, or the 1934 Act, as well as additional corporate governance requirements, including requirements under the Sarbanes Oxley Act, and other rules implemented by the SEC. Also, we are subject to changing rules and regulations of federal and state government as well as the stock exchange on which our common stock is listed. These entities, including the Public Company Accounting Oversight Board, the SEC and the NASDAQ Stock Market, have issued a significant number of new and increasingly complex requirements and regulations over the course of the last several years and continue to develop additional regulations and requirements in response to laws enacted by Congress. Our efforts to comply with these existing requirements, or any revised or amended requirements, have resulted in, and are likely to continue to result in, an increase in expenses and a diversion of management's time from other business activities.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, stockholders and noteholders could lose confidence in our financial and other public reporting, which would harm our business.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404 of the Sarbanes-Oxley Act, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our consolidated financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on our business.

We are required to disclose changes made in our internal controls and procedures over financial reporting on a quarterly basis and our management is required to assess the effectiveness of these controls annually.

An independent assessment of the effectiveness of our internal controls could detect problems that our management's assessment might not. Undetected material weaknesses in our internal controls could lead to financial statement restatements and require us to incur the expense of remediation. As a public company, we may incur significant additional expenses in the near term, which may negatively impact our financial performance and our ability to make distributions to our stockholders. This process also will result in a diversion of management's time and attention. We cannot be certain as to the timing of completion of any evaluation, testing and remediation actions or the impact of the same on our operations, and we may not be able to ensure that the process is effective or that our internal controls over financial reporting are or will be effective in a timely manner. In the event that we are unable to maintain or achieve compliance with Section 404 of the Sarbanes-Oxley Act and related rules, the market price of our common stock may be adversely affected.

We have identified a material weakness in our internal control over financial reporting and if our remediation of this material weakness is not effective, or if we fail to maintain an effective system of internal control over financial reporting in the future, we may not be able to accurately or timely report our financial condition or operating results, which may adversely affect our business.

In March 2024, we identified a material weakness in our internal controls over financial reporting related to our failure to satisfy the requirements to maintain our special tax status as a RIC for the years ended December 31, 2020, 2021 and 2022, and management has determined that, as of December 31, 2023, we did not maintain effective internal control over financial reporting. This material weakness and our remediation efforts are described in "Controls and Procedures." Although management does not believe the misstatements are material to any of the impacted financial statements and thus no adjustment to any of the Company's previously reported financial statements is considered necessary, we cannot assure you that we will adequately remediate the material weakness or that additional material weaknesses in our internal controls will not be identified in the future. Any failure to maintain or implement required new or improved controls, or any difficulties we encounter in their implementation, could result in additional material weaknesses, or could result in material misstatements in our financial statements. These misstatements could result in restatements of our financial statements, cause us to fail to meet our reporting obligations in addition to stock exchange listing requirements, investors may lose confidence in our reported financial information, our stock price may decline as a result, and we could be subject to litigation or regulatory enforcement actions.

We are in the process of remediating the identified material weakness in our internal controls, but we are unable at this time to estimate when the remediation effort will be completed. If we fail to remediate this material weakness, there will continue to be an increased risk that our future financial statements could contain errors that will be undetected. We cannot assure you that the measures we have taken to date, or any measures we may take in the future, will be sufficient to avoid potential future material weaknesses. The potential consequences of any material weakness could have a material adverse effect on our business, results of operations and financial condition. Further and continued determinations that there are material weaknesses in the effectiveness of our internal controls could impact the operations of our business, including our ability to obtain financing, the cost of any financing we obtain or require additional expenditures of resources to comply with applicable requirements.

There is uncertainty surrounding potential legal, regulatory and policy changes by new presidential administrations in the United States that may directly affect financial institutions and the global economy.

Changes in federal policy, including tax policies, and at regulatory agencies may occur over time through policy and personnel changes, which may lead to changes involving the level of oversight and focus on the financial services industry or the tax rates paid by corporate entities. The nature, timing and economic and political effects of potential changes to the current legal and regulatory framework affecting financial institutions remain highly uncertain. Uncertainty surrounding future changes may adversely affect our operating environment and therefore our business, financial condition, results of operations and growth prospects.

The impact of financial reform legislation on us is uncertain.

The Company and the portfolio companies in which it invests are subject to laws and regulations at the U.S. federal, state and local levels and, in some cases, foreign levels. These laws and regulations, as well as their interpretation, may change from time to time, and new laws, regulations and interpretations may come into effect. Accordingly, any change in law and regulations, changes in administration or control of U.S. Congress, changes in interpretations, or newly enacted laws or regulations could have a material adverse effect on the Company's business or the business of the portfolio companies in which the Company invests.

Over the past several years, there also has been increasing regulatory attention to the extension of credit outside of the traditional banking sector, raising the possibility that some portion of the non-bank financial sector may be subject to new regulation. While it cannot be known at this time whether any regulation will be implemented or what form it will take, increased regulation of non-bank lending could be materially adverse to the Company's business, financial conditions and results of operation. We may experience fluctuations in our quarterly results.

We may experience fluctuations in our quarterly and annual results.

We may experience fluctuations in our quarterly and annual operating results due to a number of factors, including our ability or inability to make investments in companies that meet our investment criteria, any sales, dispositions or liquidity events of our portfolio companies, the interest rate payable on the debt securities we acquire, the level of portfolio dividend and fee income, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. Given that the portfolio is concentrated in a limited number of portfolio companies and industries, including healthcare, distributions, dispositions or liquidity events affecting a portfolio company or industry in which we own a significant position may adversely affect our net asset value and results of operations. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

Any unrealized depreciation we experience on our loan portfolio may be an indication of future realized losses, which could reduce our income available for distribution.

As a BDC, we are required to carry our investments at market value or, if no market value is ascertainable, at the fair value as determined in good faith by our Adviser, in its role as valuation designee, subject to the oversight of our Board. Decreases in the market values or fair values of our investments will be recorded as unrealized depreciation. Any unrealized depreciation in our loan portfolio could be an indication of a portfolio company's inability to meet its repayment obligations to us with respect to the affected loans. This could result in realized losses in the future and ultimately in reductions of our income available for distribution in future periods. In addition, decreases in the market value or fair value of our investments will reduce our net asset value.

Recent legislation permits the Company to incur additional leverage.

Prior to the Small Business Credit Availability Act being signed into law, a BDC generally was not permitted to incur indebtedness unless immediately after such borrowing it had an asset coverage for total borrowings of at least 200% (i.e., a 1:1 leverage-to-equity ratio). The Small Business Credit Availability Act, signed into law on March 23, 2018, contains a provision that grants a BDC the option, subject to certain conditions and disclosure obligations, to increase the leverage of its portfolio to a maximum of 2:1. On November 1, 2018, the Board, including a "required majority" (as such term is defined in Section 57(o) of the 1940 Act) approved the application of the modified asset coverage. As a result, we are permitted to incur additional indebtedness, and, therefore, the risk of an investment in our common stock may be greater than prior to November 2018.

We are highly dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our common stock and our ability to make distributions to our stockholders.

Our business is highly dependent on the communications and information systems of the Investment Adviser. Certain of these systems are provided to the Investment Adviser by third-party service providers. Any failure or interruption of such systems, including as a result of the termination of an agreement with any such third-party service provider, sudden electrical or telecommunications outages, natural disasters such as earthquakes, tornadoes, and hurricanes, events arising from local or larger scale political or social matters, including terrorist attacks, and cyber-attacks could cause delays or other problems in our activities. Any of the above, in turn, could have a material adverse effect on our operating results and negatively affect the market price of our common stock and our ability to make distributions to our stockholders.

We, the Investment Adviser and our portfolio companies are subject to cybersecurity risks and cyber incidents which may adversely affect our business, financial condition and operating results.

Cyber security incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. Despite careful security and controls design, implementation and updating, ours and our portfolio companies' information technology systems could become subject to cyber-attacks. Cyber-attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking", malicious software coding, social engineering or "phishing" attempts) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users).

The Investment Adviser, our and each of their and our affiliates and portfolio companies' and service providers' information and technology systems may be vulnerable to damage or interruption from cyber security breaches, computer viruses or other malicious code, network failures, computer and telecommunication failures, infiltration by unauthorized persons and other security breaches, or usage errors by their respective professionals or service providers. If unauthorized parties gain access to such information and technology systems, they may be able to steal, publish, delete or modify private and sensitive information, including non-public personal information related to stockholders (and their beneficial owners) and material non-public information.

In addition, we may be required to expend significant additional resources to modify our protective measures and to investigate and remediate vulnerabilities or other exposures arising from operational and security risks related to cyber-attacks.

The Investment Adviser's employees have been and expect to continue to be the target of fraudulent calls, emails and other forms of activities. The result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for stolen information, misappropriation of assets, increased cybersecurity protection and insurance costs, litigation and damage to our business relationships, regulatory fines or penalties, or other adverse effects on our business, financial condition or results of operations.

The Investment Adviser's and other service providers' increased use of mobile and cloud technologies could heighten the risk of a cyber-attack as well as other operational risks, as certain aspects of the security of such technologies may be complex, unpredictable or beyond their control. The Investment Adviser's and other service providers' reliance on mobile or cloud technology or any failure by mobile technology and cloud service providers to adequately safeguard their systems and

prevent cyber-attacks could disrupt their operations and result in misappropriation, corruption or loss of personal, confidential or proprietary information. In addition, there is a risk that encryption and other protective measures against cyber-attacks may be circumvented, particularly to the extent that new computing technologies increase the speed and computing power available.

Additionally, remote working environments may be less secure and more susceptible to cyber-attacks, including phishing and social engineering attempts. Accordingly, the risks associated with cyber-attacks are heightened under current conditions.

Although the Investment Adviser implemented, and portfolio companies and service providers may implement, various measures to manage risks relating to these types of events, such systems could prove to be inadequate and, if compromised, could become inoperable for extended periods of time, cease to function properly or fail to adequately secure private information. The Investment Adviser does not control the cyber security plans and systems put in place by third-party service providers, and such third-party service providers may have limited indemnification obligations to the Investment Adviser, their affiliates, the Company, the stockholders and/or a portfolio company, each of which could be negatively impacted as a result. Breaches, such as those involving covertly introduced malware, impersonation of authorized users, "phishing" attacks and industrial or other espionage may not be identified even with sophisticated prevention and detection systems, potentially resulting in further harm and preventing them from being addressed appropriately.

The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Investment Adviser, its affiliates', the Company's and/or a portfolio company's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to stockholders (and their beneficial owners), material non-public information and the intellectual property and trade secrets and other sensitive information of the Investment Adviser, us and/or portfolio companies. The Investment Adviser, the Company and/or a portfolio company could be required to make significant investments to remedy the effects of any such failures, harm to their reputations, legal claims that they and their respective affiliates may be subjected to, regulatory action or enforcement arising out of applicable privacy and other laws, adverse publicity, and other events that may affect their business and financial performance.

Internal and external cyber threats, as well as other disasters, could impair our ability to conduct business effectively.

The occurrence of a disaster, such as a cyber-attack against us or against a third-party that has access to our data or networks, a natural catastrophe, an industrial accident, failure of our disaster recovery systems, or consequential employee error, could have an adverse effect on our ability to communicate or conduct business, negatively impacting our operations and financial condition. This adverse effect can become particularly acute if those events affect our electronic data processing, transmission, storage, and retrieval systems, or impact the availability, integrity, or confidentiality of our data.

We depend heavily upon computer systems to perform necessary business functions. Despite our implementation of a variety of security measures, our computer systems, networks, and data, like those of other companies, could be subject to cyber-attacks and unauthorized access, use, alteration, or destruction, such as from physical and electronic break-ins or unauthorized tampering. If one or more of these events occurs, it could potentially jeopardize the confidential, proprietary, and other information processed, stored in, and transmitted through our computer systems and networks. Such an attack could cause interruptions or malfunctions in our operations, which could result in financial losses, litigation, regulatory penalties, client dissatisfaction or loss, reputational damage, and increased costs associated with mitigation of damages and remediation. If unauthorized parties gain access to such information and technology systems, they may be able to steal, publish, delete or modify private and sensitive information, including non-public personal information related to stockholders (and their beneficial owners) and material non-public information. The systems we have implemented to manage risks relating to these types of events could prove to be inadequate and, if compromised, could become inoperable for extended periods of time, cease to function properly or fail to adequately secure private information. Breaches such as those involving covertly introduced malware, impersonation of authorized users and industrial or other espionage may not be identified even with sophisticated prevention and detection systems, potentially resulting in further harm and preventing them from being addressed appropriately. The failure of these systems or of disaster recovery plans for any reason could cause significant interruptions in our and our Investment Adviser's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to stockholders, material non-public information and other sensitive information in our possession.

A disaster or a disruption in the infrastructure that supports our business, including a disruption involving electronic communications or other services used by us or third parties with whom we conduct business, or directly affecting our headquarters, could have a material adverse impact on our ability to continue to operate our business without interruption. Our disaster recovery programs may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse us for our losses, if at all.

Third parties with which we do business may also be sources of cybersecurity or other technological risk. We outsource certain functions and these relationships allow for the storage and processing of our information, as well as client, counterparty, employee and borrower information. While we engage in actions to reduce our exposure resulting from outsourcing, ongoing threats may result in unauthorized access, loss, exposure, destruction, or other cybersecurity incident that affects our data, resulting in increased costs and other consequences as described above.

In addition, cybersecurity has become a top priority for regulators around the world, and some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. If we fail to comply with the relevant laws and regulations, we could suffer financial losses, a disruption of our businesses, liability to investors, regulatory intervention or reputational damage.

Inflation may adversely affect our business and operations and those of our portfolio companies.

Economic activity has continued to accelerate across sectors and regions. Nevertheless, due to global supply chain issues, a rise in energy prices and strong consumer demand as economies continue to reopen, inflation has accelerated significantly over 2023 in the U.S. and globally, and the U.S. Federal Reserve has responded by tightening monetary policy. Inflation is likely to continue in the near to medium-term, particularly in the U.S., with the possibility that monetary policy may further tighten in response. Certain of our portfolio companies may be impacted by inflation and persistent inflationary pressures could negatively affect our portfolio companies' profit margins. Inflation could become a serious problem in the future and have an adverse impact on the Company's returns.

Risks Related to the Investment Adviser and its Affiliates

The Investment Adviser may not be able to achieve the same or similar returns as those achieved for other funds it currently manages or by its investment team while they were employed at prior positions.

The Investment Adviser manages other funds and may manage other entities in the future. The track record and achievements of these other entities are not necessarily indicative of future results that will be achieved by the Investment Adviser because these other entities may have investment objectives and strategies that differ from ours.

The Investment Adviser and its affiliates, including our officers and some of our directors, face conflicts of interest caused by compensation arrangements with us and our affiliates, which could result in actions that are not in the best interests of our stockholders.

The Investment Adviser and its affiliates will receive substantial fees from us in return for their services, including certain incentive fees based on the performance of our investments. These fees could influence the advice provided to us. Generally, the more equity we sell and the greater the risk assumed by us with respect to our investments, the greater the potential for growth in our assets and profits, and, correlatively, the fees payable by us to our Investment Adviser. These compensation arrangements could affect our Investment Adviser's or its affiliates' judgment with respect to offerings of equity and investments made by us, which allow our Investment Adviser to earn increased asset management fees.

Additionally, we pay to the Investment Adviser an incentive fee that is based on the performance of our portfolio and an annual base management fee that is based on the average value of our gross assets, which are the total assets reflected on the consolidated statements of assets and liabilities and includes any borrowings for investment purposes, at the end of the two most recently completed calendar quarters. Because the incentive fee is based on the performance of our portfolio, the Investment Adviser may be incentivized to make investments on our behalf that are riskier or more speculative than would be the case in the absence of such compensation arrangement. The way in which the incentive fee is determined may also encourage the Investment Adviser to use leverage to increase the return on our investments. In addition, because the base management fee is based on the average value of our gross assets at the end of the two most recently completed calendar quarters, which includes any borrowings for investment purposes, the Investment Adviser may be incentivized to recommend the use of leverage or the issuance of additional equity to make additional investments and increase the average value of our gross assets at the end of the two most recently completed calendar quarters. Under certain circumstances, the use of leverage may increase the likelihood of default, which could disfavor our stockholders. Our compensation arrangements could therefore result in our making riskier or more speculative investments, or relying more on leverage to make investments, than would otherwise be the case. This could result in higher investment losses, particularly during cyclical economic downturns.

There are significant potential conflicts of interest that could negatively affect our investment returns.

The members of the Investment Adviser's investment team also monitor and service other affiliated investment funds. In addition, our executive officers and directors, as well as the current and future members of our Investment Adviser's investment team may serve as officers, directors or principals of other entities that operate in the same or a related line of business as we do. Accordingly, they may have obligations to investors in those entities, the fulfillment of which obligations may not be in the best interests of us or our stockholders.

In the course of our investing activities, we pay management and incentive fees to the Investment Adviser and reimburse the Investment Adviser for certain expenses it incurs. As a result, investors in our common stock invest on a "gross" basis and receive distributions on a "net" basis after expenses, resulting in a lower rate of return than an investor might achieve through direct investments. Accordingly, there may be times when the management team of the Investment Adviser will have interests that differ from those of our stockholders, giving rise to a conflict. The Investment Adviser will not be reimbursed for any performance-related compensation for its employees. We pay our Administrator our allocable portion of overhead and other expenses incurred by our Administrator in performing its obligations under the Administration Agreement, including rent, the fees and expenses associated with performing compliance functions, and our allocable portion of the compensation of our chief financial officer, chief compliance officer and their respective administrative support staff. These arrangements create conflicts of interest that our Board must monitor.

The Investment Adviser and its affiliates may also manage other funds in the future that may have investment mandates that are similar, in whole or in part to ours. To the extent permitted by the 1940 Act and interpretation of the SEC staff, the Investment Adviser and its affiliates may determine that an investment is appropriate for us and for one or more of those other funds. In such event, depending on the availability of such investment and other appropriate factors, the Investment Adviser or its affiliates may determine that we should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff, and consistent with the Investment Adviser's allocation procedures.

As a BDC, we are substantially limited in our ability to co-invest in privately negotiated transactions with affiliated funds unless we obtain an exemptive order from the SEC. On April 10, 2023, superseding a prior exemptive order granted on October 23, 2018, the SEC issued an order granting an application for exemptive relief to us and certain of our affiliates that allows BDCs managed by the Investment Adviser, including Logan Ridge, to co-invest, subject to the satisfaction of certain conditions, in certain private placement transactions, with other funds managed by the Investment Adviser or its affiliates, certain proprietary accounts of the Investment Adviser or its affiliates and any future funds that are advised by the Investment Adviser or its affiliated investment advisers. Under the terms of the exemptive order, in order for the Company to participate in a co-investment transaction, a "required majority" (as defined in Section 57(o) of the 1940 Act) of the Company's independent directors must conclude that (i) the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair to the Company and its stockholders and do not involve overreaching with respect of the Company or its stockholders on the part of any person concerned, and (ii) the proposed transaction is consistent with the interests of the Company's stockholders and is consistent with the Company's investment objectives and strategies and certain criteria established by the Board. We believe this relief may not only enhance our ability to further our investment objectives and strategies, but may also increase favorable investment opportunities for us, in part by allowing us to participate in larger investments, together with our co-investment affiliates, than would be available to us in the absence of such relief.

In the ordinary course of business, we may enter into transactions with portfolio companies that may be considered related party transactions. In order to ensure that we do not engage in any prohibited transactions with any persons affiliated with us, we have implemented certain written policies and procedures whereby our executive officers screen each of our transactions for any possible affiliations between the proposed portfolio investment and us, companies controlled by us or our executive officers and directors. We will not enter into any agreements unless and until we are satisfied that doing so will not raise concerns under the 1940 Act or, if such concerns exist, we have taken appropriate actions to seek review and approval by our Board or exemptive relief for such transaction. Our Board will review these procedures on an annual basis.

We may be obligated to pay the Investment Adviser incentive compensation even if we incur a net loss due to a decline in the value of our portfolio, and the incentive fee may be calculated using income that has not yet been received.

Our Investment Advisory Agreement entitles the Investment Adviser to receive incentive compensation on income regardless of any capital losses. In such case, we may be required to pay the Investment Adviser incentive compensation for a fiscal quarter even if there is a decline in the value of our portfolio or if we incur a net loss for that quarter. Any incentive fee payable by us that relates to our net investment income may be computed and paid on income that may include interest that has been accrued, but not yet received, including original issue discount, which may arise if we receive fees in connection with the origination of a loan or possibly in other circumstances, or contractual "payment-in-kind," or PIK, interest, which represents contractual interest added to the loan balance and due at the end of the loan term. To the extent we do not distribute accrued PIK interest, the deferral of PIK interest has the simultaneous effects of increasing the assets under management and increasing the base management fee at a compounding rate, while generating investment income and increasing the incentive fee at a compounding rate.

In addition, the deferral of PIK interest would also increase the loan-to-value ratio at a compounding rate if the issuer's assets do not increase in value, and investments with a deferred interest feature, such as PIK interest, may represent a higher credit risk than loans on which interest must be paid in full in cash on a regular

basis. For example, if a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously included in the calculation of the incentive fee will become uncollectible. The Investment Adviser is not under any obligation to reimburse us for any part of the incentive fee it received that was based on accrued income that we never received as a result of a default by an entity on the obligation that resulted in the accrual of such income, and such circumstances would result in our paying an incentive fee on income we never received.

The Investment Adviser is not obligated to reimburse us for any part of the incentive fee it receives that is based on accrued income that we never receive.

Part of the incentive fee payable by us to our Investment Adviser that relates to our net investment income is computed and paid on income that may include interest that has been accrued but not yet received in cash, such as market discount, debt instruments with PIK interest, preferred stock with PIK dividends and zero coupon securities. If a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously used in the calculation of the incentive fee will become uncollectible. Our Investment Adviser will not be under any obligation to reimburse us for any part of the incentive fees it received that was based on accrued income that we never receive as a result of a default by an entity on the obligation that resulted in the accrual of such income.

There may be conflicts of interest related to obligations that the Investment Adviser's senior management and investment team has to other clients.

As of April 2021, we are advised by Mount Logan Management LLC, our Investment Adviser. The members of the senior management and investment team of the Investment Adviser serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do, or of investment funds managed by the same personnel. In serving in these multiple capacities, they may have obligations to other clients or investors in those entities, the fulfillment of which may not be in our best interests or in the best interest of our stockholders. Our investment objective may overlap with the investment objectives of such investment funds, accounts or other investment vehicles. In particular, we rely on the Investment Adviser to manage our day-to-day activities and to implement our investment strategy. The Investment Adviser and certain of its affiliates are presently, and plan in the future to continue to be, involved with activities that are unrelated to us. As a result of these activities, the Investment Adviser, its officers and employees and certain of its affiliates will have conflicts of interest in allocating their time between us and other activities in which they are or may become involved, including the management of its affiliated funds. The Investment Adviser and its officers and employees will devote only as much of its or their time to our business as the Investment Adviser and its officers and employees, in their judgment, determine is reasonably required, which may be substantially less than their full time.

We rely, in part, on the Investment Adviser to assist with identifying and executing upon investment opportunities and on the Board to review and approve the terms of our participation in co-investment transactions with the Investment Adviser and its affiliates. The Investment Adviser and its affiliates are not restricted from forming additional investment funds, entering into other investment advisory relationships or engaging in other business activities. These activities could be viewed as creating a conflict of interest in that the time and effort of the members of the Investment Adviser, its affiliates and their officers and employees will not be devoted exclusively to our business but will be allocated between us and such other business activities of the Investment Adviser and its affiliates in a manner that the Investment Adviser deems necessary and appropriate.

An affiliate of the Investment Adviser manages BC Partners Lending Corporation and Portman Ridge Finance Corporation, each of which is a BDC that invests primarily in debt and equity of privately-held middle-market companies, similar to our targets for investment. Therefore, there may be certain investment opportunities that satisfy the investment criteria for those BDCs and us. Each of BC Partners Lending Corporation and Portman Ridge Finance Corporation operates as a distinct and separate company and any investment in our common stock will not be an investment in either of those BDCs. In addition, certain of our executive officers serve in substantially similar capacities for BC Partners Lending Corporation and Portman Ridge Finance Corporation, and three of our independent directors serve as independent directors of those BDCs.

The time and resources that individuals employed by the Investment Adviser devote to us may be diverted and we may face additional competition due to the fact that individuals employed by the Investment Adviser are not prohibited from raising money for or managing other entities that make the same types of investments that we target.

Neither the Investment Adviser nor individuals employed by the Investment Adviser are generally prohibited from raising capital for and managing other investment entities that make the same types of investments as those we target. As a result, the time and resources that these individuals may devote to us may be diverted. In addition, we may compete with any such investment entity for the same investors and investment opportunities. On April 10, 2023, superseding a prior exemptive order granted on October 23, 2018, the SEC issued an order granting an application for exemptive relief to us and certain of our affiliates that allows BDCs managed by the Investment Adviser, including Logan Ridge, to co-invest, subject to the satisfaction of certain conditions, in certain private placement transactions, with other funds managed by the Investment Adviser or its affiliates, certain proprietary accounts of the Investment Adviser or its affiliates and any future funds that are advised by the Investment Adviser or its affiliated investment advisers.

Our base management and incentive fees may induce the Investment Adviser to make speculative investments or to incur leverage.

The incentive fee payable by us to the Investment Adviser may create an incentive for our Investment Adviser to make investments on our behalf that are risky or more speculative than would be the case in the absence of such compensation arrangement. The way in which the incentive fee payable to the Investment Adviser is determined may encourage our Investment Adviser to use leverage to increase the leveraged return on our investment portfolio. The part of the management and incentive fees payable to the Investment Adviser that relates to our net investment income is computed and paid on income that may include interest income that has been accrued but not yet received in cash, such as market discount, debt instruments with PIK interest, preferred stock with PIK dividends and zero coupon securities. This fee structure may be considered to involve a conflict of interest for the Investment Adviser to the extent that it may encourage the Investment Adviser to favor debt financings that provide for deferred interest, rather than current cash payments of interest.

In addition, the fact that our base management fee is payable based upon our gross assets, which would include any borrowings for investment purposes, may encourage the Investment Adviser to use leverage to make additional investments. Under certain circumstances, the use of leverage may increase the likelihood of defaulting on our borrowings, which would disfavor holders of our common stock. Such a practice could result in us investing in more speculative securities than would otherwise be in our best interests, which could result in higher investment losses, particularly during cyclical economic downturns.

Shares of our common stock may be purchased by the Investment Adviser or its affiliates.

The Investment Adviser and its affiliates may purchase shares of our common stock for any reason deemed appropriate. The Investment Adviser and its affiliates will not acquire any shares of our common stock with the intention to resell or re-distribute such shares. The purchase of common stock by the Investment Adviser and its affiliates could create certain risks, including, but not limited to, the following:

- the Investment Adviser and its affiliates may have an interest in disposing of our assets at an earlier date so as to recover their investment in our common stock; and

- substantial purchases of shares by the Investment Adviser and its affiliates may limit the Investment Adviser's ability to fulfill any financial obligations that it may have to us or incurred on our behalf.

We depend upon our Investment Adviser's key personnel for our future success.

We depend on the diligence, skill and network of business contacts Ted Goldthorpe, Matthias Ederer, Henry Wang and Raymond Svider, each experienced members of the Investment Adviser's investment personnel, who serve as the members of the investment committee of the Investment Adviser. Our success depends on the continued service of these individuals and the other senior investment professionals available to the Investment Adviser. We cannot assure you that unforeseen business, medical, personal or other circumstances would not lead any of these individuals to terminate his relationship with us. Additionally, we cannot assure you that a reduction in revenue to the Investment Adviser, including as a result of fee waivers or a decrease in our assets, would not lead to a loss of investment professionals in the future. Such loss of members of the Investment Adviser's investment committee and other investment professionals could have a material adverse effect on our ability to achieve our investment objective as well as on our financial condition and results of operations. In addition, we can offer no assurance that the Investment Adviser will continue indefinitely as our investment adviser. The members of the Investment Adviser's investment team are and may in the future become affiliated with entities engaged in business activities similar to those intended to be conducted by us and may have conflicts of interest in allocating their time.

The Investment Adviser may retain additional consultants, advisers and/or operating partners to provide services to the Company, and such additional personnel will perform similar functions and duties for other organizations which may give rise to conflicts of interest.

The Investment Adviser may work with or alongside one or more consultants, advisers (including senior advisers and CEOs) and/or operating partners who are retained by the Investment Adviser on a consultancy or retainer or other basis, to provide services to the Company and other entities sponsored by the Investment Adviser including the sourcing of investments and other investment-related and support services. The functions undertaken by such persons with respect to the Company and any of its investments will not be exclusive and such persons may perform similar functions and duties for other organizations which may give rise to conflicts of interest. Such persons may also be appointed to the board of directors of companies and have other business interests which give rise to conflicts of interest with the interests of the Company or a portfolio entity of the Company. Stockholders should note that such persons may retain compensation that will not offset the base management fee payable to the Investment Adviser, including that: (i) such persons are permitted to retain all directors' fees, monitoring fees and other compensation received by them in respect of acting as a director or officer of, or providing other services to, a portfolio entity and such amounts shall not be credited against the base management fee; and (ii) certain of such persons may be paid a deal fee, a consultancy fee or other compensation where they are involved in a specific project relating to the Company, which fee will be paid either by the Company or, if applicable, the relevant portfolio entity.

The terms of the Investment Advisory Agreement and the Administration Agreement were determined without independent assessment on our behalf, and these terms may be less advantageous to us than if such terms had been the subject of arm's-length negotiations.

The Investment Advisory Agreement and the Administration Agreement were negotiated between related parties. Consequently, their terms, including fees payable to the Investment Adviser and the Administrator, may not be as favorable to us as if they had been negotiated with an unaffiliated third-party.

The Investment Adviser's influence on conducting our operations gives it the ability to increase its fees, which may reduce the amount of cash flow available for distribution to our stockholders.

The Investment Adviser is paid a base management fee calculated as a percentage of our gross assets and unrelated to net income or any other performance base or measure. The Investment Adviser may advise us to consummate transactions or conduct our operations in a manner that, in the Investment Adviser's reasonable discretion, is in the best interests of our stockholders. These transactions, however, may increase the amount of fees paid to the Investment Adviser. The Investment Adviser's ability to influence the base management fee paid to it by us could reduce the amount of cash flow available for distribution to our stockholders.

Our Investment Adviser's liability is limited under the Investment Advisory Agreement, and we have agreed to indemnify the Investment Adviser against certain liabilities, which may lead the Investment Adviser to act in a riskier manner on our behalf than it would when acting for its own account.

Under the Investment Advisory Agreement, the Investment Adviser has not assumed any responsibility to us other than to render the services called for under that agreement. It is not responsible for any action of our Board in following or declining to follow the Investment Adviser's advice or recommendations. Under the Investment Advisory Agreement, the Investment Adviser, its officers, members and personnel, and any person controlling or controlled by the Investment Adviser are not liable to us, any subsidiary of ours, our directors, our stockholders or any subsidiary's stockholders or partners for acts or omissions performed in accordance with and pursuant to the Investment Advisory Agreement, except those resulting from acts constituting gross negligence, willful misfeasance, bad faith or reckless disregard of the duties that the Investment Adviser owes to us under the Investment Advisory Agreement. In addition, as part of the Investment Advisory Agreement, we have agreed to indemnify the Investment Adviser and each of its officers, directors, members, managers and employees from and against any claims or liabilities, including reasonable legal fees and other expenses reasonably incurred, arising out of or in connection with our business and operations or any action taken or omitted on our behalf pursuant to authority granted by the Investment Advisory Agreement, except where attributable to gross negligence, willful misfeasance, bad faith or reckless disregard of such person's duties under the Investment Advisory Agreement. These protections may lead the Investment Adviser to act in a riskier manner when acting on our behalf than it would when acting for its own account.

Our Investment Adviser has the right to resign on 60 days' notice, and we may not be able to find a suitable replacement within such time, resulting in a disruption in our operations that could adversely affect our financial condition, business and results of operations.

Our Investment Adviser has the right, under the Investment Advisory Agreement, to resign at any time on 60 days' written notice, whether we have found a replacement or not. If our Investment Adviser resigns, we may not be able to find a new investment adviser or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected and the market price of our shares may decline. In addition, the coordination of our internal management and investment activities is likely to suffer if we are unable to identify and reach an agreement with a single institution or group of executives having the expertise possessed by our Investment Adviser and its affiliates. Even if we are able to retain comparable management, whether internal or external, the integration of such management and their lack of familiarity with our investment objective may result in additional costs and time delays that may adversely affect our financial condition, business and results of operations.

The investment committee and other investment professionals of the Investment Adviser may, from time to time, possess material non-public information about or related to our portfolio companies, limiting our investment discretion.

Members of our Investment Adviser's investment committee and other investment professionals of the Investment Adviser may serve as directors of, or in a similar capacity to, portfolio companies in which we invest. In the event that material non-public information is obtained with respect to such companies, or we become subject to trading restrictions under the internal trading policies of those companies or as a result of applicable law or regulations, we could be prohibited for a period of time from purchasing or selling the securities of such companies, and this prohibition may have an adverse effect on us.

Risks Related to Business Development Companies

The requirement that we invest a sufficient portion of our assets in qualifying assets could preclude us from investing in accordance with our current business strategy; conversely, the failure to invest a sufficient portion of our assets in qualifying assets could result in our failure to maintain our status as a BDC.

As a BDC, we may not acquire any assets other than "qualifying assets" unless, at the time of and after giving effect to such acquisition, at least 70% of our total assets are qualifying assets. Therefore, we may be precluded from investing in what we believe are attractive investments if such investments are not qualifying assets. Conversely, if we fail to invest a sufficient portion of our assets in qualifying assets, we could lose our status as a BDC, which would have a material adverse effect on our business, financial condition and results of operations. Similarly, these rules could prevent us from making additional investments in existing portfolio companies, which could result in the dilution of our position, or could require us to dispose of investments at an inopportune time to comply with the 1940 Act. If we were forced to sell non-qualifying investments in the portfolio for compliance purposes, the proceeds from such sale could be significantly less than the current value of such investments.

Failure to maintain our status as a BDC would reduce our operating flexibility.

If we do not remain a BDC, whether because we withdrew our election or failed to maintain our status as a BDC, we might be regulated as a registered closed-end investment company under the 1940 Act, which would subject us to substantially more regulatory restrictions under the 1940 Act and correspondingly decrease our operating flexibility and potentially significantly increase our costs of doing business.

Regulations governing our operation as a BDC affect our ability to raise additional capital and the way in which we do so. As a BDC, the necessity of raising additional capital may expose us to risks, including the typical risks associated with leverage.

We may issue debt securities or preferred stock and/or borrow money from banks or other financial institutions, which we refer to collectively as "senior securities," up to the maximum amount permitted by the 1940 Act. Under the provisions of the 1940 Act, we are permitted, as a BDC, to issue senior securities in amounts such that our asset coverage ratio, as defined in the 1940 Act, equals at least 150%, if certain conditions are met, of gross assets less all liabilities and indebtedness not represented by senior securities, after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our indebtedness at a time when such sales may be disadvantageous. Also, any amounts that we use to service our indebtedness would not be available for distributions to our common stockholders. Furthermore, as a result of issuing senior securities, we would also be exposed to typical risks associated with leverage, including an increased risk of loss.

As of December 31, 2023, we had \$15.0 million of 5.25% fixed rate convertible notes due April 1, 2032 (the "2032 Convertible Notes") and \$50.0 million of 5.25% fixed rate notes due October 30, 2026 (the "2026 Notes") outstanding. If we issue preferred stock, the preferred stock would rank "senior" to common stock in our capital structure, preferred stockholders would have separate voting rights on certain matters and might have other rights, preferences, or privileges more favorable than those of our common stockholders, and the issuance of preferred stock could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for holders of our common stock or otherwise be in your best interests.

We generally may not issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the then-current net asset value per share of our common stock if our Board determines that such sale is in our best interests and in the best interests of our stockholders, and our stockholders approve such sale. In any such case, the price at which our securities are to be issued and sold may not be less than a price that, in the determination of our Board, closely approximates the market value of such securities (less any commission or discount). If we raise additional funds by issuing more common stock or senior securities convertible into, or exchangeable for, our common stock, then the percentage ownership of our stockholders at that time will decrease, and you may experience dilution.

In certain limited circumstances, pursuant to an SEC staff interpretation, we may also issue shares at a price below net asset value in connection with a transferable rights offering so long as: (1) the offer does not discriminate among stockholders; (2) we use our best efforts to ensure an adequate trading market exists for the rights; and (3) the ratio of the offering does not exceed one new share for each three rights held. If we raise additional funds by issuing more common stock or senior securities convertible into, or exchangeable for, our common stock, the percentage ownership of our stockholders at that time would decrease and they may experience dilution. Moreover, we can offer no assurance that we will be able to issue and sell additional equity securities in the future, on favorable terms or at all.

Our ability to enter into new transactions with our affiliates, and to restructure or exit our investments in portfolio companies that we are deemed to "control" under the 1940 Act, will be restricted by the 1940 Act, which may limit the scope of investment opportunities available to us.

We are prohibited under the 1940 Act from participating in certain transactions with our affiliates without the prior approval of our independent directors and, in some cases, the SEC. Any person that owns, directly or indirectly, 5% or more of our outstanding voting securities will be our affiliate for purposes of the 1940 Act and we are generally prohibited from buying or selling any security from or to such affiliate without the prior approval of our independent directors. The 1940 Act also prohibits certain "joint" transactions with certain of our affiliates, which could include concurrent investments in the same company, without prior approval of our independent directors and, in some cases, the SEC. We are prohibited from buying or selling any security from or to any person that controls us or who owns more than 25% of our voting securities or certain of that person's affiliates, or entering into prohibited joint transactions with such persons, absent the prior approval of the SEC. Similar restrictions limit our ability to transact business with our officers, directors, investment advisers, sub-advisers or their affiliates. As a result of these restrictions, we may be prohibited from buying or selling any security (other than any security of which we are the issuer) from or to any company that is advised or managed by our Investment Adviser or its affiliates without the prior approval of the SEC, which may limit the scope of investment opportunities that would otherwise be available to us.

In the future, we may co-invest with investment funds, accounts and vehicles managed by our Investment Adviser or its affiliates when doing so is consistent with our investment strategy as well as applicable law and SEC staff interpretations. We generally will only be permitted to co-invest with such investment funds, accounts and vehicles where the only term that is negotiated is price. On April 10, 2023, superseding a prior exemptive order granted on October 23, 2018, the SEC issued an order granting an application for exemptive relief to us and certain of our affiliates that allows BDCs managed by the Investment Adviser, including Logan Ridge, to co-invest, subject to the satisfaction of certain conditions, in certain private placement transactions, with other funds managed by the Investment Adviser or its affiliates, certain proprietary accounts of the Investment Adviser or its affiliates and any future funds that are advised by the Investment Adviser or its affiliated investment advisers. Under the terms of the exemptive order, in order for the Company to participate in a co-investment transaction, a "required majority" (as defined in Section 57(o) of the 1940 Act) of the Company's independent directors must conclude that (i) the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair to the Company and its stockholders and do not involve overreaching with respect of the Company or its stockholders on the part of any person concerned, and (ii) the

proposed transaction is consistent with the interests of the Company's stockholders and is consistent with the Company's investment objectives and strategies and certain criteria established by the Board. We believe this relief may not only enhance our ability to further our investment objectives and strategies, but may also increase favorable investment opportunities for us, in part by allowing us to participate in larger investments, together with our co-investment affiliates, than would be available to us in the absence of such relief.

In addition, within our portfolio there are investments that may be deemed to be "controlled" investments under the 1940 Act. To the extent that our investments in such portfolio companies need to be restructured or that we choose to exit these investments in the future, our ability to do so may be limited if such restructuring or exit also involves the affiliates of our Investment Adviser because such a transaction could be considered a joint transaction prohibited by the 1940 Act in the absence of our receipt of relief from the SEC in connection with such transaction. For example, if an affiliate of our Investment Adviser were required to approve a restructuring of an investment in the portfolio and the affiliate of our Investment Adviser was deemed to be our affiliate, such a restructuring transaction may constitute a prohibited joint transaction under the 1940 Act.

We are uncertain of our sources for funding our future capital needs; if we cannot obtain debt or equity financing on acceptable terms, our ability to acquire investments and to expand our operations will be adversely affected.

The net proceeds from the sale of common stock or other securities will be used for our investment opportunities, operating expenses and for payment of various fees and expenses such as base management fees, incentive fees and other expenses. Any working capital reserves we maintain may not be sufficient for investment purposes, and we may require debt or equity financing to operate. Accordingly, in the event that we develop a need for additional capital in the future for investments or for any other reason, these sources of funding may not be available to us. Consequently, if we cannot obtain debt or equity financing on acceptable terms, our ability to acquire investments and to expand our operations will be adversely affected. As a result, we would be less able to create and maintain a broad portfolio of investments and achieve our investment objective, which may negatively impact our results of operations and reduce our ability to make distributions to our stockholders.

We are a non-diversified investment company within the meaning of the 1940 Act, and therefore we are not limited with respect to the proportion of our assets that may be invested in securities of a single issuer.

We are classified as a non-diversified investment company within the meaning of the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer. Beyond the asset diversification requirements associated with our RIC tax treatment under the Code, we do not have fixed guidelines for diversification. To the extent that we assume large positions in the securities of a small number of issuers or our investments are concentrated in relatively few industries, our net asset value may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market's assessment of the issuer. For the same reason, we may be more susceptible to failure if a single loan fails. The disposition or liquidity of a significant investment may also adversely impact our net asset value and our results of operations. Similarly, the aggregate returns we realize may be significantly adversely affected if a small number of investments perform poorly or if we need to write down the value of any one investment.

Our portfolio may be concentrated in a limited number of industries, which may subject us to a risk of significant loss if there is a downturn in a particular industry in which a number of our investments are concentrated.

Our portfolio may be concentrated in a limited number of industries. Our portfolio will be considered to be concentrated in a particular industry when 25% or greater of its total assets are invested in issuers that are a part of that industry. A downturn in any industry in which we are invested could significantly impact the aggregate returns we realize. We currently have investments concentrated in the healthcare industry. A downturn in any particular industry in which we are invested could significantly impact the aggregate returns we realize. If an industry in which we have significant investments suffers from adverse business or economic conditions, as these industries have to varying degrees, a material portion of our investment portfolio could be affected adversely, which, in turn, could adversely affect our financial position and results of operations.

If our portfolio companies are unable to protect their proprietary, technological and other intellectual property rights, our business and prospects could be harmed, and if portfolio companies are required to devote significant resources to protecting their intellectual property rights, the value of our investment could be reduced.

Our future success and competitive position will depend in part upon the ability of our portfolio companies to obtain, maintain and protect proprietary technology used in their products and services. The intellectual property held by our portfolio companies often represents a substantial portion of the collateral securing our investments and/or constitutes a significant portion of the portfolio companies' value that may be available in a downside scenario to repay our loans. Our portfolio companies will rely, in part, on patent, trade secret and trademark law to protect that technology, but competitors may misappropriate their intellectual property, and disputes as to ownership of intellectual property may arise. Portfolio companies may, from time to time, be required to institute litigation to enforce their patents, copyrights or other intellectual property rights, protect their trade secrets, determine the validity and scope of the proprietary rights of others or defend against claims of infringement. Such litigation could result in substantial costs and diversion of resources. Similarly, if a portfolio company is found to infringe or misappropriate a third-party's patent or other proprietary rights, it could be required to pay damages to the third-party, alter its products or processes, obtain a license from the third-party and/or cease activities utilizing the proprietary rights, including making or selling products utilizing the proprietary rights. Any of the foregoing events could negatively affect both the portfolio company's ability to service our debt investment and the value of any related debt and equity securities that we own, as well as any collateral securing our investment.

The effect of global climate change may impact the operations of our portfolio companies.

There may be evidence of global climate change. Climate change creates physical and financial risk and some of our portfolio companies may be adversely affected by climate change. For example, the needs of customers of energy companies vary with weather conditions, primarily temperature and humidity. To the extent weather conditions are affected by climate change, energy use could increase or decrease depending on the duration and magnitude of any changes. Increases in the cost of energy could adversely affect the cost of operations of our portfolio companies if the use of energy products or services is material to their business. A decrease in energy use due to weather changes may affect some of our portfolio companies' financial condition, through decreased revenues. Extreme weather conditions in general require more system backup, adding to costs, and can contribute to increased system stresses, including service interruptions. Energy companies could also be affected by the potential for lawsuits against or taxes or other regulatory costs imposed on greenhouse gas emitters, based on links drawn between greenhouse gas emissions and climate change.

In December 2015 the United Nations, of which the U.S. is a member, adopted a climate accord (the "Paris Agreement") with the long-term goal of limiting global warming and the short-term goal of significantly reducing greenhouse gas emissions. On November 4, 2016, the past administration announced that the U.S. would cease participation in the Paris Agreement with the withdrawal taking effect on November 4, 2020. However, on January 20, 2021, President Biden signed an executive order to rejoin the Paris Agreement. As a result, some of our portfolio companies may become subject to new or strengthened regulations or legislation, which could increase their operating costs and/or decrease their revenues.

Risks Related to Our Investments

Our investments in prospective portfolio companies may be risky, and we could lose all or part of our investment.

Our strategy focuses primarily on originating and making loans to, and making debt and equity investments in, U.S. middle market companies, with a focus on originated transactions sourced through the networks of our Investment Adviser.

First Lien Loans and Second Lien Loans. When we invest in senior secured term debt, including first lien loans and second lien loans, we generally take a security interest in the available assets of these portfolio companies, including the equity interests of their subsidiaries. We expect this security interest to help mitigate the risk that we will not be repaid. However, there is a risk that the collateral securing our loans may decrease in value over time or lose its entire value, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital. Also, in some circumstances, our security interest could be subordinated to claims of other creditors. In addition, deterioration in a portfolio company's financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the loan. Consequently, the fact that a loan is secured does not guarantee that we will receive principal and interest payments according to the loan's terms, or at all, or that we will be able to collect on the loan should we be forced to enforce our remedies. Further, in connection with any "last out" first-lien loans in which we may invest, we enter into agreements among lenders. Under these agreements, our interest in the collateral of the first-lien loans may rank junior to those of other lenders in the loan under certain circumstances. This may result in greater risk and loss of principal on these loans.

Unitranche Loans. We also invest in unitranche loans, which are loans that combine both senior and subordinated financing, generally in a first-lien position. Unitranche loans provide all of the debt needed to finance a leveraged buyout or other corporate transaction, both senior and subordinated, but generally in a first lien position, while the borrower generally pays a blended, uniform interest rate rather than different rates for different tranches. Unitranche debt generally requires payments of both principal and interest throughout the life of the loan. Unitranche debt generally has contractual maturities of five to six years and interest is typically paid quarterly. Generally, we expect these securities to carry a blended yield that is between senior secured and subordinated debt interest rates. Unitranche loans provide a number of advantages for borrowers, including the following: simplified documentation, greater certainty of execution and reduced decision-making complexity throughout the life of the loan. In addition, we may receive additional returns from any warrants we may receive in connection with these investments. In some cases, a portion of the total interest may accrue or be paid in kind. Because unitranche loans combine characteristics of senior and subordinated financing, unitranche loans have risks similar to the risks associated with senior secured debt, including first lien loans and second lien loans, and subordinated debt in varying degrees according to the combination of loan characteristics of the unitranche loan.

Unsecured Debt. Our unsecured debt, including corporate bonds and subordinated, or mezzanine, investments generally rank junior in priority of payment to senior debt. This may result in a heightened level of risk and volatility or a loss of principal, which could lead to the loss of the entire investment. These investments may involve additional risks that could adversely affect our investment returns. To the extent interest payments associated with such debt are deferred, such debt may be subject to greater fluctuations in valuations, and such debt could subject us and our stockholders to non-cash income, including PIK interest and original issue discount. Loans structured with these features may represent a higher level of credit risk than loans that require interest to be paid in cash at regular intervals during the term of the loan. Since we generally will not receive any principal repayments prior to the maturity of some of our unsecured debt investments, such investments will have greater risk and may result in loss of principal.

Equity Investments. To a limited extent, we make selected equity investments. In addition, when we invest in senior secured debt, including first lien loans and second lien loans, or unsecured debt, we may acquire warrants to purchase equity securities. Our goal is ultimately to dispose of these equity interests and realize gains upon our disposition of such interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience.

Collateralized Securities, Structured Products and Other. To a limited extent, we invest in collateralized securities, structured products and other similar securities, which may include CDOs, CBOs, CLOs, structured notes and credit-linked notes. Investments in such securities and products involve risks, including, without limitation, credit risk and market risk. Certain of these securities and products may be thinly traded or have a limited trading market. Where our investments in collateralized securities, structured products and other similar securities are based upon the movement of one or more factors, including currency exchange rates, interest rates, reference bonds (or loans) and stock indices, depending on the factor used and the use of multipliers or deflators, changes in interest rates and movement of any factor may cause significant price fluctuations. Additionally, changes in the reference instrument or security may cause the interest rate on such a security or product to be reduced to zero, and any further changes in the reference instrument may then reduce the principal amount payable on maturity of the security or product. Collateralized securities, structured products and other similar securities may be less liquid than other types of securities and more volatile than the reference instrument or security underlying the product.

Non-U.S. Securities. We may invest in non-U.S. securities, which may include securities denominated in U.S. dollars or in non-U.S. currencies, to the extent permitted by the 1940 Act. Because evidence of ownership of such securities usually are held outside the United States, we would be subject to additional risks if we invested in non-U.S. securities, which include possible adverse political and economic developments, seizure or nationalization of foreign deposits and adoption of governmental restrictions which might adversely affect or restrict the payment of principal and interest on the non-U.S. securities to investors located outside the country of the issuer, whether from currency blockage or otherwise. Since non-U.S. securities may be purchased with and payable in foreign currencies, the value of these assets as measured in U.S. dollars may be affected unfavorably by changes in current rates and exchange control regulations.

In addition, we invest in debt securities that are rated below investment grade by rating agencies or that would be rated below investment grade if they were rated. Debt securities rated below investment grade quality are generally regarded as having predominantly speculative characteristics and may carry a greater risk with respect to a borrower's capacity to pay interest and repay principal. They may also be difficult to value and illiquid.

Further, investing in lower middle-market and traditional middle-market companies involves a number of significant risks. See also "—Investment in private and middle market companies involves a number of significant risks."

If we make subordinated investments, the obligors or the portfolio companies may not generate sufficient cash flow to service their debt obligations to us.

We have made, and may make, subordinated investments that rank below other obligations of the obligor in right of payment. Subordinated investments are subject to greater risk of default than senior obligations as a result of adverse changes in the financial condition of the obligor or economic conditions in general. If we make a subordinated investment in a portfolio company, the portfolio company may be highly leveraged, and its relatively high debt-to-equity ratio may create increased risks that its operations might not generate sufficient cash flow to service all of its debt obligations.

If the assets securing the loans that we make decrease in value, then we may lack sufficient collateral to cover losses.

To attempt to mitigate credit risks, we will typically take a security interest in the available assets of our portfolio companies. There is no assurance that we will obtain or properly perfect our liens.

There is a risk that the collateral securing our loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of a portfolio company to raise additional capital. In some circumstances, our lien could be subordinated to claims of other creditors. Consequently, the fact that a loan is secured does not guarantee that we will receive principal and interest payments according to the loan's terms, or that we will be able to collect on the loan should we be forced to enforce our remedies.

In addition, because we may invest in technology-related companies, a substantial portion of the assets securing our investment may be in the form of intellectual property, if any, inventory and equipment and, to a lesser extent, cash and accounts receivable. Intellectual property, if any, that is securing our loan could lose value if, among other things, the company's rights to the intellectual property are challenged or if the company's license to the intellectual property is revoked or expires, the technology fails to achieve its intended results or a new technology makes the intellectual property functionally obsolete. Inventory may not be adequate to secure our loan if our valuation of the inventory at the time that we made the loan was not accurate or if there is a reduction in the demand for the inventory.

Similarly, any equipment securing our loan may not provide us with the anticipated security if there are changes in technology or advances in new equipment that render the particular equipment obsolete or of limited value, or if the company fails to adequately maintain or repair the equipment. Any one or more of the preceding factors could materially impair our ability to recover principal in a foreclosure.

Our investments in securities rated below investment grade are speculative in nature and are subject to additional risk factors such as increased possibility of default, illiquidity of the security, and changes in value based on changes in interest rates.

The securities that we invest in are typically rated below investment grade. Securities rated below investment grade are often referred to as "leveraged loans," "high yield" or "junk" securities and may be considered "high risk" compared to debt instruments that are rated investment grade. High yield securities are regarded as having predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions. In addition, high yield securities generally offer a higher current yield than that available from higher grade issues, but typically involve greater risk. These securities are especially sensitive to adverse changes in general economic conditions, to changes in the financial condition of their issuers and to price fluctuation in response to changes in interest rates. During periods of economic downturn or rising interest rates, issuers of below investment grade instruments may experience financial stress that could adversely affect their ability to make payments of principal and interest and increase the possibility of default.

To the extent original issue discount and PIK interest constitute a portion of our income, we will be exposed to typical risks associated with such income being required to be included in taxable and accounting income prior to receipt of cash representing such income.

Our investments may include original issue discount instruments and contractual PIK interest, which represents contractual interest added to a loan balance and due at the end of such loan's term. To the extent original issue discount or PIK interest constitute a portion of our income, we are exposed to typical risks associated with such income being required to be included in taxable and accounting income prior to receipt of cash, including the following:

- the higher interest rates on PIK instruments reflect the payment deferral and increased credit risk associated with these instruments, and PIK instruments generally represent a significantly higher credit risk than coupon loans;
- original issue discount and PIK instruments may have unreliable valuations because the accruals require judgments about collectability of the deferred payments and the value of any associated collateral;
- an election to defer PIK interest payments by adding them to the principal on such instruments increases our future investment income which increases our gross assets and, as such, increases the Investment Adviser's future base management fees which, thus, increases the Investment Adviser's future income incentive fees at a compounding rate;
- market prices of PIK instruments and other zero coupon instruments are affected to a greater extent by interest rate changes, and may be more volatile than instruments that pay interest periodically in cash. While PIK instruments are usually less volatile than zero coupon debt instruments, PIK instruments are generally more volatile than cash pay securities;
- the deferral of PIK interest on an instrument increases the loan-to-value ratio, which is a measure of the riskiness of a loan, with respect to such instrument;
- even if the conditions for income accrual under U.S. GAAP are satisfied, a borrower could still default when actual payment is due upon the maturity of such loan;
- for accounting purposes, cash distributions to investors representing original issue discount income do not come from paid-in capital, although they may be paid from the offering proceeds. Thus, although a distribution of original issue discount income may come from the cash invested by investors, the 1940 Act does not require that investors be given notice of this fact;
- the required recognition of original issue discount or PIK interest for U.S. federal income tax purposes may have a negative impact on liquidity, as it represents a non-cash component of our investment company taxable income that may require cash distributions to shareholders in order to maintain our ability to be subject to tax as a RIC; and
- original issue discount may create a risk of non-refundable cash payments to the Investment Adviser based on non-cash accruals that may never be realized.

Our investments in leveraged portfolio companies may be risky, and we could lose all or part of our investment.

Investment in leveraged companies involves a number of significant risks. Leveraged companies in which we invest may have limited financial resources and may be unable to meet their obligations under their loans and debt securities that we hold. Such developments may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of our realizing any guarantees that we may have obtained in connection with our investment. Smaller leveraged companies also may have less predictable operating results and may require substantial additional capital to support their operations, finance their expansion or maintain their competitive position.

Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies.

Our portfolio companies may have, or may be permitted to incur, other debt that ranks equally with, or in some cases senior to, the debt in which we invest. By their terms, such debt instruments may entitle the holders to receive payment of interest or principal on or before the dates on which we are entitled to receive payments with respect to the debt instruments in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any

distribution. After repaying such senior creditors, such portfolio company may not have sufficient remaining assets to repay its obligation to us. In the case of debt ranking equally with debt instruments in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

Investment in private and middle market companies involves a number of significant risks.

Investment in private and middle market companies involves a number of significant risks including:

- such companies may have limited financial resources and may be unable to meet their obligations under their debt securities that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees we may have obtained in connection with its investment;
- such companies typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as to general economic downturns;
- such companies are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on the portfolio company and, in turn, on us;
- such companies generally have less predictable operating results, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position;
- debt investments in such companies generally may have a significant portion of principal due at the maturity of the investment, which would result in a substantial loss to us if such borrowers are unable to refinance or repay their debt at maturity;
- our executive officers, directors and the Adviser may, in the ordinary course of business, be named as defendants in litigation arising from our investments in such companies;
- such companies generally have less publicly available information about their businesses, operations and financial condition and, if we are unable to uncover all material information about these companies, we may not make a fully informed investment decision; and
- such companies may have difficulty accessing the capital markets to meet future capital needs, which may limit their ability to grow or to repay their outstanding indebtedness upon maturity.

Our investments may be in portfolio companies which may have limited operating histories and financial resources.

We expect that our portfolio will continue to consist of investments that may have relatively limited operating histories. These companies may be particularly vulnerable to U.S. and foreign economic downturns such as the U.S. recession that began in mid-2007, the European financial crisis, and the COVID-19 related economic downturn, may have more limited access to capital and higher funding costs, may have a weaker financial position and may need more capital to expand or compete. These businesses also may experience substantial variations in operating results. They may face intense competition, including from companies with greater financial, technical and marketing resources. Furthermore, some of these companies do business in regulated industries and could be affected by changes in government regulation. Accordingly, these factors could impair their cash flow or result in other events, such as bankruptcy, which could limit their ability to repay their obligations to us, and may adversely affect the return on, or the recovery of, our investment in these companies. We cannot assure you that any of our investments in our portfolio companies will be successful. Our portfolio companies compete with larger, more established companies with greater access to, and resources for, further development in these new technologies. We may lose our entire investment in any or all of our portfolio companies.

There may be circumstances where our debt investments could be subordinated to claims of other creditors or we could be subject to lender liability claims.

If one of our portfolio companies were to file for bankruptcy, depending on the facts and circumstances, including the extent to which we actually provided managerial assistance to that portfolio company, a bankruptcy court might recharacterize our debt investment and subordinate all or a portion of our claim to that of other creditors. We may also be subject to lender liability claims for actions taken by us with respect to a borrower's business or instances where we exercise control over the borrower.

We generally will not control our portfolio companies.

Although we may do so in the future, we do not expect to control most of our portfolio companies, even though we may have board representation or board observation rights, and our debt agreements with such portfolio companies may contain certain restrictive covenants. If we do not hold a controlling equity position in a portfolio company, we are subject to the risk that the portfolio company may make business decisions with which we disagree, and that the management and/or stockholders of the portfolio company may take risks or otherwise act in ways that are adverse to our interests. Due to the lack of liquidity of the debt and equity investments that we typically hold in our portfolio companies, we may not be able to dispose of our investments in the event we disagree with the actions of a portfolio company and may therefore suffer a decrease in the value of our investments.

Our equity ownership in a portfolio company may represent a control investment. Our ability to exit a control investment in a timely manner could result in a realized loss on the investment.

We currently have, and may acquire in the future, control investments in portfolio companies. Our ability to divest ourselves from a debt or equity investment in a controlled portfolio company could be restricted due to illiquidity in a private stock, limited trading volume on a public company's stock, inside information on a company's performance, insider blackout periods, or other factors that could prohibit us from disposing of the investment as we would if it were not a control investment. Additionally, we may choose not to take certain actions to protect a debt investment in a control investment portfolio company. As a result, we could experience a decrease in the value of our portfolio company holdings and potentially incur a realized loss on the investment.

We periodically invest through joint ventures, partnerships or other special purpose vehicles and investments through these vehicles may entail greater risks, or risks that we otherwise would not incur, if we otherwise made such investments directly.

We periodically co-invest with third parties through funds, joint ventures or other entities. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that our co-venturer or partner may at any time have other business interests and investments other than the joint venture with us, or may have different economic or business goals. In addition, we may be liable for actions of our co-venturers or partners. Our ability to exercise control or significant influence over management in these cooperative efforts will depend upon the nature of the joint venture arrangement. In addition, such arrangements are likely to involve restrictions on the resale of our interest in the company.

We will be exposed to risks associated with changes in interest rates.

We are subject to financial market risks, including changes in interest rates. General interest rate fluctuations may have a substantial negative impact on our investments and investment opportunities and, accordingly, have a material adverse effect on our ability to achieve our investment objective and our target rate of return on invested capital. In addition, an increase in interest rates would make it more expensive to use debt for our financing needs, if any. See also “—To the extent we borrow money to finance our investments, changes in interest rates will affect our cost of capital and net investment income.”

In 2022 and 2023, the U.S. Federal Reserve tightened monetary policy by increasing interest rates aggressively to combat inflation.

The interest rates of some of our floating-rate loans to our portfolio companies may be priced using a spread over LIBOR, which was phased out on June 30, 2023.

We historically used the London Interbank Offered Rate (“LIBOR”) as a reference for setting the interest rates on our loans, including floating rate loans that we extend to portfolio companies. Certain LIBOR rates were generally phased out by the end of 2021, and some regulated entities have ceased to enter into new LIBOR-based contracts beginning January 1, 2022. Most U.S. dollar London Interbank Offered Rate, or LIBOR, loans are no longer published after June 30, 2023 although certain synthetic rates will be published through September 30, 2024. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, supports replacing U.S.-dollar LIBOR with the Secured Overnight Financing Rate (“SOFR”). As of December 31, 2023, primarily all of our loan agreements with portfolio companies as well as our credit facilities either include fallback language to address a LIBOR replacement or such agreements have been amended to no longer utilize LIBOR as a factor in determining the interest rate. The transition away from LIBOR to alternative reference rates has been complex and the transition of our remaining loan agreements with portfolio companies to a LIBOR replacement could have a material adverse effect on our business, financial condition and results of operations, including as a result of any changes in the pricing of our investments, changes to the documentation for certain of our investments and the pace of such changes, disputes and other actions regarding the interpretation of current and prospective loan documentation or modifications to processes and systems.

The health and performance of our portfolio companies could be adversely affected by political and economic conditions in the countries in which they conduct business.

Some of the products of our portfolio companies are developed, manufactured, assembled, tested or marketed outside the U.S. Any conflict or uncertainty in these countries, including due to natural disasters, public health concerns (including the COVID-19 pandemic or a similar infectious disease outbreak), political unrest or safety concerns, could harm their business, financial condition and results of operations. In addition, if the government of any country in which their products are developed, manufactured or sold sets technical or regulatory standards for products developed or manufactured in or imported into their country that are not widely shared, it may lead some of their customers to suspend imports of their products into that country, require manufacturers or developers in that country to manufacture or develop products with different technical or regulatory standards and disrupt cross-border manufacturing, marketing or business relationships which, in each case, could harm their businesses.

We may expose ourselves to risks if we engage in hedging transactions.

We may seek to hedge against interest rate and currency exchange rate fluctuations and credit risk by using financial instruments such as futures, options, swaps, forward contracts, caps, collars and floors, subject to the requirements of the 1940 Act. These financial instruments may be purchased on exchanges or may be individually negotiated and traded in over-the-counter markets. Use of such financial instruments for hedging purposes may present significant risks, including the risk of loss of the amounts invested. Defaults by the other party to a hedging transaction can result in losses in the hedging transaction.

Hedging activities also involve the risk of an imperfect correlation between the hedging instrument and the asset being hedged, which could result in losses both on the hedging transaction and on the instrument being hedged. Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions may also limit the opportunity for gain if the values of the underlying portfolio positions increase. It may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of factors not related to currency fluctuations.

Further, hedging transactions may reduce cash available to pay distributions to our shareholders.

A derivative transaction is also subject to the risk that a counterparty will default on its payment obligations thereunder or that we will not be able to meet our obligations to the counterparty. In some cases, we may post collateral to secure our obligations to the counterparty, and we may be required to post additional collateral upon the occurrence of certain events such as a decrease in the value of the reference security or other asset. In some cases, the counterparty may not collateralize any of its obligations to us. Derivative investments effectively add leverage to a portfolio by providing investment exposure to a security or market without owning or taking physical custody of such security or investing directly in such market. In addition to the risks described above, such arrangements are subject to risks similar to those associated with the use of leverage. See “Risk Factors — Risks Related to Debt Financing.”

Our ability to enter into transactions involving derivatives and financial commitment transactions may be limited.

Through comprehensive new global regulatory regimes impacting derivatives (e.g., the Dodd-Frank Act, European Market Infrastructure Regulation (“EMIR”), Markets in Financial Investments Regulation (“MIFIR”)/Markets in Financial Instruments Directive (“MIFID II”)), certain over-the-counter derivatives transactions in which we may engage are either now or will soon be subject to various requirements, such as mandatory central clearing of transactions which include additional margin requirements and in certain cases trading on electronic platforms, pre- and post-trade transparency reporting requirements and mandatory bi-lateral exchange of initial margin for non-cleared swaps. The Dodd-Frank Act also created new categories of regulated market participants, such as “swap dealers,” “security-based swap dealers,” “major swap participants,” and “major security-based swap participants” who are subject to significant new capital, registration, recordkeeping, reporting, disclosure, business conduct and other regulatory requirements. The EU and some other jurisdictions are implementing similar requirements. Because these requirements are new and evolving (and some of the rules are not yet final), their ultimate impact remains unclear. However, even if the Company itself is not located in a particular jurisdiction or directly subject to the jurisdiction’s derivatives regulations, we may still be impacted to the extent we enter into a derivatives transaction with a regulated market participant or counterparty that is organized in that jurisdiction or otherwise subject to that jurisdiction’s derivatives regulations.

Based on information available as of the date of this annual report on Form 10-K, the effect of such requirements will be likely to (directly or indirectly) increase our overall costs of entering into derivatives transactions. In particular, new margin requirements, position limits and significantly higher capital charges resulting from

new global capital regulations, even if not directly applicable to us, may cause an increase in the pricing of derivatives transactions entered into by market participants to whom such requirements apply or affect our overall ability to enter into derivatives transactions with certain counterparties. Such new global capital regulations and the need to satisfy the various requirements by counterparties are resulting in increased funding costs, increased overall transaction costs, and significantly affecting balance sheets, thereby resulting in changes to financing terms and potentially impacting our ability to obtain financing. Administrative costs, due to new requirements such as registration, recordkeeping, reporting, and compliance, even if not directly applicable to us, may also be reflected in our derivatives transactions. New requirements to trade certain derivatives transactions on electronic trading platforms and trade reporting requirements may lead to (among other things) fragmentation of the markets, higher transaction costs or reduced availability of derivatives, and/or a reduced ability to hedge, all of which could adversely affect the performance of certain of our trading strategies. In addition, changes to derivatives regulations may impact the tax and/or accounting treatment of certain derivatives, which could adversely impact us.

In August 2022, new Rule 18f-4 under the 1940 Act became effective. This rule relates to the ability of a BDC (or a registered investment company) to use derivatives and other transactions that create future payment or delivery obligations. Under the new rule, BDCs that make significant use of derivatives are required to operate subject to a value-at-risk leverage limit, adopt a derivatives risk management program and appoint a derivatives risk manager, and comply with various testing and board reporting requirements. These new requirements apply unless the BDC qualifies as a “limited derivatives user,” as defined in the rule. Under an exemption included in the rule, a BDC may enter into an unfunded commitment agreement, such as an agreement to provide financing to a portfolio company, without treating the transaction as an derivatives transaction, provided that the BDC has, among other things, a reasonable belief, at the time it enters into such an agreement, that it will have sufficient cash and cash equivalents to meet its obligations with respect to all of its unfunded commitment agreements, in each case as the obligation becomes due. We currently operate and intend to continue to operate as a “limited derivatives user,” which may limit our ability to use derivatives and/or enter into certain other financial contracts. As a “limited derivatives user”, the Company will be subject to substantially fewer substantive requirements under the rule. However, there is no guarantee that the Company will meet or continue to meet the requirements to be a limited derivatives user, and, as a result, there is a risk that the Company may become subject to more onerous requirements under Rule 18f-4 than currently intended.

Second priority liens on collateral securing loans that we make to our portfolio companies may be subject to control by senior creditors with first priority liens. If there is a default, the value of the collateral may not be sufficient to repay in full both the first priority creditors and us.

Certain loans that we make are secured by a second priority security interest in the same collateral pledged by a portfolio company to secure senior debt owed by the portfolio company to commercial banks or other traditional lenders. Often the senior lender has procured covenants from the portfolio company prohibiting the incurrence of additional secured debt without the senior lender’s consent. Prior to and as a condition of permitting the portfolio company to borrow money from us secured by the same collateral pledged to the senior lender, the senior lender may require assurances that it will control the disposition of any collateral in the event of bankruptcy or other default. In many such cases, the senior lender requires us to enter into an “intercreditor agreement” prior to permitting the portfolio company to borrow from us. Typically the intercreditor agreements we are requested to execute expressly subordinate our debt instruments to those held by the senior lender and further provide that the senior lender shall control: (i) the commencement of foreclosure or other proceedings to liquidate and collect on the collateral; (ii) the nature, timing and conduct of foreclosure or other collection proceedings; (iii) the amendment of any collateral document; (iv) the release of the security interests in respect of any collateral; and (v) the waiver of defaults under any security agreement. Because of the control we may cede to senior lenders under intercreditor agreements we may enter, we may be unable to realize the proceeds of any collateral securing some of our loans.

Many of our loans are not fully amortizing and if a borrower cannot repay or refinance such loans at maturity, our results will suffer.

Most of the loans in which we invest are not structured to fully amortize during their lifetime. Accordingly, a significant portion of the principal amount of such a loan may be due at maturity. As of December 31, 2023, generally all debt instruments in our portfolio will not fully amortize prior to maturity. In order to create liquidity to pay the final principal payment, borrowers typically must raise additional capital. If they are unable to raise sufficient funds to repay us or we have not elected to enter into a new loan agreement providing for an extended maturity, the loan will go into default, which will require us to foreclose on the borrower’s assets, even if the loan was otherwise performing prior to maturity. This will deprive the Company from immediately obtaining full recovery on the loan and prevent or delay the reinvestment of the loan proceeds in other, more profitable investments.

A covenant breach or other defaults by our portfolio companies may adversely affect our operating results.

A portfolio company’s failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize the portfolio company’s ability to meet its obligations under the debt securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms, which may include the waiver of certain financial covenants, with a defaulting portfolio company. See also “—We may choose to waive or defer enforcement of covenants in the debt securities held in our portfolio, which may cause us to lose all or part of our investment in these companies.”

Any extension or restructuring of our loans could adversely affect our cash flows. In addition, if one of our portfolio companies were to go bankrupt, even though we may have structured our interest as senior debt, depending on the facts and circumstances, including the extent to which we actually provided managerial assistance to that portfolio company, a bankruptcy court might recharacterize our debt holding and subordinate all or a portion of our claim to that of other creditors. If any of these occur, it could materially and adversely affect our operating results and cash flows.

We may choose to waive or defer enforcement of covenants in the debt securities held in our portfolio, which may cause us to lose all or part of our investment in these companies.

We structure the debt investments in our portfolio companies to include business and financial covenants placing affirmative and negative obligations on the operation of the company’s business and its financial condition. However, from time to time we may elect to waive breaches of these covenants, including our right to payment, or waive or defer enforcement of remedies, such as acceleration of obligations or foreclosure on collateral, depending upon the financial condition and prospects of the particular portfolio company. These actions may reduce the likelihood of the Company receiving the full amount of future payments of interest or principal and be accompanied by a deterioration in the value of the underlying collateral as many of these companies may have limited financial resources, may be unable to meet future obligations and may go bankrupt. This could negatively impact our ability to pay dividends, could adversely affect our results of operations and financial condition and cause the loss of all or part of your investment.

We may not realize gains from our equity investments.

Certain investments that we may make include warrants or other equity securities. In addition, we may from time to time make non-control, equity investments in portfolio companies. Investments in equity securities involve a number of significant risks, including the risk of further dilution as a result of additional issuances, inability to access additional capital and failure to pay current distributions. Investments in preferred securities involve special risks, such as the risk of deferred distributions, credit risk, illiquidity and limited voting rights. Our goal is ultimately to realize gains upon our disposition of such equity interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we

do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience. We also may be unable to realize any value if a portfolio company does not have a liquidity event, such as a sale of the business, recapitalization or public offering, which would allow us to sell the underlying equity interests. We will often seek puts or similar rights to give us the right to sell our equity securities back to the portfolio company issuer. We may be unable to exercise these put rights for the consideration provided in our investment documents if the issuer is in financial distress.

An investment strategy focused primarily on smaller privately held companies involves a high degree of risk and presents certain challenges, including the lack of available information about these companies, a dependence on the talents and efforts of only a few key portfolio company personnel and a greater vulnerability to economic downturns.

We intend to invest primarily in privately held companies. Investments in private companies pose significantly greater risks than investments in public companies. These companies often face intense competition from larger companies with greater financial, technical and marketing resources. Privately held companies also frequently have less diverse product lines and smaller market presence than larger competitors. Private companies have reduced access to the capital markets, resulting in diminished capital resources and the ability to withstand financial distress. The depth and breadth of experience of management in private companies tend to be less than that at public companies, which makes such companies more likely to depend on the management talents and efforts of a smaller group of persons and/or persons with less depth and breadth of experience. Therefore, the decisions made by such management teams and/or the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our investments and, in turn, on us. Also, the investments themselves tend to be less liquid. As such, we may have difficulty exiting an investment promptly or at a desired price prior to maturity or outside of a normal amortization schedule. As a result, the relative lack of liquidity and the potential diminished capital resources of our target portfolio companies may affect our investment returns. Further, some of these companies conduct business in regulated industries that are susceptible to regulatory changes. These factors could impair the cash flow of our portfolio companies and result in other events, such as bankruptcy. These events could limit a portfolio company's ability to repay its obligations to us, which may have an adverse effect on the return on, or the recovery of, our investment in these businesses. Deterioration in a borrower's financial condition and prospects may be accompanied by deterioration in the value of the loan's collateral. Additionally, little public information generally exists about private companies. Further, these companies may not have third-party debt ratings or audited financial statements. We must therefore rely on the ability of the Adviser to obtain adequate information through due diligence to evaluate the creditworthiness and potential returns from investing in these companies. These companies and their financial information will generally not be subject to the Sarbanes-Oxley Act and other rules that govern public companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose money on our investments. These factors could adversely affect our investment returns as compared to companies investing primarily in the securities of public companies.

The lack of liquidity in our investments may adversely affect our business.

We generally invest in companies whose securities are not publicly traded, and whose securities will be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly traded securities. There is no established trading market for the securities in which we invest. The illiquidity of these investments may make it difficult for us to sell these investments when desired. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we had previously recorded these investments. As a result, we do not expect to achieve liquidity in our investments in the near-term. Further, we may face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we have material non-public information regarding such portfolio company.

We may not have the funds or ability to make additional investments in our portfolio companies or to fund our unfunded debt commitments which may impair the value of our portfolio.

After our initial investment in a portfolio company, we may be called upon from time to time to provide additional funds to such company or have the opportunity to increase our investment through the exercise of a warrant to purchase common stock. We may make additional investments in that portfolio company as "follow-on" investments, in order to: (i) increase or maintain in whole or in part our equity ownership percentage; (ii) exercise warrants, options or convertible securities that were acquired in the original or a subsequent financing; or (iii) attempt to preserve or enhance the value of our investment. There is no assurance that we will make, or will have sufficient funds to make, follow-on investments. Any decisions not to make a follow-on investment or any inability on our part to make such an investment may have a negative impact on a portfolio company in need of such an investment, may result in a missed opportunity for us to increase our participation in a successful operation or may reduce the expected return on the investment.

Even if we have sufficient capital to make a desired follow-on investment, we may elect not to make a follow-on investment because we do not want to increase our concentration of risk, we prefer other opportunities, we are subject to BDC requirements that would prevent such follow-on investments, or the follow-on investment would affect our qualification as a RIC. For example, we may be prohibited under the 1940 Act from making follow-on investments in our portfolio companies that we may be deemed to "control" or in which affiliates of our Investment Adviser are also invested.

Prepayments of our debt investments by our portfolio companies could adversely impact our results of operations and reduce our return on equity.

We are subject to the risk that the investments we make in our portfolio companies may be repaid prior to maturity. When this occurs, we will generally reinvest these proceeds in temporary investments or repay any revolving credit facility, depending on expected future investment in new portfolio companies. Temporary investments will typically have substantially lower yields than the debt being prepaid, and we could experience significant delays in reinvesting these amounts. Any future investment in a new portfolio company 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 elect to prepay amounts owed to us. Additionally, prepayments could negatively impact our return on equity, which could result in a decline in the market price of our common stock.

The disposition of our investments may result in contingent liabilities.

Substantially all of our investments involve loans and private securities. In connection with the disposition of an investment in loans and private securities, we may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. We may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate or with respect to potential liabilities. These arrangements may result in contingent liabilities that ultimately result in funding obligations that we must satisfy through our return of distributions previously made to us.

Disruptions to the global supply chain may have adverse impact on our portfolio companies and, in turn, harm us.

Recent supply chain disruptions, including the global microchip shortage, may have an adverse impact on the business of our portfolio companies. Potential adverse impacts to certain of our portfolio companies may include, among others, increased costs, inventory shortages, shipping and project completion delays, and inability to meet customer demand.

Risks Related to Debt Financing

We borrow money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us. Borrowed money may also adversely affect the return on our assets, reduce cash available for distribution to our stockholders, and result in losses.

Leverage is generally considered a speculative investment technique. Our ability to service any debt that we incur will depend largely on our financial performance and will be subject to prevailing economic conditions and competitive pressures.

The use of leverage magnifies the potential for gain or loss on amounts invested and, therefore, increases the risks associated with investing in our securities. If the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged. Similarly, any decrease in our income would cause net income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to make distributions to our stockholders. In addition, our stockholders will bear the burden of any increase in our expenses as a result of our use of leverage, including interest expenses and any increase in the management or incentive fees payable to the Investment Adviser. See also “—Our base management and incentive fees may induce the Investment Adviser to make speculative investments or to incur leverage.”

We may use leverage to finance our investments. The amount of leverage that we employ will depend on the Investment Adviser’s and our Board’s assessment of market and other factors at the time of any proposed borrowing. There can be no assurance that leveraged financing will be available to us on favorable terms or at all. However, to the extent that we use leverage to finance our assets, our financing costs will reduce cash available for distributions to stockholders. Moreover, we may not be able to meet our financing obligations and, to the extent that we cannot, we risk the loss of some or all of our assets to liquidation or sale to satisfy the obligations. In such an event, we may be forced to sell assets at significantly depressed prices due to market conditions or otherwise, which may result in losses.

In addition to the 2032 Convertible Notes, the 2026 Notes and the KeyBank Credit Facility, we may borrow from and issue senior debt securities to banks, insurance companies and other lenders in the future. Holders of these senior securities will have fixed dollar claims on our assets that are superior to the claims of our common stockholders, and we would expect such lenders to seek recovery against our assets in the event of a default.

The KeyBank Credit Facility, and any other credit facility into which we may enter, imposes financial and operating covenants that restrict our business activities, including limitations that could hinder our ability to finance additional loans and investments or to make the distributions required to maintain our tax treatment as a RIC under the Code. Even though our Board has approved a resolution permitting the Company to be subject to a 150% asset coverage ratio, contractual leverage limitations under our existing KeyBank Credit Facility or future borrowings may limit our ability to incur additional indebtedness.

The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns, net of expenses. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing below.

Assumed Return on Our Portfolio⁽¹⁾ (net of expenses)	(10.0)%	(5.0)%	0.0%	5.0%	10.0%
Corresponding net return to common stockholder	-29.6%	-18.5%	-7.5%	3.6%	14.6%

⁽¹⁾ Assumes \$197.1 million in total assets, \$104.6 million in debt outstanding and \$89.2 million in net assets as of December 31, 2023. Assumes an average cost of funds of 6.4% based on the stated interest rate as of December 31, 2023. Actual interest payments may be different.

We may default under our credit facilities.

In the event we default under our credit facilities or other borrowings, our business could be adversely affected as we may be forced to sell a portion of our investments quickly and prematurely at what may be disadvantageous prices to us in order to meet our outstanding payment obligations and/or support working capital requirements under such borrowing facility, any of which would have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, following any such default, the agent for the lenders under such borrowing facility could assume control of the disposition of any or all of our assets, including the selection of such assets to be disposed and the timing of such disposition, which would have a material adverse effect on our business, financial condition, results of operations and cash flows.

Provisions in a credit facility may limit our investment discretion.

A credit facility may be backed by all or a portion of our loans and securities on which the lenders will have a security interest. We may pledge up to 100% of our assets and may grant a security interest in all of our assets under the terms of any debt instrument we enter into with lenders. We expect that any security interests we grant will be set forth in a pledge and security agreement and evidenced by the filing of financing statements by the agent for the lenders. In addition, we expect that the custodian for our securities serving as collateral for such loan would include in its electronic systems notices indicating the existence of such security interests and, following notice of occurrence of an event of default, if any, and during its continuance, will only accept transfer instructions with respect to any such securities from the lender or its designee. If we were to default under the terms of any debt instrument, the agent for the applicable lenders would be able to assume control of the timing of disposition of any or all of our assets securing such debt, which would have a material adverse effect on our business, financial condition, results of operations and cash flows. In connection with one or more credit facilities entered into by the Company, distributions to stockholders may be subordinated to payments required in connection with any indebtedness contemplated thereby.

In addition, any security interests and/or negative covenants required by a credit facility may limit our ability to create liens on assets to secure additional debt and may make it difficult for us to restructure or refinance indebtedness at or prior to maturity or obtain additional debt or equity financing. In addition, if our borrowing base under a credit facility were to decrease, we may be required to secure additional assets in an amount sufficient to cure any borrowing base deficiency. In the event that all of our assets are secured at the time of such a borrowing base deficiency, we could be required to repay advances under a credit facility or make deposits to a collection account, either of which could have a material adverse impact on our ability to fund future investments and to make distributions.

In addition, we may be subject to limitations as to how borrowed funds may be used, which may include restrictions on geographic and industry concentrations, loan size, payment frequency and status, average life, collateral interests and investment ratings, as well as regulatory restrictions on leverage which may affect the amount of funding that may be obtained. There may also be certain requirements relating to portfolio performance, including required minimum portfolio yield and limitations on delinquencies and charge-offs, a violation of which could limit further advances and, in some cases, result in an event of default. An event of default under a credit facility could result in an accelerated maturity date for all amounts outstanding thereunder, which could have a material adverse effect on our business and financial condition. This could reduce our liquidity and cash flow and impair our ability to grow our business.

To the extent we borrow money to finance our investments, changes in interest rates will affect our cost of capital and net investment income.

To the extent we borrow money to finance our investments, our net investment income will depend, in part, upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. As a result, we can offer no assurance that a significant change in market interest rates will not have a material

adverse effect on our net investment income in the event we borrow money to finance our investments. In periods of rising interest rates, our cost of funds would increase, which could reduce our net investment income. We expect that our long-term fixed-rate investments will be financed primarily with equity and long-term debt. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. Such techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act. Our Investment Adviser does not have significant experience with utilizing these techniques and did not implement these techniques to any significant extent with our portfolio. If we do not implement these techniques properly, we could experience losses on our hedging positions, which could be material.

A general increase in interest rates will likely have the effect of making it easier for our Investment Adviser to receive incentive fees, without necessarily resulting in an increase in our net earnings.

Under the structure of our Investment Advisory Agreement with our Investment Advisor, any general increase in interest rates will likely have the effect of making it easier for our Investment Adviser to meet the quarterly hurdle rate for payment of income incentive fees under the Investment Advisory Agreement without any additional increase in relative performance on the part of our Investment Adviser. In addition, in view of the catch-up provision applicable to income incentive fees under the Investment Advisory Agreement, our Investment Adviser could potentially receive a significant portion of the increase in our investment income attributable to such a general increase in interest rates. If that were to occur, our increase in net earnings, if any, would likely be significantly smaller than the relative increase in our Investment Adviser's income incentive fee resulting from such a general increase in interest rates.

Our common stockholders will bear the expenses associated with our borrowings, and the holders of our debt securities will have certain rights senior to our common stockholders.

All of the costs of offering and servicing our debt securities, including interest thereon, is borne by our common stockholders. The interests of the holders of any debt we may issue will not necessarily be aligned with the interests of our common stockholders. In particular, the rights of holders of our debt to receive interest or principal repayment will be senior to those of our common stockholders. In addition, we may grant a lender a security interest in a significant portion or all of our assets, even if the total amount we may borrow from such lender is less than the amount of such lender's security interest in our assets.

U.S. Federal Income Tax Risks

We will be subject to corporate-level U.S. federal income tax if we are unable to qualify or maintain our RIC tax treatment under the Code.

Although we have elected to be treated as a RIC, and believe we qualified as a RIC for the fiscal year ended December 31, 2023, no assurance can be given that we will be able to continue to qualify for and maintain our RIC tax treatment under the Code. To continue to maintain our RIC tax treatment under the Code, we must meet the following source-of-income, asset diversification, and distribution requirements.

The income source requirement will be satisfied if we obtain at least 90% of our income for each year from dividends, interest, gains from the sale or other disposition of stock or securities or similar sources. The asset diversification requirement will be satisfied if we meet certain asset diversification requirements at the end of each quarter of our taxable year. Failure to meet those requirements may result in our having to dispose of certain investments quickly in order to prevent the loss of our RIC tax treatment under the Code. Because most of our investments will be in private companies, and therefore will be relatively illiquid, any such dispositions could be made at disadvantageous prices and could result in substantial losses. We may have difficulty complying with those requirements. In particular, if we have equity investments in portfolio companies that are treated as partnerships or other pass-through entities for tax purposes, we may not have control over, or receive accurate information about, the underlying income and assets of those portfolio companies that are taken into account in determining our compliance with the income source and asset diversification requirements.

The annual distribution requirement for a RIC will be satisfied if we distribute to our stockholders on an annual basis at least 90% of our ordinary income and net short-term capital gains in excess of our net long-term capital losses, if any. Because we may use debt financing, we are subject to certain asset coverage ratio requirements under the 1940 Act, as well as future financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to satisfy the distribution requirement. If we are unable to obtain cash from other sources, we could fail to qualify for tax treatment as a RIC under the Code.

If we fail to satisfy the income source or asset diversification requirements for any taxable year, we may nevertheless continue to qualify as a RIC for such year if certain relief provisions are applicable (which may, among other things, require us to pay certain corporate-level U.S. federal income taxes or to dispose of certain assets).

If we fail to qualify for tax treatment as a RIC under the Code for any reason and remain or become subject to corporate-level U.S. federal income tax on all of our income, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution or reinvestment and the amount of our distributions.

We believe we qualified as a RIC under the Code for the fiscal year ended December 31, 2023, and we intend to comply with the requirements to continue to qualify annually as a RIC under the Code. The Company filed its tax returns as a RIC for the fiscal years ended December 31, 2022, 2021, and 2020. However, in March 2024, the Company determined that information received from a portfolio company held in prior fiscal years and sold in 2022 was inaccurate, and, as a result, the Company did not satisfy the income source requirement for the fiscal years ended December 31, 2022, 2021, and 2020. Accordingly, the Company did not qualify as a RIC under the Code for the fiscal years ended December 31, 2022, 2021 and 2020, and thus the Company would be subject to U.S. federal income tax on all of its taxable income at regular corporate rates for these periods. Based on the assessment that the Company did not qualify as a RIC for the fiscal years ended December 31, 2022, 2021 and 2020, the Company calculated its provision for income tax as a C-Corporation for such fiscal years. Given the operations of the Company for that period, the Company has determined no income tax or capital gains taxes would be due and payable for those periods, had the Company claimed status and filed returns as a C-Corporation. Thus, the Company has determined that there would be no quantitative impact to the consolidated statements of assets and liabilities, the consolidated statements of operations, the consolidated statements of changes in net assets, and the consolidated statements of cash flows as of and for the years ended December 31, 2022, 2021 and 2020. The Company did not have a net unrealized gain on its portfolio as of the first day of the fiscal year the Company requalified as a RIC that would be subject to tax if recognized within the subsequent five years.

Due to potential disruptions in the economy, we may not be able to increase our dividends and may reduce or defer our dividends and choose to incur U.S. federal excise tax in order to preserve cash and maintain flexibility.

As a BDC, we are not required to make any distributions to shareholders other than in connection with our election to be taxed as a RIC under subchapter M of the Code. In order to maintain our tax treatment as a RIC, we must distribute to shareholders for each taxable year at least 90.0% of our investment company taxable income (i.e., ordinary income plus realized net short-term capital gains in excess of realized net long-term capital losses). If we qualify for taxation as a RIC, we generally will not be subject to corporate-level U.S. federal income tax on our investment company taxable income and net capital gains (i.e., realized net long-term capital gains).

in excess of realized net short-term capital losses) that we timely distribute to shareholders. We will be subject to a non-deductible 4.0% U.S. federal excise tax on undistributed earnings of a RIC unless we distribute each calendar year at least the sum of (i) 98.0% of our ordinary income for the calendar year, (ii) 98.2% of our capital gains in excess of capital losses for the one-year period ending on October 31 of the calendar year, and (iii) any ordinary income and capital gain net income that we recognized for preceding years, but were not distributed during such years, and on which we paid no U.S. federal income tax.

Under the Code, we may satisfy certain of our RIC distributions with dividends paid after the end of the current year. In particular, if we pay a distribution in January of the following year that was declared in October, November, or December of the current year and is payable to shareholders of record in the current year in such a month, the dividend will be treated for all U.S. federal income tax purposes as if it were paid on December 31 of the current year. In addition, under the Code, we may pay dividends, referred to as “spillover dividends,” that are paid during the following taxable year that will allow us to maintain our qualification for taxation as a RIC and eliminate our liability for corporate-level U.S. federal income tax. Under these spillover dividend procedures, we may defer distribution of income earned during the current year until December of the following year. For example, we may defer distributions of income earned during 2023 until as late as December 31, 2024. If we choose to pay a spillover dividend, we will incur the 4.0% U.S. federal excise tax on some or all of the distribution.

Due to disruptions in the economy, we may take certain actions with respect to the timing and amounts of our distributions in order to preserve cash and maintain flexibility. For example, the COVID-19 pandemic had an impact on our ability to declare distributions. In addition, we may reduce our dividends and/or defer our dividends to the following taxable year. If we defer our dividends, we may choose to utilize the spillover dividend rules discussed above and incur the 4.0% U.S. federal excise tax on such amounts. To further preserve cash, we may combine these reductions or deferrals of dividends with one or more distributions that are payable partially in our common stock as discussed below under “*We may in the future choose to pay dividends in our own common stock, in which case you may be required to pay tax in excess of the cash you receive.*”

We may have difficulty paying our required distributions if we recognize income before or without receiving cash representing such income.

For federal income tax purposes, we may be required to recognize taxable income in circumstances in which we do not receive a corresponding payment in cash. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments with PIK interest or, in certain cases, increasing interest rates or debt instruments that were issued with warrants), we must include in income each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. In addition, we have elected to accrue market discount with respect to debt instruments acquired in the secondary market and include such amounts in our taxable income in the current year, instead of upon disposition of the debt instruments. We may also have to include in income other amounts that we have not yet received in cash, such as deferred loan origination fees that are paid after origination of the loan or are paid in non-cash compensation such as warrants or stock. Furthermore, we may invest in non-U.S. corporations (or other non-U.S. entities treated as corporations for U.S. federal income tax purposes) that could be treated under the Code and U.S. Treasury regulations as “passive foreign investment companies” and/or “controlled foreign corporations.” The rules relating to investment in these types of non-U.S. entities are designed to ensure that U.S. taxpayers are either, in effect, taxed currently (or on an accelerated basis with respect to corporate-level events) or taxed at increased tax rates at distribution or disposition. In certain circumstances this could require us to recognize income where we do not receive a corresponding payment in cash.

Unrealized appreciation on derivatives, such as foreign currency forward contracts, may be included in taxable income while the receipt of cash may occur in a subsequent period when the related contract expires. Any unrealized depreciation on investments that the foreign currency forward contracts are designed to hedge are not currently deductible for tax purposes. This can result in increased taxable income whereby we may not have sufficient cash to pay distributions or we may opt to retain such taxable income and pay a 4% excise tax. In such cases we could still rely upon the “spillover provisions” to maintain RIC tax treatment.

We anticipate that a portion of our income may constitute original issue discount, market discount or other income required to be included in taxable income prior to receipt of cash.

Because any original issue discount, market discount or other amounts accrued will be included in our investment company taxable income for the year of the accrual, we may be required to make a distribution to our stockholders in order to satisfy the annual distribution requirement, even though we will not have received any corresponding cash amount. As a result, we may have difficulty meeting the annual distribution requirement necessary to qualify for and maintain RIC tax treatment under the Code. We may have to sell some of our investments at times and/or at prices we would not consider advantageous, raise additional debt or equity capital or forgo new investment opportunities for this purpose. If we are not able to obtain cash from other sources, we may fail to qualify for or maintain RIC tax treatment and thus become subject to corporate-level income tax.

We may in the future choose to pay dividends in our own common stock, in which case you may be required to pay tax in excess of the cash you receive.

We may distribute taxable dividends that are payable in part in our common stock. In accordance with certain applicable U.S. Treasury regulations and published guidance issued by the IRS, a publicly offered RIC may treat a distribution of its own stock as fulfilling the RIC distribution requirements if each shareholder may elect to receive his or her entire distribution in either cash or stock of the RIC, subject to a limitation that the aggregate amount of cash available to be distributed to all shareholders must be at least 20.0% of the aggregate declared distribution. If too many shareholders elect to receive cash, the cash available for distribution must be allocated among the shareholders electing to receive cash (with the balance of the distribution paid in stock). In no event will any shareholder, electing to receive cash, receive less than 20.0% of its entire distribution in cash. If these and certain other requirements are met, for U.S. federal income tax purposes, the amount of the dividend paid in stock will be equal to the amount of cash that could have been received instead of stock. Taxable shareholders receiving such dividends will be required to include the amount of the dividends as ordinary income (or as long-term capital gain to the extent such distribution is properly reported as a capital gain dividend) to the extent of our current or accumulated earnings and profits for U.S. federal income tax purposes. As a result, a U.S. shareholder may be required to pay tax with respect to such dividends in excess of any cash received. If a U.S. shareholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our common stock at the time of the sale. Furthermore, with respect to non-U.S. shareholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in common stock. In addition, if a significant number of our shareholders determine to sell shares of our common stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our common stock.

Non-U.S. stockholders may be subject to withholding of U.S. federal income tax on distributions we pay.

Distributions of our “investment company taxable income” to a non-U.S. stockholder that are not effectively connected with the non-U.S. stockholder’s conduct of a trade or business within the United States will generally be subject to withholding of U.S. federal income tax at a 30% rate (or lower rate provided by an applicable income tax treaty) to the extent of our current or accumulated earnings and profits.

Certain properly reported distributions are generally exempt from withholding of U.S. federal income tax where they are paid in respect of our (i) “qualified net interest income” (generally, our U.S.-source interest income, other than certain contingent interest and interest from obligations of a corporation or partnership in which we are at least a 10% stockholder, reduced by expenses that are allocable to such income) or (ii) “qualified short-term gains” (generally, the excess of our net short-term capital gain over our net long-term capital loss for such taxable year), and certain other requirements are satisfied.

NO ASSURANCE CAN BE GIVEN AS TO WHETHER ANY OF OUR DISTRIBUTIONS WILL BE ELIGIBLE FOR THIS EXEMPTION FROM WITHHOLDING OF U.S. FEDERAL INCOME TAX OR, IF ELIGIBLE, WILL BE REPORTED AS SUCH BY US. IN PARTICULAR, THIS EXEMPTION WILL NOT APPLY TO OUR DISTRIBUTIONS PAID IN RESPECT OF OUR NON-U.S. SOURCE INTEREST INCOME OR OUR DIVIDEND INCOME (OR ANY OTHER TYPE OF INCOME OTHER THAN GENERALLY OUR NON-CONTINGENT U.S. SOURCE INTEREST INCOME RECEIVED FROM UNRELATED OBLIGORS AND OUR QUALIFIED SHORT-TERM GAINS). IN THE CASE OF OUR COMMON STOCK HELD THROUGH AN INTERMEDIARY, THE INTERMEDIARY MAY WITHHOLD U.S. FEDERAL INCOME TAX EVEN IF WE REPORT THE PAYMENT AS ATTRIBUTABLE TO QUALIFIED NET INTEREST INCOME OR QUALIFIED SHORT-TERM GAIN.

Legislative or other actions relating to taxes could have a negative effect on us.

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. New legislation and any U.S. Treasury regulations, administrative interpretations or court decisions interpreting such legislation could significantly and negatively affect our ability to qualify for tax treatment as a RIC or the U.S. federal income tax consequences to us and our investors of such qualification or could have other adverse consequences. Investors are urged to consult with their tax advisor regarding tax legislative, regulatory or administrative developments and proposals and their potential effect on an investment in our securities.

Risks Relating to an Investment in Our Common Stock

We will have broad discretion over the use of proceeds of any successful offering of securities.

We will have significant flexibility in applying the proceeds of any successful offering of our securities. We will also pay operating expenses and may pay other expenses such as due diligence expenses of potential new investments, from net proceeds. Our ability to achieve our investment objective may be limited to the extent that the net proceeds of any offering, pending full investment, are used to pay operating expenses.

In addition, we can provide you no assurance that any offering will be successful, or that by increasing the size of our available equity capital, our aggregate expenses, and correspondingly, our expense ratio, will be lowered. Delays in investing the net proceeds raised in an offering of our securities may impair our performance. We cannot assure you that we will be able to identify any investments that meet our investment objective or that any investment that we make will produce a positive return. We may be unable to invest the net proceeds of any offering on acceptable terms within the time period that we anticipate or at all, which could adversely affect our financial condition and operating results.

Even if we are able to raise significant proceeds, we will not be permitted to use such proceeds to co-invest with certain entities affiliated with the Investment Adviser in transactions originated by the Investment Adviser or their respective affiliates except pursuant to the exemptive order granted by the SEC or co-invest alongside the Investment Adviser or its respective affiliates in accordance with existing regulatory guidance. However, we will be permitted to and may co-invest in syndicated deals and secondary loan market transactions where price is the only negotiated point. Before making investments, we will invest the net proceeds of this offering primarily in cash, cash equivalents, U.S. government securities, repurchase agreements and high-quality debt instruments maturing in one year or less from the time of investment, which may produce returns that are significantly lower than the returns that we expect to achieve when our portfolio is fully invested in securities meeting our investment objective. As a result, any distributions that we pay while our portfolio is not fully invested in securities meeting our investment objective may be lower than the distributions that we may be able to pay when our portfolio is fully invested in securities meeting our investment objective.

A stockholder's interest in us will be diluted if we issue additional shares of common stock, which could reduce the overall value of an investment in us.

Potential investors will not have preemptive rights to purchase any common stock we issue in the future. Our charter authorizes us to issue 100,000,000 shares of common stock. Pursuant to our charter, a majority of our entire Board may amend our charter to increase or decrease the number of authorized shares of common stock without stockholder approval. We intend to sell additional shares of common stock from time to time. To the extent that we issue additional shares of common stock at or below net asset value after an investor purchases shares of our common stock, an investor's percentage ownership interest in us will be diluted. In addition, depending upon the terms and pricing of any additional offerings and the value of our investments, an investor may also experience dilution in the book value and fair value of his or her shares of common stock.

We have adopted a dividend reinvestment plan pursuant to which we reinvest all cash distributions declared by the Board on behalf of investors who do not elect to receive their distributions in cash. As a result, if the Board declares a cash distribution, then our stockholders who have not opted out of our dividend reinvestment plan will have their cash distributions automatically reinvested in additional shares of our common stock, rather than receiving the cash distribution. As a result, our stockholders that do not participate in our dividend reinvestment plan will experience dilution in their ownership percentage of our common stock over time.

Your interest in the Company may be diluted if you do not fully exercise your subscription rights in any rights offering.

In the event we issue subscription rights to purchase shares of our common stock, stockholders who do not fully exercise their rights should expect that they will, at the completion of the offer, own a smaller proportional interest in the Company than would otherwise be the case if they fully exercised their rights. We cannot state precisely the amount of any such dilution in share ownership because we do not know at this time what proportion of the shares would be purchased as a result of a rights offering.

In addition, if the subscription price in a rights offering is less than our net asset value per share, then our stockholders would experience an immediate dilution of the aggregate net asset value of their shares as a result of the rights offering. The amount of any decrease in net asset value is not predictable because it is not known at this time what the subscription price and net asset value per share will be on the expiration date of any rights offering or what proportion of the shares will be purchased as a result of such rights offering. Such dilution could be substantial.

Our Board is authorized to reclassify any unissued shares of common stock into one or more classes of preferred stock, which could convey special rights and privileges to its owners.

Under Maryland General Corporation Law (the "MGCL") and our charter, our Board is authorized to classify and reclassify any authorized but unissued shares of stock into one or more classes of stock, including preferred stock. Prior to the issuance of shares of each class or series, our Board will be required by Maryland law and our charter to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Thus, our Board could authorize the issuance of shares of preferred stock with terms and conditions that could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest. The cost of any such reclassification would be borne by our common stockholders. Certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock. For example, holders of preferred stock would vote separately from the holders of common stock on a

proposal to cease operations as a BDC. In addition, the 1940 Act provides that holders of preferred stock are entitled to vote separately from holders of common stock to elect two preferred stock directors. We currently have no plans to issue preferred stock. The issuance of preferred shares convertible into shares of common stock may also reduce the net income and net asset value per share of our common stock upon conversion, provided, that we will only be permitted to issue such convertible preferred stock to the extent we comply with the requirements of Section 61 of the 1940 Act, including obtaining common stockholder approval. These effects, among others, could have an adverse effect on your investment in our common stock.

If we issue preferred stock, the net asset value and market value of our common stock will likely become more volatile.

We cannot assure you that the issuance of preferred stock would result in a higher yield or return to the holders of our common stock. The issuance of preferred stock would likely cause the net asset value and market value of the common stock to become more volatile. If the dividend rate on the preferred stock were to approach the net rate of return on our investment portfolio, the benefit of leverage to the holders of the common stock would be reduced. If the dividend rate on the preferred stock were to exceed the net rate of return on our portfolio, the leverage would result in a lower rate of return to the holders of common stock than if we had not issued preferred stock. Any decline in the net asset value of our investments would be borne entirely by the holders of common stock. Therefore, if the market value of our portfolio were to decline, the leverage would result in a greater decrease in net asset value to the holders of common stock than if we were not leveraged through the issuance of preferred stock. This greater net asset value decrease would also tend to cause a greater decline in the market price for the common stock. We might be in danger of failing to maintain the required asset coverage of the preferred stock or of losing our ratings, if any, on the preferred stock or, in an extreme case, our current investment income might not be sufficient to meet the dividend requirements on the preferred stock. In order to counteract such an event, we might need to liquidate investments in order to fund a redemption of some or all of the preferred stock. In addition, we would pay (and the holders of common stock would bear) all costs and expenses relating to the issuance and ongoing maintenance of the preferred stock, including higher advisory fees if our total return exceeds the dividend rate on the preferred stock. Holders of preferred stock may have different interests than holders of common stock and may at times have disproportionate influence over our affairs.

Holders of any preferred stock we might issue would have the right to elect members of our Board and class voting rights on certain matters.

Holders of any preferred stock we might issue, voting separately as a single class, would have the right to elect two members of our Board at all times and in the event dividends become two full years in arrears would have the right to elect a majority of the directors until such arrearage is completely eliminated. In addition, preferred stockholders have class voting rights on certain matters, including changes in fundamental investment restrictions and conversion to open-end status, and accordingly can veto any such changes. Restrictions imposed on the declarations and payment of dividends or other distributions to the holders of our common stock and preferred stock, both by the 1940 Act and by requirements imposed by rating agencies, if any, or the terms of our credit facilities, if any, might impair our ability to maintain our RIC tax treatment under the Code for U.S. federal income tax purposes. While we would intend to redeem our preferred stock to the extent necessary to enable us to distribute our income as required to maintain our qualification as a RIC, there can be no assurance that such actions could be effected in time to meet the tax requirements.

Provisions of the Maryland General Corporation Law and of our charter and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.

The Maryland General Corporation Law and our charter and bylaws contain provisions that may discourage, delay or make more difficult a change in control of the Company or the removal of our directors. We are subject to the Maryland Business Combination Act, subject to any applicable requirements of the 1940 Act. Our Board has adopted a resolution exempting from the Maryland Business Combination Act any business combination between us and any other person, subject to prior approval of such business combination by our Board, including approval by a majority of our independent directors. If the resolution exempting business combinations is repealed or our Board does not approve a business combination, the Maryland Business Combination Act may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such an offer. Our bylaws exempt from the Maryland Control Share Acquisition Act (the "Control Share Act") acquisitions of our stock by any person. If we amend our bylaws to repeal the exemption from the Control Share Act, the Maryland Control Share Acquisition Act also may make it more difficult for a third-party to obtain control of us and increase the difficulty of consummating such a transaction. The SEC staff has rescinded its position that, under the 1940 Act, an investment company may not avail itself of the Control Share Act. As a result, we will amend our bylaws to be subject to the Control Share Act only if our Board determines that it would be in our best interests.

We have also adopted measures that may make it difficult for a third-party to obtain control of us, including provisions of our charter classifying our Board in three classes serving staggered three-year terms, and authorizing our Board to classify or reclassify shares of our stock in one or more classes or series, to cause the issuance of additional shares of our stock, to amend our charter without stockholder approval and to increase or decrease the number of shares of stock that we have authority to issue. These provisions, as well as other provisions of our charter and bylaws, may delay, defer or prevent a transaction or a change in control that might otherwise be in the best interests of our stockholders.

The foregoing provisions are expected to discourage certain coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate first with our Board. However, these provisions may deprive a stockholder of the opportunity to sell such stockholder's shares at a premium to a potential acquirer. We believe that the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because, among other things, the negotiation of such proposals may improve their terms. Our Board has considered both the positive and negative effects of the foregoing provisions and determined that they are in the best interest of our stockholders.

Investing in our common stock involves a high degree of risk.

The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and volatility or loss of principal. Our investments in portfolio companies may be highly speculative and aggressive and, therefore, an investment in our common stock may not be suitable for investors with lower risk tolerance.

The market price of our common stock may fluctuate significantly.

The market price and liquidity of the expected market for shares of our common stock may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

- price and volume fluctuations in the overall stock market from time to time;
- investor demand for our shares;
- significant volatility in the market price and trading volume of securities of BDCs or other companies in our sector, which are not necessarily related to the operating performance of these companies;
- changes in regulatory policies or tax guidelines with respect to RICs, BDCs or SBICs;

- failure to qualify as a RIC, or the loss of RIC tax treatment;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- changes in earnings or variations in operating results;
- changes in accounting guidelines governing valuation of our investments;
- changes, or perceived changes, in the value of our portfolio investments;
- departure of either of our adviser or certain of its respective key personnel;
- operating performance of companies comparable to us; and
- general economic conditions and trends and other external factors.

We cannot assure you that the market price of shares of our common stock will not decline.

We cannot assure you that a public trading market will be sustained for such shares. We cannot predict the prices at which our common stock will trade. We cannot assure you that the market price of shares of our common stock will not decline at any time. In addition, our common stock has from time to time traded below its net asset value since our inception and if our common stock continues to trade below its net asset value, we will generally not be able to sell additional shares of our common stock to the public at its market price without first obtaining the approval of our stockholders (including our unaffiliated stockholders) and our independent directors for such issuance.

Sales of substantial amounts of our common stock in the public market may have an adverse effect on the market price of our common stock.

Sales of substantial amounts of our common stock, or the availability of such common stock for sale, could adversely affect the prevailing market prices for our common stock. If this occurs and continues for a sustained period of time, it could impair our ability to raise additional capital through the sale of securities should we desire to do so.

Shares of our common stock have traded at a discount from net asset value and may do so in the future.

Shares of BDC's have frequently traded at a market price that is less than the net asset value that is attributable to those shares. For example, as a result of the COVID-19 pandemic, the stocks of BDCs as an industry, including shares of our common stock, traded below their NAV, at or near historic lows as a result of concerns over liquidity, leverage restrictions and distribution requirements. In part as a result of adverse economic conditions and increasing pressure within the financial sector of which we are a part, our common stock has at times traded below its net asset value per share since our IPO on September 30, 2013. Our shares could continue trade at a discount to net asset value. The possibility that our shares of common stock may trade at a discount from net asset value over the long term is separate and distinct from the risk that our net asset value will decrease. We cannot predict whether shares of our common stock will trade above, at or below its net asset value. If our common stock trades below its net asset value, we will generally not be able to issue additional shares of our common stock at its market price without first obtaining the approval for such issuance from our stockholders and our independent directors. If additional funds are not available to us, we could be forced to curtail or cease our new lending and investment activities, and our net asset value could decrease and our level of distributions could be impacted.

Our business and operation could be negatively affected if we become subject to any securities litigation or stockholder activism, which could cause us to incur significant expense, hinder execution of investment strategy and impact our stock price.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. Stockholder activism, which could take many forms or arise in a variety of situations, increased in the BDC space recently. Specifically, we are currently subject to class action litigation.

In the ordinary course of business, the Company may directly or indirectly be a defendant or plaintiff in legal actions with respect to bankruptcy, insolvency or other types of proceedings. Such lawsuits may involve claims that could adversely affect the value of certain financial instruments owned by the Company or result in direct losses to the Company. The nature of litigation can make it difficult to predict the impact a particular lawsuit will have on the Company. There are many reasons that the Company cannot make these assessments, including, among others, one or more of the following: the proceeding is in its early stages; the damages sought are unspecified, unsupported, unexplained or uncertain; discovery has not started or is not complete; there are significant facts in dispute; and there are other parties who may share in any ultimate liability.

Securities litigation and corresponding stockholder activism, if any, including potential proxy contests, could result in substantial costs and divert management's and our Board's attention and resources from our business. Additionally, such securities litigation and stockholder activism could give rise to perceived uncertainties as to our future, adversely affect our relationships with service providers and make it more difficult to attract and retain qualified personnel. Also, we may be required to incur significant legal fees and other expenses related to any securities litigation and activist stockholder matters. Further, our stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any securities litigation and stockholder activism.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

We have processes in place to assess, identify, and manage material risks from cybersecurity threats. The Company's business is dependent on the communications and information systems of the Adviser and other third-party service providers. The Adviser manages the Company's day-to-day operations and has implemented a cybersecurity program that applies to the Company and its operations.

Cybersecurity Program Overview

The Adviser has instituted a cybersecurity program, overseen by the Adviser's Global Head of Infrastructure & Cybersecurity ("GHIC"), which is designed to assess, identify, and manage material cyber risks applicable to the Company. The cyber risk management program involves risk assessments, implementation of

security measures, and ongoing monitoring of systems and networks, including networks on which the Company relies. The Adviser actively monitors the current threat landscape in an effort to identify material risks arising from new and evolving cybersecurity threats, including material risks faced by the Company.

The Company relies on the Adviser to engage external experts, including cybersecurity assessors, consultants, and other specialists as appropriate to evaluate cybersecurity measures and risk management processes, including those applicable to the Company.

The Company relies on the Adviser's risk management program and processes, which include cyber risk assessments. The Company depends on and engages various third parties, including suppliers, vendors, and service providers, to operate its business. The Company takes steps to identify and oversee risks from cybersecurity threats associated with our use of such entities and the Chief Compliance Officer ("CCO") of the Company reviews cybersecurity-related reports provided by key service providers.

Board Oversight of Cybersecurity Risks

The Board would be made aware of any material risks associated with cybersecurity threats. The Board currently receives periodic updates from the Company's CCO regarding the overall state of the Adviser's cybersecurity program, information on the current threat landscape, and risks from cybersecurity threats and cybersecurity incidents impacting the Company.

Management's Role in Cybersecurity Risk Management

The Company's management, including the Company's CCO, is responsible for assessing and managing material risks from cybersecurity threats. The CCO, in managing such risks relating to cybersecurity threats, relies on the assistance provided by the Adviser's GHIC. The Adviser's GHIC has extensive experience in managing cybersecurity and information security programs for financial services companies with complex information systems. The CCO has been responsible for this oversight function as CCO to the Company since 2021 and has worked in the financial services industry for more than 15 years, during which the CCO has gained expertise in assessing and managing such risks applicable to the Company.

Management of the Company is informed about and monitors the prevention, detection, mitigation, and remediation of material cybersecurity incidents impacting the Company, including through the receipt of notifications from service providers and reliance on communications with legal, information technology, and/or compliance personnel of the Adviser.

Assessment of Cybersecurity Risk

The potential impact of risks from cybersecurity threats on the Company are assessed on an ongoing basis, and how such risks could materially affect the Company's business strategy, results of operation, and financial condition are regularly evaluated. During the reporting period, the Company has not identified any material risks from cybersecurity threats, including as a result of previous cybersecurity incidents, that the Company believes have materially affected, or are reasonably likely to materially affect, the Company, including its business strategy, results of operation, and financial condition.

ITEM 2. PROPERTIES

Our corporate headquarters are located at 650 Madison Avenue, 23rd Floor, New York, New York 10022, and are provided by our Administrator in accordance with the terms of the Administration Agreement. We believe that our office facilities are suitable and adequate for our business as it is contemplated to be conducted.

ITEM 3. LEGAL PROCEEDINGS

We and our subsidiaries are not currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us or our subsidiaries. From time to time, we, or our subsidiaries may be a party to certain legal proceedings in the ordinary course of business, including proceedings relating to the enforcement of our rights under contracts with our portfolio companies. Our business is also subject to extensive regulation, which may result in regulatory proceedings against us. While the outcome of these legal proceedings, if any, cannot be predicted with certainty, we do not expect that these proceedings will have a material effect upon our financial condition or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

COMMON STOCK

Shares of our common stock are traded on the NASDAQ Global Select Market under the symbol "LRFC."

HOLDERS

The last reported price for shares of our common stock on March 19, 2024 was \$22.35 per share. As of March 19, 2024, there were 20 holders of record of shares of our common stock.

PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS

The following table sets forth, for each fiscal quarter within the two most recent fiscal years, and the current fiscal quarter, the range of high and low intraday sales prices of our common stock as reported on the Nasdaq Global Select Market, the premium (discount) of sales price to our net asset value and the distributions declared by us for each fiscal quarter.

Fiscal Year Ended	NAV Per Share ⁽¹⁾	Sales Price		Premium or (Discount) of High Sales Price to NAV ⁽²⁾	Premium or (Discount) of Low Sales Price to NAV ⁽²⁾	Declared Distributions Per Share ⁽³⁾
		High	Low			
December 31, 2024						
First Quarter (through March 19, 2024)	*	\$ 23.63	\$ 21.75	*	*	\$ 0.32
December 31, 2023						
Fourth Quarter	\$ 33.34	\$ 23.59	\$ 19.82	(29.2)%	(40.6)%	\$ 0.30
Third Quarter	\$ 34.78	\$ 21.85	\$ 20.30	(37.2)%	(41.6)%	\$ 0.26
Second Quarter	\$ 35.68	\$ 21.68	\$ 18.53	(39.2)%	(48.1)%	\$ 0.22
First Quarter	\$ 34.63	\$ 25.00	\$ 20.40	(27.8)%	(41.1)%	\$ 0.18
December 31, 2022						
Fourth Quarter	\$ 35.04	\$ 22.75	\$ 17.61	(35.1)%	(49.7)%	\$ —
Third Quarter	\$ 36.21	\$ 21.04	\$ 14.85	(41.9)%	(59.0)%	\$ —
Second Quarter	\$ 37.31	\$ 23.05	\$ 14.43	(38.2)%	(61.3)%	\$ —
First Quarter	\$ 39.16	\$ 26.48	\$ 21.63	(32.4)%	(44.8)%	\$ —

⁽¹⁾ Net asset value per share is determined as of the last day in the relevant quarter and therefore may not reflect the net asset value per share on the date of the high and low sales prices. The net asset values shown are based on outstanding shares at the end of each period.

⁽²⁾ Calculated as of the respective high or low intraday sales price divided by the quarter end NAV and subtracting 1.

⁽³⁾ Unless otherwise noted, represents the distribution paid or to be paid in the specified quarter. See "Distributions" for detail related to tax characteristics of distributions paid.

* Not determinable at the time of filing

Shares of BDCs may trade at a market price that is less than the value of the net assets attributable to those shares. The possibility that our shares of common stock will trade at a discount from NAV or at premiums that are unsustainable over the long term are separate and distinct from the risk that our NAV will decrease. Since our initial public offering on September 25, 2013, our shares of common stock have traded at times at both a discount and a premium to the net assets attributable to those shares. As of March 19, 2024, shares of our common stock traded at a discount of approximately 33.0% of the NAV attributable to those shares as of December 31, 2023. It is not possible to predict whether shares of our common stock will trade at, above, or below NAV.

DISTRIBUTIONS

In order to qualify as a RIC and to avoid corporate-level U.S. federal income tax on the income we timely distribute to our stockholders, we are required to distribute at least 90% of our ordinary income and our net short-term capital gains in excess of net long-term capital losses, if any, to our stockholders on an annual basis. Additionally, to avoid a U.S. federal excise tax, we must distribute for each calendar year an amount at least equal to the sum of 98% of our ordinary income (during the calendar year) plus 98.2% of our capital gain net income (during the 12-month period ending on October 31 in that calendar year) plus any ordinary income and capital gain net income that we recognized for preceding years, but were not distributed during such years, and on which we paid no U.S. federal income tax. We made quarterly distributions to our stockholders for the first four full quarters subsequent to our IPO. To the extent we had income available, we made monthly distributions to our stockholders from October 30, 2014 until March 30, 2020. As announced on April 1, 2020, distributions, if any, will be made on a quarterly basis effective for the second quarter of 2020. Our stockholder distributions, if any, will be determined by our Board on a quarterly basis. Any distributions to our stockholders will be declared out of assets legally available for distribution. During the year ended December 31, 2023, the Company made distributions of \$0.96 per share. The Company's Board determined not to declare any distributions during the years ended December 31, 2022 and 2021.

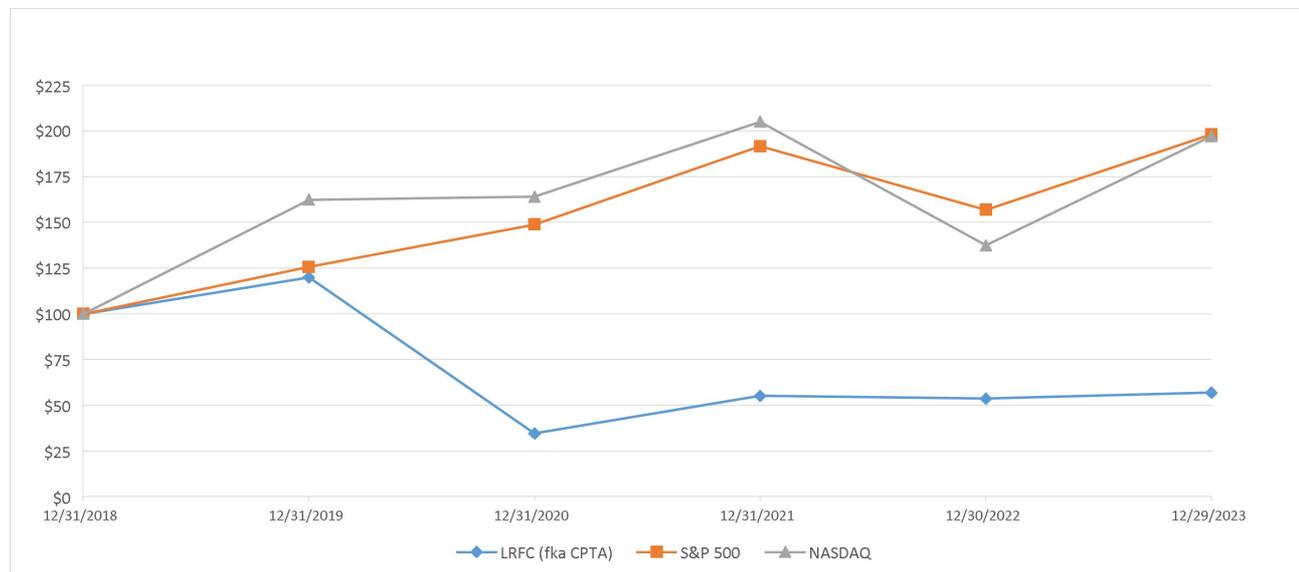
We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of our distributions from time to time, and from time to time we may decrease the amount of our distributions. In addition, we may be limited in our ability to make distributions due to the asset coverage requirements applicable to us as a BDC under the 1940 Act. If we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including the possible loss of our qualification as a RIC. We cannot assure stockholders that they will receive any distributions.

To the extent our taxable earnings fall below the total amount of our distributions for that fiscal year, a portion of those distributions may be deemed a return of capital to our stockholders for U.S. federal income tax purposes. Thus, the source of a distribution to our stockholders may be the original capital invested by the stockholder rather than our income or gains. Stockholders should read any written disclosure accompanying any stockholder distribution carefully and should not assume that the source of any distribution is our ordinary income or capital gains.

We have adopted an “opt out” dividend reinvestment plan (“DRIP”) for our common stockholders. As a result, if we declare a distribution, then stockholders’ cash distributions will be automatically reinvested in additional shares of our common stock unless a stockholder specifically “opts out” of our DRIP. If a stockholder opts out, that stockholder will receive cash distributions. Although distributions paid in the form of additional shares of our common stock will generally be subject to U.S. federal, state and local taxes in the same manner as cash distributions, stockholders participating in our DRIP will not receive any corresponding cash distributions with which to pay any such applicable taxes.

PERFORMANCE GRAPH

The following graph compares the cumulative return on shares of our common stock with that of the Standard & Poor’s 500 Stock Index and the NASDAQ Financial 100 index, as we do not believe there is an appropriate index of companies with an investment strategy similar to our own with which to compare the return on shares of our common stock, for the period from December 31, 2018 through December 31, 2023. The graph assumes that on December 31, 2018, a person invested \$100 in each share of our common stock, the Standard & Poor’s 500 Stock Index and the NASDAQ Financial 100 index. The graph measures total stockholder return, which takes into account both changes in stock price and dividends. The graph also assumes that dividends paid are reinvested in the same class of equity securities at the frequency with which dividends are paid on such securities during the applicable fiscal year.



The graph and other information furnished under this Part II, Item 5 of this Annual Report on Form 10-K shall not be deemed to be “soliciting material” or to be “filed” with the SEC or subject to Regulation 14A or 14C under, or to the liabilities of Section 18 of the 1934 Act. The stock price performance included in the above graph is not necessarily indicative of future stock price performance.

FEES AND EXPENSES

The following table is intended to assist you in understanding the costs and expenses that you will bear directly or indirectly. We caution you that some of the percentages indicated in the table below are estimates and may vary. Except where the context suggests otherwise, whenever this report contains a reference to fees or expenses paid by “you”, “Logan Ridge”, or “us” or that “we” or “Logan Ridge” will pay fees or expenses, Logan Ridge will pay such fees and expenses out of our net assets and, consequently, you will indirectly bear such fees or expenses as an investor in Logan Ridge. However, you will not be required to deliver any money or otherwise bear personal liability or responsibility for such fees or expenses.

Stockholder transaction expenses:	
Sales load (as a percentage of offering price)	N/A ⁽¹⁾
Offering expenses borne by us (as a percentage of offering price)	N/A ⁽²⁾
Dividend reinvestment plan fees (per sales transaction fee)	\$15.00 ⁽³⁾
Total stockholder transaction expenses (as a percentage of offering price)	0.00%
Annual expenses (as a percentage of net assets attributable to common stock):	
Base management fee	3.91% ⁽⁴⁾
Incentive fees payable from Net Investment Income	0.00% ⁽⁵⁾
Incentive fee payable from Capital Gains	0.00% ⁽⁵⁾
Interest payments on borrowed funds	8.01% ⁽⁶⁾
Other expenses	4.65% ⁽⁷⁾
Acquired fund fees and expenses	0.12% ⁽⁸⁾
Total annual expenses	16.69%⁽⁹⁾

⁽¹⁾ In the event that any shares are sold to or through underwriters, a prospectus supplement will disclose the applicable sales load.

⁽²⁾ The prospectus supplement corresponding to each offering will disclose the applicable estimated amount of offering expenses of the offering and the offering expenses borne by us as a percentage of the offering price.

⁽³⁾ If a participant elects by written notice to the plan administrator to have the plan administrator sell part or all of the shares held by the plan administrator in the participant’s account and remit the proceeds to the participant, the plan administrator is authorized to deduct a transaction fee of \$15.00 plus a \$0.10 per share brokerage commission from the proceeds. The expenses of the dividend reinvestment plan are included in “other expenses.” The plan administrator’s fees will be paid by us. There will be no brokerage charges or other charges to stockholders who participate in the plan.

- (4) Reflects our gross base management fee as a percentage of net assets. Our base management fee under the Investment Advisory Agreement is calculated at an annual rate of 1.75% of our gross assets, which is our total assets as reflected on our balance sheet and includes any borrowings for investment purposes. The gross base management fee reflected in the table above is based on the fiscal year ended December 31, 2023. See "Investment Advisory Agreement."
- (5) Assumes that annual incentive fees earned by Mount Logan Management LLC remain consistent with the incentive fees earned by Mount Logan Management LLC during the fiscal year ended December 31, 2023 and includes accrued capital gains incentive fee. As of December 31, 2023, Mount Logan Management LLC has accrued no capital gains incentive fee. As we cannot predict whether we will meet the thresholds for incentive fees under the Investment Advisory Agreement, the incentive fees paid in subsequent periods, if any, may be substantially different than the fees incurred during the fiscal year ended December 31, 2023. For more detailed information about the incentive fee calculations, see Part I, Item 1. Business, Agreements, Investment Advisory Agreement section of this Annual Report on Form 10-K.
- (6) As of December 31, 2023, we had \$35.4 million of unused borrowing capacity, subject to maintenance of the applicable total assets to debt ratio, under the 1940 Act. As of such date, we had \$39.6 million in borrowings outstanding under our \$75.0 million KeyBank Credit Facility, \$50.0 million in aggregate principal of 2026 Notes and \$15.0 million in aggregate principal of 2032 Convertible Notes. Annual interest expense on borrowed funds represents actual interest expense incurred for the fiscal year ended December 31, 2023, as well as deferred financing costs, amendment costs and make-whole premiums, if any. We caution you that our actual interest expense will depend on prevailing interest rates and our rate of borrowing, which may be substantially higher than the estimate provided in this table.
- (7) "Other expenses" include our overhead expenses, including payments by us under the Administration Agreement based on the allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to us under the Administration Agreement, and expenses relating to the Dividend Reinvestment Plan, for the fiscal year ended December 31, 2023.
- (8) "Acquired fund fees and expenses" are the indirect costs of investing in the Company's joint venture, Great Lakes Funding II LLC. The operating expenses in this fee table will not correlate to the expense ratio in the Company's Financial Highlights because the consolidated financial statements include only the direct operating expenses incurred by the Company. Therefore, amounts may not agree with the Financial Highlights due to the inclusions in this table of Acquired Fund Fees and Expenses and certain other adjustments.
- (9) The holders of shares of our common stock indirectly bear the cost associated with our annual expenses.

Example

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in shares of our common stock. In calculating the following expense amounts, we have assumed that our borrowings and annual operating expenses would remain at the levels set forth in the table above. In the event that shares of our common stock are sold to or through underwriters, a prospectus supplement will restate this example to reflect the applicable sales load and offering expenses. See Note 6 above for additional information regarding certain assumptions regarding our level of leverage.

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a \$1,000 investment, assuming a 5.0% annual return	\$ 168	\$ 446	\$ 663	\$ 1,017

The example should not be considered a representation of future expenses, and actual expenses may be greater or less than those shown.

While the example assumes, as required by the applicable rules of the SEC, a 5.0% annual return, our performance will vary and may result in a return greater or less than 5.0%. The incentive fee under the Investment Advisory Agreement, which, assuming a 5.0% annual return, would either not be payable or would have an insignificant impact on the expense amounts shown above, is not included in the above example. The above illustration assumes that we will not realize any capital gains (computed net of all realized capital losses and unrealized capital depreciation) in any of the indicated time periods. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our expenses and returns to our investors would be higher. For example, if we assumed that we received our 5.0% annual return completely in the form of net realized capital gains on our investments, computed net of all cumulative unrealized depreciation on our investments, the projected dollar amount of total cumulative expenses set forth in the above illustration would be as follows:

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a \$1,000 investment, assuming a 5.0% annual return	\$ 178	\$ 468	\$ 689	\$ 1,036

The example assumes no sales load. However, in the event that securities are sold with a sales load, a prospectus supplement will provide a revised expense example that will include the effect of the sales load. In addition, while the examples assume reinvestment of all dividends and distributions at net asset value, participants in our dividend reinvestment plan will receive a number of shares of our common stock, generally determined by dividing the total dollar amount of the dividend payable to a participant by the market price per share of our common stock at the close of trading on the dividend payment date, which may be at, above or below net asset value.

SALES OF UNREGISTERED SECURITIES

Other than the shares issued pursuant to our DRIP, we did not engage in any sales of unregistered securities during the year ended December 31, 2023. During the year ended December 31, 2023, the Company issued 297 shares of common stock pursuant to its DRIP. This issuance was not subject to the registration requirements of the Securities Act. For the year ended December 31, 2023, the aggregate value of the shares of our common stock issued under our DRIP was \$5,959.

ISSUER PURCHASES OF EQUITY SECURITIES

The following table sets forth information regarding recent repurchases of shares of our common stock.

Period	Total Number of Shares Purchased	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (in millions)
January 1, 2023 through January 31, 2023	—	\$ N/A	—	\$ N/A
February 1, 2023 through February 28, 2023	—	N/A	—	N/A
March 1, 2023 through March 31, 2023	1,625	20.90	1,625	5.0
April 1, 2023 through April 30, 2023	3,551	21.10	3,551	4.9
May 1, 2023 through May 31, 2023	3,644	20.61	3,644	4.8
June 1, 2023 through June 30, 2023	5,292	19.85	5,292	4.7
July 1, 2023 through July 31, 2023	5,375	21.10	5,375	4.6
August 1, 2023 through August 31, 2023	6,524	21.29	6,524	4.5
September 1, 2023 through September 30, 2023	5,485	21.22	5,485	4.3
October 1, 2023 through October 31, 2023	3,872	20.62	3,872	4.3
November 1, 2023 through November 30, 2023	—	—	—	4.3
December 1, 2023 through December 31, 2023	1,299	23.05	1,299	4.2
Total	36,667		36,667	

⁽¹⁾ On March 6, 2023, the Company's Board authorized a share repurchase program whereby the Company could repurchase up to an aggregate of \$5.0 million of its outstanding shares of common stock in the open market. The repurchase program did not obligate the Company to acquire any specific number of shares, and all repurchases were made in accordance with SEC Rule 10b-18 and accomplished through a Rule 10b5-1 plan, which set certain restrictions on the method, timing, price and volume of share repurchases. On March 11, 2024, the Board authorized a new share repurchase program on substantially similar terms. Unless extended or discontinued by the Board, the new repurchase program will terminate on March 31, 2025. The repurchase program may be extended, modified or discontinued at any time for any reason without prior notice.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information contained in this section should be read in conjunction with our consolidated financial statements and related notes thereto appearing elsewhere in this Annual Report on Form 10-K. The discussion includes forward-looking statements that involve substantial risks and uncertainties and should be read in conjunction with the "Cautionary Statement Regarding Forward-Looking Statements" set forth on page 2 of this Annual Report on Form 10-K for further information regarding forward-looking statements. Except as otherwise indicated, the terms "we," "us," "our," the "Company," "Logan Ridge" and "LRF" refer to Logan Ridge Finance Corporation.

Overview

We are a Maryland corporation that has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We are managed by Mount Logan Management LLC (the "Investment Adviser" or the "Adviser"), and BC Partners Management LLC (the "Administrator") provides the administrative services necessary for us to operate.

We provide capital to lower and traditional middle-market companies in the United States ("U.S."), with a non-exclusive emphasis on the Southeast, Southwest, and Mid-Atlantic regions. We invest primarily in companies with a history of earnings growth and positive cash flow, proven management teams, products or services with competitive advantages and industry-appropriate margins. We primarily invest in companies with between \$5 million and \$50 million in trailing twelve-month earnings before interest, tax, depreciation, and amortization ("EBITDA").

We invest in first lien loans, and, to a lesser extent, second lien loans and equity securities issued by lower middle-market and traditional middle-market companies.

As a BDC, we are required to comply with certain regulatory requirements. For instance, we generally must invest at least 70% of our total assets in "qualifying assets," including securities of private or thinly traded public U.S. companies, cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less. In addition, we are only allowed to borrow money such that our asset coverage, as defined in the 1940 Act, equals at least 150%, if certain requirements are met, after such borrowing, with certain limited exceptions. The Small Business Credit Availability Act (the "SBICA") allows BDCs to decrease their asset coverage requirement from 200% to 150% (i.e., the amount of debt may not exceed 66.7% of the value of our total assets), if certain requirements are met. On November 1, 2018, our board of directors (the "Board"), including a "required majority" (as such term is defined in Section 57(o) of the 1940 Act) approved the application of the modified asset coverage, and as a result, our asset coverage ratio requirement for senior securities was changed from 200% to 150%, effective November 1, 2019. As of December 31, 2023, our asset coverage ratio was 184%. To maintain our regulated investment company ("RIC") status, we must meet specified source-of-income and asset diversification requirements. To maintain our RIC tax treatment under subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"), we must distribute at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, for the taxable year.

We believe we qualified as a RIC under the Code for the fiscal year ended December 31, 2023, and we intend to comply with the requirements to continue to qualify annually as a RIC under the Code. To maintain our RIC tax treatment under the Code, we must distribute at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, for the taxable year. As further discussed below, for the fiscal years ended December 31, 2022, 2021 and 2020, the Company failed the income source requirement under subchapter M of the Code, and thus did not qualify as a RIC under the Code for such years. The Company has determined that there would be no quantitative impact to the consolidated statements of assets and liabilities, the consolidated statements of operations, the consolidated statements of changes in net assets, and the consolidated statements of cash flows as of and for the years ended December 31, 2022, 2021 and 2020. See "Business – Failure to Qualify as a RIC."

Corporate History

We commenced operations on May 24, 2013 and completed our initial public offering ("IPO") on September 30, 2013. The Company was formed for the purpose of (i) acquiring, through a series of transactions, an investment portfolio from the following entities: CapitalSouth Partners Fund I Limited Partnership ("Fund I"); CapitalSouth Partners Fund II Limited Partnership ("Fund II"); CapitalSouth Partners Fund III, L.P. ("Fund III Parent"); CapitalSouth Fund III, L.P. (f/k/a CapitalSouth Partners SBIC Fund III, L.P.) ("Fund III") and CapitalSouth Partners Florida Sidecar Fund I, L.P. ("Florida Sidecar") and, collectively with Fund I, Fund II, Fund III and Fund III Parent, the "Legacy Funds"; (ii) raising capital in the IPO and (iii) continuing and expanding the business of the Legacy Funds by making additional debt and equity investments in lower middle-market and traditional middle-market companies.

On September 24, 2013, the Company acquired 100% of the limited partnership interests in Fund II, Fund III and Florida Sidecar and each of their respective general partners, as well as certain assets from Fund I and Fund III Parent, in exchange for an aggregate of 8,974,420 shares of the Company's common stock (the "Formation Transactions"). Fund II, Fund III and Florida Sidecar became the Company's wholly owned subsidiaries. Fund II and Fund III retained their small business investment company ("SBIC") licenses issued by the U.S. Small Business Administration ("SBA"), and continued to hold their existing investments at the time of IPO and have continued to make new investments after the IPO. The IPO consisted of the sale of 4,000,000 shares of the Company's common stock at a price of \$20.00 per share resulting in net proceeds to the Company of \$74.25 million, after deducting underwriting fees and commissions totaling \$4.0 million and offering expenses totaling \$1.75 million. The other costs of the IPO were borne by the limited partners of the Legacy Funds. During the fourth quarter of 2017, Florida Sidecar transferred all of its assets to the Company and was legally dissolved as a standalone partnership. On March 1, 2019, Fund II repaid its outstanding debentures guaranteed by the SBA ("SBA-guaranteed debentures") and relinquished its SBIC license. On June 10, 2021, Fund III repaid its SBA-guaranteed debentures and relinquished its SBIC license. As of December 31, 2023, there were no SBA-guaranteed debentures outstanding.

At the time of the Formation Transactions, our portfolio consisted of: (1) approximately \$326.3 million in investments; (2) an aggregate of approximately \$67.1 million in cash, interest receivable and other assets; and (3) liabilities of approximately \$202.2 million of SBA-guaranteed debentures payable. Fund III, our subsidiary, is licensed under the Small Business Investment Act, of 1958, as amended, and has elected to be regulated as BDC under the 1940 Act. Fund II, our subsidiary, was licensed under the SBIC Act until March 1, 2019 and has elected to be regulated as a BDC under the 1940 Act.

The Company has formed and expects to continue to form certain consolidated taxable subsidiaries (the "Taxable Subsidiaries"), which are taxed as corporations for U.S. federal income tax purposes. The Taxable Subsidiaries allow the Company to make equity investments in companies organized as pass-through entities while continuing to satisfy the requirements of a RIC under the Code.

Capitala Business Lending, LLC ("CBL"), a wholly-owned subsidiary of ours, was established on October 30, 2020, for the sole purpose of holding certain investments pledged as collateral under a senior secured revolving credit agreement with KeyBank National Association (the "KeyBank Credit Facility"). See "Financial Condition, Liquidity and Capital Resources" for more details. The financial statements of CBL are consolidated with those of Logan Ridge Finance Corporation.

In addition, we evaluate strategic opportunities available to us, including mergers with unaffiliated funds and affiliated funds, divestitures, spin-offs, joint ventures and other similar transactions from time to time. An example of an opportunity we are currently in the initial stages of evaluating is a potential merger with one or more of our affiliated 1940 Act funds, which may result in the use of an exchange ratio other than NAV-for-NAV (including but not limited to relative market price) in connection therewith.

Definitive Agreement

On April 20, 2021, Capitala Investment Advisors, LLC (“Capitala”), the Company’s former investment adviser, entered into a definitive agreement (the “Definitive Agreement”) with the Investment Adviser and Mount Logan Capital Inc. (“MLC”), both affiliates of BC Partners Advisors L.P. (“BC Partners”) for U.S. regulatory purposes, whereby Mount Logan acquired certain assets related to Capitala’s business of providing investment management services to the Company (the “Transaction”), through which the Investment Adviser became the Company’s investment adviser pursuant to an investment advisory agreement (the “Investment Advisory Agreement”) with the Company. At a special meeting of the Company’s stockholders (the “Special Meeting”) held on May 27, 2021, the Company’s stockholders approved the Investment Advisory Agreement. The transactions contemplated by the Definitive Agreement closed on July 1, 2021 (the “Closing”).

As part of the Transaction, beginning on July 1, 2021, the Investment Adviser entered into a two-year contractual fee waiver (the “Fee Waiver”) with the Company to waive, to the extent necessary, any capital gains fee under the Investment Advisory Agreement that exceeds what would have been paid to Capitala in the aggregate over such two-year period under the prior advisory agreement. The Fee Waiver expired at the end of the two-year period.

On the date of the Closing, the Company changed its name from Capitala Finance Corp. to Logan Ridge Finance Corporation and on July 2, 2021, the Company’s common stock began trading on the NASDAQ Global Select Market under the symbol “LRFC.”

On July 1, 2021, in connection with the Closing, the Company’s then-current interested directors and the Company’s then-current independent directors resigned as members of the Board and Ted Goldthorpe, the Chairman and Chief Executive Officer of the Company, along with Alexander Duka, George Grunebaum, and Robert Warshauer, were appointed as members of the Board (the “Directors”). The Directors were appointed by the Board to fill the vacancies created by the resignations described above and the Directors were appointed to the class of directors as determined by the Board in accordance with the Company’s organizational documents. The Company’s stockholders will have the opportunity to vote for each of the Directors when his class of directors is up for reelection.

All of the Company’s then-current officers resigned at the Closing and the Board appointed Ted Goldthorpe as the Company’s Chief Executive Officer and President, Jason Roos as the Company’s Chief Financial Officer, Treasurer and Secretary, Patrick Schafer as the Company’s Chief Investment Officer and David Held as the Company’s Chief Compliance Officer. On November 9, 2021, Jason Roos was replaced as Secretary and Treasurer of the Company by Brandon Satoren, who was also appointed as Chief Accounting Officer. Mr. Roos continues to serve as Chief Financial Officer of the Company.

Basis of Presentation

The Company is considered an investment company as defined in Accounting Standards Codification (“ASC”) Topic 946 — *Financial Services — Investment Companies* (“ASC 946”). The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”) and pursuant to the requirements for reporting on Form 10-K and Article 6 of Regulation S-X. The consolidated financial statements of the Company include the accounts of the Company and its wholly owned subsidiaries.

The Company’s financial statements as of December 31, 2023 and 2022, and for the years ended December 31, 2023, 2022 and 2021 are presented on a consolidated basis. The effects of all intercompany transactions between the Company and its subsidiaries (Fund II, Fund III, CBL, and the Taxable Subsidiaries) have been eliminated in consolidation. All financial data and information included in these consolidated financial statements have been presented on the basis described above. In the opinion of management, the consolidated financial statements reflect all adjustments that are necessary for the fair presentation of financial results as of and for the periods presented.

Consolidation

As provided under ASC 946, the Company will generally not consolidate its investment in a company other than an investment company subsidiary or a controlled operating company whose business consists of providing services to the Company. Accordingly, the Company consolidated the results of the Company’s wholly owned investment company subsidiaries (Fund II, Fund III, CBL, and the Taxable Subsidiaries) in its consolidated financial statements.

Revenues

We generate revenue primarily from the periodic cash interest we collect on our debt investments. In addition, most of our debt investments offer the opportunity to participate in a borrower’s equity performance through warrant participation, direct equity ownership or otherwise, which we expect to result in revenue in the form of dividends and/or capital gains. Further, we may generate revenue in the form of commitment fees, origination fees, amendment fees, diligence fees, monitoring fees, fees for providing managerial assistance and possibly consulting fees and performance-based fees. These fees will be recognized as they are earned.

Expenses

Our primary operating expenses include the payment of investment advisory fees to our Investment Adviser, our allocable portion of overhead and other expenses incurred by our Administrator in performing its obligations under the Administration Agreement and other operating expenses as detailed below. Our investment advisory fee will compensate our Investment Adviser for its work in identifying, evaluating, negotiating, closing, monitoring and servicing our investments. We will bear all other expenses of our operations and transactions, including (without limitation):

- the cost of our organization;
- the cost of calculating our net asset value, including the cost of any third-party valuation services;
- the cost of effecting sales and repurchases of our shares and other securities;
- interest payable on debt, if any, to finance our investments;
- fees payable to third parties relating to, or associated with, making investments (such as legal, accounting, and travel expenses incurred in connection with making investments), including fees and expenses associated with performing due diligence reviews of prospective investments and advisory fees;

- transfer agent and custodial fees;
- fees and expenses associated with marketing efforts;
- costs associated with our reporting and compliance obligations under the 1940 Act, the Securities Exchange Act of 1934, as amended (the “1934 Act”) other applicable federal and state securities laws and ongoing stock exchange listing fees;
- federal, state and local taxes;
- independent directors’ fees and expenses;
- brokerage commissions;
- costs of proxy statements, stockholders’ reports and other communications with stockholders;
- fidelity bond, directors’ and officers’ liability insurance, errors and omissions liability insurance and other insurance premiums;
- direct costs and expenses of administration, including printing, mailing, telephone and staff;
- fees and expenses associated with independent audits and outside legal costs; and
- all other expenses incurred by either our Administrator or us in connection with administering our business, including payments under the Administration Agreement that will be based upon our allocable portion of overhead and other expenses incurred by our Administrator in performing its obligations under the Administration Agreement, including rent, the fees and expenses associated with performing compliance functions, and our allocable portion of any costs of compensation and related expenses of our chief compliance officer, our chief financial officer, and their respective administrative support staff.

Income Taxes

Prior to the Formation Transactions, the Legacy Funds were treated as partnerships for U.S. federal, state and local income tax purposes and, therefore, no provision was made in the accompanying consolidated financial statements for federal, state or local income taxes. In accordance with the partnership tax law requirements, each partner would include their respective components of the Legacy Funds’ taxable profits or losses, as shown on their Schedule K-1, in their respective tax or information returns. Subsequent to the Formation Transactions, the Legacy Funds became disregarded entities for tax purposes.

The Company has elected to be treated as a RIC under subchapter M of the Code. The Company believes it qualified as a RIC under the Code for the fiscal year ended December 31, 2023, and the Company intends to comply with the requirements to continue to qualify annually as a RIC under the Code. As further discussed below, for the fiscal years ended December 31, 2022, 2021 and 2020, the Company failed the income source requirement under subchapter M of the Code, and thus did not qualify as a RIC under the Code for such years. The Company has determined that there would be no quantitative impact to the consolidated statements of assets and liabilities, the consolidated statements of operations, the consolidated statements of changes in net assets, and the consolidated statements of cash flows as of and for the years ended December 31, 2022, 2021 and 2020. See “Business – Failure to Qualify as a RIC” as well as “Note 7. – Income Taxes” for additional information.

In order to qualify for tax treatment as a RIC, among other requirements, the Company is required to timely distribute to its stockholders at least 90.0% of its investment company taxable income, as defined by the Code, for each fiscal tax year. The Company will be subject to a nondeductible U.S. federal excise tax of 4.0% on undistributed income if it does not distribute an amount at least equal to the sum of (i) 98.0% of its ordinary income for the calendar year, (ii) 98.2% of its capital gains in excess of capital losses for the one-year period ending on October 31 of the calendar year, and (iii) any ordinary income and capital gain net income that it recognized for preceding years, but were not distributed during such years, and on which it paid no U.S. federal income tax.

Depending on the level of taxable income earned in an excise tax year, the Company may choose to carry forward taxable income in excess of current year dividend distributions into the next excise tax year and pay a 4.0% excise tax on such income, as required. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions for U.S. federal excise tax purposes, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. Since the Company’s IPO, the Company has not accrued or paid excise tax.

The tax years ended December 31, 2023, 2022, 2021 and 2020 remain subject to examination by U.S. federal, state, and local tax authorities. No material interest expense or penalties have been assessed for the years ended December 31, 2023, 2022, 2021 and 2020. If the Company were required to recognize interest and penalties, if any, related to unrecognized tax benefits, this would be recognized as income tax expense in the consolidated statements of operations.

The Company records deferred tax assets or liabilities related to temporary book versus tax differences on the income or loss generated by the underlying equity investments held by the Company’s Taxable Subsidiaries as well as temporary book versus tax differences generated by the Company during the years the Company did not qualify as a RIC (see “Note 7. – Income Taxes”).

As of December 31, 2023 and 2022, the Company recorded a net deferred tax asset of zero. For the years ended December 31, 2023, 2022 and 2021, the Company recorded a tax provision of zero, \$0.1 million, and zero, respectively.

As of December 31, 2023 and 2022, the valuation allowance on the Company’s Taxable Subsidiaries’ net deferred tax asset was \$3.9 million and \$4.0 million, respectively. During the years ended December 31, 2023, 2022 and 2021, the Company’s Taxable Subsidiaries recognized a (decrease) increase in the valuation allowance of \$(0.1) million, \$1.5 million, and \$(2.1) million, respectively.

As of December 31, 2022, 2021 and 2020, the years the Company did not qualify as RIC, the valuation allowance on the Company’s net deferred tax asset was \$31.9 million, \$29.2 million and \$33.3 million, respectively, excluding the Taxable Subsidiaries. For the years ended December 31, 2022, 2021 and 2020, the Company, excluding its Taxable Subsidiaries, recognized an increase (decrease) in the valuation allowance of \$2.7 million, \$(4.1) million, and \$33.3 million, respectively. See “Note 7. – Income Taxes” for further details.

In accordance with certain applicable U.S. Treasury regulations and other guidance issued by the Internal Revenue Service, a publicly offered RIC may treat a distribution of its own stock as fulfilling its RIC distribution requirements if each stockholder may elect to receive its entire distribution in either cash or stock of the RIC, subject to a limitation on the aggregate amount of cash available to be distributed to all stockholders, which limitation must be at least 20.0% of the aggregate declared distribution. If too many stockholders elect to receive cash, each stockholder electing to receive cash must receive a pro rata amount of cash (with the balance of the distribution paid in stock). In no event will any stockholder, electing to receive cash, receive less than 20.0% of its entire distribution in cash. If these and certain other requirements are met, for U.S. federal income tax purposes, the amount of the dividend paid in stock will be equal to the amount of cash that could have been received instead of stock.

U.S. GAAP provides guidance on thresholds, measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition that is intended to provide better financial statement comparability among different entities.

ASC Topic 740 — *Income Taxes* (“ASC 740”) provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the consolidated financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company’s tax returns to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Tax positions deemed to meet a “more-likely-than-not” threshold would be recorded as a tax benefit or expense in the current period. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the consolidated statements of operations. As of December 31, 2023 and 2022, there were no uncertain tax positions.

The Company is required to determine whether a tax position of the Company is more likely-than-not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized could result in the Company recording a tax liability that could negatively impact the Company’s net assets.

The Company has concluded that it was not necessary to record a liability for any such tax positions as of December 31, 2023 or 2022. However, the Company’s conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, ongoing analyses of, and changes to, tax laws, regulations and interpretations thereof.

Portfolio and Investment Activity

The Company’s investment objective is to generate both current income and capital appreciation through debt and equity investments. The Company offers customized financing to business owners, management teams and financial sponsors for change of ownership transactions, recapitalizations, strategic acquisitions, business expansion and other growth initiatives. The Company invests primarily in first lien loans, and, to a lesser extent, second lien loans and equity securities issued by lower middle-market companies and traditional middle-market companies. As of December 31, 2023, our portfolio consisted of investments in 60 portfolio companies with a fair value of approximately \$189.7 million.

Most of the Company’s debt investments are structured as first lien loans. First lien loans may contain some minimum amount of principal amortization, excess cash flow sweep feature, prepayment penalties, or any combination of the foregoing. First lien loans are secured by a first priority lien in existing and future assets of the borrower and may take the form of term loans, delayed draw facilities, or revolving credit facilities. Unitranche debt, a form of first lien loan, typically involves issuing one debt security that blends the risk and return profiles of both senior secured and subordinated debt, bifurcating the loan into a first-out tranche and last-out tranche. As of December 31, 2023, none of the fair value of our first lien loans consisted of last-out loans. As of December 31, 2022, 1.9% of the fair value of our first lien loans consisted of last-out loans. In some cases, first lien loans may be subordinated, solely with respect to the payment of cash interest, to an asset based revolving credit facility.

The Company also invests in debt instruments structured as second lien loans. Second lien loans are loans which have a second priority security interest in all or substantially all of the borrower’s assets, and in some cases, may be subject to the interruption of cash interest payments upon certain events of default, at the discretion of the first lien lender.

During the year ended December 31, 2023, we made approximately \$33.2 million of investments and had approximately \$43.7 million in repayments and sales of investments resulting in net repayments and sales of approximately \$10.5 million for the year. During the year ended December 31, 2022, we made approximately \$107.7 million of investments and had approximately \$94.0 million in repayments and sales of investments resulting in net deployment of approximately \$13.7 million for the year.

As of December 31, 2023, our debt investment portfolio, which represented 82.0% of the fair value of our total portfolio, had a weighted average annualized yield of approximately 11.1% (excluding the income from non-accruals and collateralized loan obligations). As of December 31, 2023, 13.6% of the fair value of our debt investment portfolio was bearing a fixed rate of interest. As of December 31, 2022, our debt investment portfolio, which represented 83.2% of the fair value of our total portfolio, had a weighted average annualized yield of approximately 10.4% (excluding the income from non-accruals and collateralized loan obligations). As of December 31, 2022, 17.2% of the fair value of our debt investment portfolio was bearing a fixed rate of interest.

The weighted average annualized yield is calculated based on the effective interest rate as of period end, divided by the fair value of our debt investments. The weighted average annualized yield of our debt investments is not the same as a return on investment for our stockholders but, rather, relates to a portion of our investment portfolio and is calculated before the payment of all of our fees and expenses. There can be no assurance that the weighted average annualized yield will remain at its current level.

As of December 31, 2023, the Company’s Adviser approved the fair value of the Company’s investment portfolio of approximately \$189.7 million in good faith in accordance with the Company’s valuation procedures. The Company’s Adviser approved the fair value of the Company’s investment portfolio as of December 31, 2023 with input from third-party valuation firms and the Investment Adviser, as valuation designee, based on information known or knowable as of the valuation date, including trailing and forward looking data.

As of December 31, 2023, we had debt investments in three portfolio companies on non-accrual status with an aggregate amortized cost of \$17.2 million and an aggregate fair value of \$12.8 million, which represented 8.7% and 6.8% of the investment portfolio, respectively. As of December 31, 2022, we had debt investments in one portfolio company on non-accrual status with an aggregate amortized cost of \$11.9 million and an aggregate fair value of \$9.7 million, which represented 5.4% and 4.8% of the investment portfolio, respectively.

The following table summarizes the amortized cost and the fair value of investments as of December 31, 2023 (dollars in thousands):

	Investments at Amortized Cost	Amortized Cost Percentage of Total Portfolio	Investments at Fair Value	Fair Value Percentage of Total Portfolio
First Lien Debt	\$ 128,537	65.4 %	\$ 124,007	65.4 %
Second Lien Debt	8,968	4.6 %	7,918	4.2 %
Subordinated Debt	26,573	13.5 %	23,548	12.4 %
Collateralized Loan Obligations	1,600	0.8 %	1,600	0.8 %
Joint Venture	440	0.2 %	450	0.2 %
Equity	30,400	15.5 %	32,135	17.0 %
Total	\$ 196,518	100.0 %	\$ 189,658	100.0 %

The following table summarizes the amortized cost and the fair value of investments as of December 31, 2022 (dollars in thousands):

	Investments at Amortized Cost	Amortized Cost Percentage of Total Portfolio	Investments at Fair Value	Fair Value Percentage of Total Portfolio
First Lien Debt	\$ 143,047	64.9 %	\$ 136,896	67.3 %
Second Lien Debt	8,283	3.8 %	6,464	3.2 %
Subordinated Debt	26,571	12.0 %	25,851	12.7 %
Collateralized Loan Obligations	6,185	2.8 %	4,972	2.4 %
Joint Venture	414	0.2 %	403	0.2 %
Equity	36,016	16.3 %	29,006	14.2 %
Total	\$ 220,516	100.0 %	\$ 203,592	100.0 %

The following table shows the portfolio composition by industry grouping at fair value as of December 31, 2023 and 2022 (dollars in thousands):

	December 31, 2023		December 31, 2022	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Healthcare	\$ 47,934	25.3 %	42,594	20.9 %
Business Services	29,555	15.6 %	24,570	12.1 %
Financials	24,213	12.8 %	35,660	17.5 %
Information Technology	21,860	11.5 %	17,330	8.5 %
Industrials	16,558	8.7 %	15,631	7.7 %
Consumer Discretionary	10,180	5.4 %	13,505	6.6 %
Healthcare Management	9,465	5.0 %	9,695	4.8 %
Automobile Part Manufacturer	5,510	2.9 %	4,992	2.5 %
Advertising & Marketing Services	4,160	2.2 %	3,562	1.7 %
Communication Services	4,029	2.1 %	896	0.4 %
Textile Equipment Manufacturer	3,860	2.0 %	5,001	2.5 %
Medical Device Distributor	3,425	1.8 %	4,360	2.1 %
Financial Services	2,445	1.3 %	6,651	3.3 %
Online Merchandise Retailer	2,095	1.1 %	3,701	1.8 %
Consumer Staples	1,737	0.9 %	4,825	2.4 %
Household Product Manufacturer	758	0.4 %	758	0.4 %
Oil & Gas Engineering and Consulting Services	670	0.4 %	258	0.1 %
Data Processing & Digital Marketing	509	0.3 %	509	0.2 %
Electronic Machine Repair	245	0.1 %	271	0.1 %
Testing Laboratories	238	0.1 %	723	0.4 %
General Industrial	212	0.1 %	641	0.3 %
Entertainment	—	—	7,459	3.7 %
Total	\$ 189,658	100.0 %	\$ 203,592	100.0 %

All investments by the Company as of December 31, 2023 and 2022 were made in portfolio companies located in the U.S.

Great Lakes Funding II LLC

In August 2022, the Company invested in Great Lakes Funding II LLC - Series A (the "Great Lakes II Joint Venture"), a joint venture with an investment strategy to underwrite and hold senior, secured unitranche loans made to middle-market companies. The Company treats its investment in the Great Lakes II Joint Venture as a joint venture since an affiliate of the Adviser controls a 50% voting interest in the Great Lakes II Joint Venture.

The Great Lakes II Joint Venture is a Delaware series limited liability company, and pursuant to the terms of the Great Lakes Funding II LLC Limited Liability Company Agreement (the "Great Lakes II LLC Agreement"), prior to the end of the investment period with respect to each series established under the Great Lakes II LLC Agreement, each member of the predecessor series would be offered the opportunity to roll its interests into any subsequent series of the Great Lakes II Joint Venture. The Company does not pay any advisory fees in connection with its investment in the Great Lakes II Joint Venture. Certain other funds managed by the Adviser or its affiliates have also invested in the Great Lakes II Joint Venture.

The fair value of the Company's investment in the Great Lakes II Joint Venture at December 31, 2023 was \$0.5 million. Fair value has been determined utilizing the net asset value as a practical expedient pursuant to U.S. GAAP. Pursuant to the terms of the Great Lakes II LLC Agreement, the Company generally may not effect any direct or indirect sale, transfer, assignment, hypothecation, pledge or other disposition of or encumbrance upon its interests in the Great Lakes II Joint Venture, except

that the Company may sell or otherwise transfer its interests with the consent of the managing members of the Great Lakes II Joint Venture or to an affiliate or a successor to substantially all of the assets of the Company.

As of December 31, 2023, the Company has an unfunded commitment to the Great Lakes II Joint Venture of less than \$0.1 million.

RESULTS OF OPERATIONS

Set forth below are the results of operations for the years ended December 31, 2023 and 2022. For information regarding results of operations for the year ended December 31, 2021, see the Company's Form 10-K for the fiscal year ended December 31, 2022, located within Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations as filed with the SEC on March 9, 2023, which is incorporated by reference herein.

Our operating results for the years ended December 31, 2023 and 2022 were as follows (dollars in thousands):

	For the Years Ended December 31,	
	2023	2022
Total investment income	\$ 20,177	\$ 14,927
Total expenses	16,330	16,089
Net investment income (loss)	3,847	(1,162)
Net realized (loss) gain on investments	(16,393)	13,769
Net change in unrealized appreciation (depreciation) on investments	10,064	(24,631)
Net decrease in net assets resulting from operations	\$ (2,482)	\$ (12,024)

Investment income

The composition of our investment income for the years ended December 31, 2023 and 2022 was as follows (dollars in thousands):

	For the Years Ended December 31,	
	2023	2022
Interest income	\$ 18,366	\$ 13,666
Payment-in-kind interest	1,484	1,106
Dividend income	68	14
Other income	259	141
Total investment income	\$ 20,177	\$ 14,927

The income reported as interest income and PIK interest income is generally based on the stated rates as disclosed in our consolidated schedules of investments. Accretion of discounts received for originated and purchased loans is included in interest income as an adjustment to yield. As a general rule, interest income and PIK interest income are recurring in nature.

We earn dividends on certain equity investments within our investment portfolio. As noted in our consolidated schedules of investments, some investments may be scheduled to pay a periodic dividend, though these recurring dividends do not make up a significant portion of our total investment income. We may receive, and have received, more substantial one-time dividends from our equity investments.

We also generate other income primarily through origination fees charged for new investments, and secondarily via amendment fees, consent fees, prepayment penalties, and other fees. While fee income is typically non-recurring for each investment, most of our new investments include an origination fee; as such, fee income is dependent upon our volume of directly originated investments and the fee structure associated with those investments.

For the year ended December 31, 2023, total investment income increased by \$5.3 million, or 35.2%, compared to the year ended December 31, 2022.

The increase from the prior year was driven primarily by an increase in interest income, from \$13.7 million for the year ended December 31, 2022 to \$18.4 million for the year ended December 31, 2023. The increase in interest income is primarily due to a larger interest earning debt portfolio as well as increases in base rates for the year ended December 31, 2023 compared to the year ended December 31, 2022.

For more information on the effects and potential effects of the discontinuation of LIBOR, see *"The interest rates of some of our floating-rate loans to our portfolio companies may be priced using a spread over LIBOR, which is being phased out."*

PIK income increased from \$1.1 million for the year ended December 31, 2022 to \$1.5 million for the year ended December 31, 2023. The increase in PIK income was due to an increase in investments with a contractual PIK rate.

Dividend income increased from less than \$0.1 million for the year ended December 31, 2022 to \$0.1 million for the year ended December 31, 2023 due to less one-time dividends received from portfolio companies during the year ended December 31, 2022.

For the year ended December 31, 2023, we generated \$0.3 million of other income primarily from origination fees, amendment fees, and prepayment fees received on new investments. Comparatively, for the year ended December 31, 2022, we generated \$0.1 million primarily from origination fees received on new investments.

Operating expenses

The composition of our expenses for the years ended December 31, 2023 and 2022 was as follows (dollars in thousands):

	For the Years Ended December 31,	
	2023	2022
Interest and financing expenses	\$ 8,329	\$ 7,815
Base management fee	3,658	3,861
Directors' fees	540	493
Administrative service fees	895	620
General and administrative expenses	2,908	3,300
Total expenses	<u>\$ 16,330</u>	<u>\$ 16,089</u>

For the year ended December 31, 2023, operating expenses increased by \$0.2 million, or 1.5%, compared to the year ended December 31, 2022. Interest and financing expenses increased from \$7.8 million for the year ended December 31, 2022 to \$8.3 million for the year ended December 31, 2023 primarily due to a higher cost of capital during the year ended December 31, 2023 as a result of increases in base rates. Our base management fee declined from \$3.9 million for the year ended December 31, 2022 to \$3.7 million for the year ended December 31, 2023 due to lower average assets under management. No incentive fees were earned during the years ended December 31, 2023 and 2022. Administrative services fees increased to \$0.9 million for the year ended December 31, 2023 from \$0.6 million for the year ended December 31, 2022. General and administrative expenses decreased from \$3.3 million for the year ended December 31, 2022 to \$2.9 million for the year ended December 31, 2023.

Net realized gains (losses) on sales of investments

During the years ended December 31, 2023 and 2022, we recognized \$16.4 million of net realized losses and \$13.8 million of net realized gains on our portfolio investments, respectively. The change in realized gains and losses was primarily due to changes in the market conditions of our investments and the values at which they were realized, caused by the fluctuations in the market and in the economy.

Net unrealized appreciation (depreciation) on investments

Net change in unrealized appreciation (depreciation) on investments reflects the net change in the fair value of our investment portfolio. For the years ended December 31, 2023 and 2022, we had \$10.1 million and \$(24.6) million of net change in unrealized appreciation (depreciation) on investments, respectively. The net change in unrealized appreciation (depreciation) on our investments for the year ended December 31, 2023 compared to the prior year was primarily due to changes in the capital market conditions of our investments and the values at which they were realized, caused by the fluctuation in the market and in the economy.

Changes in net assets resulting from operations

For the years ended December 31, 2023 and 2022, we recorded a net decrease in net assets resulting from operations of \$2.5 million and \$12.0 million, respectively. Based on the weighted average shares of common stock outstanding for the years ended December 31, 2023 and 2022, our per share net decrease in net assets resulting from operations was \$0.92 and \$4.44, respectively.

For the years ended December 31, 2022 and 2021

The comparison of the fiscal years ended December 31, 2022 and 2021 can be found in our annual report on Form 10-K for the fiscal year ended December 31, 2022 located within Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, which is incorporated by reference herein.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2023, we had \$3.9 million in cash and cash equivalents, and our net assets totaled \$89.2 million.

We use and intend to use existing cash primarily to originate investments in new and existing portfolio companies, pay distributions to our stockholders, and repay indebtedness.

Since our IPO, we have raised approximately \$136.0 million in net proceeds from equity offerings through December 31, 2023.

KeyBank Credit Facility

On October 30, 2020, Capitala Business Lending, LLC ("CBL"), a direct, wholly owned, consolidated subsidiary of the Company, entered into a senior secured revolving credit agreement ("the KeyBank Credit Facility") with the investment adviser at the time, as collateral manager, the lenders from time to time parties thereto (each a "Lender"), KeyBank National Association, as administrative agent, and U.S. Bank National Association, as custodian. The KeyBank Credit Facility was amended on May 10, 2022 and October 20, 2022. Under the KeyBank Credit Facility, the Lenders have agreed to extend credit to CBL in an aggregate principal amount of up to \$75.0 million as of May 10, 2022, with an uncommitted accordion feature that allows the Company to borrow up to an additional \$125.0 million. The KeyBank Credit Facility matures on May 10, 2027, unless there is an earlier termination or event of default. The period during which the Lenders may make loans to CBL under the KeyBank Credit Facility commenced on October 30, 2020 and will continue through May 10, 2025, unless there is an earlier termination or event of default. Borrowings under the KeyBank Credit Facility bear interest at 1M Term SOFR plus 2.90% during the 3-year revolving period and 3.25% thereafter, with a 0.40% 1M Term SOFR floor. CBL will also pay an unused commitment fee at a rate of (1) 1.00% if utilization is less than or equal to 30.0%, (2) 0.65% if utilization is greater than 30.0% but less than or equal to 60.0%, or (3) 0.35% if utilization is greater than 60.0%, per annum on the unutilized portion of the aggregate commitments under the KeyBank Credit Facility. As of December 31, 2023, there were draws of \$39.6 million on the KeyBank Credit Facility. The KeyBank Credit Facility includes customary events of default for revolving credit facilities of this nature. As of December 31, 2023, assets pledged to secure the KeyBank Credit Facility had a fair value of \$111.2 million.

2032 Convertible Notes

On April 1, 2022, we issued \$15.0 million in aggregate principal amount of 5.25% fixed-rate convertible notes due April 1, 2032 (the "2032 Convertible Notes").

The 2032 Convertible Notes are convertible, at the holder's option and at any time on or prior to the close of business on the business day immediately preceding the maturity date, into such number of shares of the Company's common stock as is equal to the principal balance of the notes being converted on such date divided by the "Conversion Price," as described below. We will not issue more than 539,503 shares of common stock in the aggregate under the purchase agreement governing the 2032 Convertible Notes (the "Purchase Agreement"); however, such number of shares may be adjusted from time to time to give effect to any forward or reverse stock splits with respect to the common stock as well as any further adjustments described in the purchase agreement. The "Conversion Price" will be equal to the average "Closing Sale Price" for the five "Trading Days" immediately prior to the relevant "Conversion Date," as those terms are defined in the Purchase Agreement, subject to certain anti-dilutive provisions, as further described in the Purchase Agreement. No holder of a 2032 Convertible Note will be entitled to convert any such note or portion thereof if such conversion would result in more than \$7,500,000 in principal amount of 2032 Convertible Notes being converted in any such calendar quarter. We have determined that the embedded conversion option in the 2032 Convertible Notes is not required to be separately accounted for as a derivative under U.S. GAAP.

We obtained an Investment Grade rating from a Nationally Recognized Statistical Rating Organization ("NRSRO") with respect to the 2032 Convertible Notes. The 2032 Convertible Notes have a fixed interest rate of 5.25% per annum payable semi-annually on March 31 and September 30 of each year, commencing on September 30, 2022, subject to a step up of 0.75% per annum to the extent that the 2032 Convertible Notes are downgraded below Investment Grade by an NRSRO or the 2032 Convertible Notes no longer maintain a rating from an NRSRO. We will also be required to pay an additional interest rate of 2.0% per annum (x) on any overdue payment of interest and (y) during the continuance of an "Event of Default." In addition, on the occurrence of a "Change in Control Repurchase Event" or "Delisting Event," as defined in the Purchase Agreement, the Company will generally be required to make an offer to purchase the outstanding 2032 Convertible Notes at a price equal to 100% of the principal amount of such 2032 Convertible Notes plus accrued and unpaid interest to the repurchase date. The 2032 Convertible Notes are redeemable prior to maturity. The Company, at its option, may satisfy any payment, redemption, conversion or pre-payment obligations under the Purchase Agreement by issuing shares of common stock, paying cash or some combination of both issuing shares of common stock and paying cash. No "sinking fund" is provided for the 2032 Convertible Notes. As of December 31, 2023, the Company had \$15.0 million in 2032 Convertible Notes outstanding.

2026 Notes

On October 29, 2021, we issued \$50.0 million in aggregate principal amount of 5.25% fixed rate notes due October 30, 2026 (the "2026 Notes") at 98.00% pursuant to a supplemental indenture with U.S. Bank National Association (the "Trustee"), which supplements that certain base indenture, dated as of June 16, 2014. The 2026 Notes were issued in a private placement exempt from registration under the Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"). The net proceeds to the Company were approximately \$48.8 million, after deducting estimated offering expenses. The Notes will mature on October 30, 2026 and may be redeemed in whole or in part at the Company's option at any time or from time to time at the redemption prices set forth in the Indenture. The Notes bear interest at a rate of 5.25% per year payable semi-annually on April 30 and October 30 of each year, commencing on April 30, 2022. The Notes are general unsecured obligations of the Company that rank senior in right of payment to all of the Company's existing and future indebtedness that is expressly subordinated in right of payment to the Notes, rank *pari passu* with all existing and future unsecured unsubordinated indebtedness issued by the Company, rank effectively junior to any of the Company's secured indebtedness (including unsecured indebtedness that the Company later secures) to the extent of the value of the assets securing such indebtedness, and rank structurally junior to all existing and future indebtedness (including trade payables) incurred by the Company's subsidiaries, financing vehicles or similar facilities.

In July 2022, pursuant to the requirements of a registration rights agreements entered into in connection with the offering described above, the Company completed an exchange offer pursuant to which all of the outstanding 2026 Notes were exchanged for notes with substantially identical terms, but that are registered under the Securities Act (which notes are also referred to herein as the "2026 Notes").

As of December 31, 2023, we had approximately \$50.0 million in aggregate principal amount of 2026 Notes outstanding.

Asset Coverage Ratio

We are only allowed to borrow money such that our asset coverage, as defined in the 1940 Act, equals at least 150% if certain requirements are met, after such borrowing, with certain limited exceptions. The SBCA allows BDCs to decrease their asset coverage requirement from 200% to 150% (i.e., the amount of debt may not exceed 66.7% of the value of total assets), if certain requirements are met. On November 1, 2018, the Board, including a "required majority" (as such term is defined in Section 57(o) of the 1940 Act) approved the application of the modified asset coverage and as a result, our asset coverage ratio requirement for senior securities was changed from 200% to 150%, effective November 1, 2019. As of December 31, 2023, our asset coverage ratio was 184%. If our asset coverage ratio falls below 150% due a decline in the fair market of our portfolio, we may be limited in our ability to raise additional debt.

Contractual Obligations

We have entered into two contracts under which we have material future commitments: the Investment Advisory Agreement, pursuant to which the Investment Adviser serves as our investment adviser, and the Administration Agreement, pursuant to which our Administrator agrees to furnish us with certain administrative services necessary to conduct our day-to-day operations. Payments under the Investment Advisory Agreement in future periods will be equal to: (1) a percentage of the value of our gross assets; and (2) an incentive fee based on our performance. Payments under the Administration Agreement will occur on an ongoing basis as expenses are incurred on our behalf by our Administrator.

The Investment Advisory Agreement and the Administration Agreement are each terminable by either party without penalty upon 60 days' written notice to the other. If either of these agreements is terminated, the costs we incur under new agreements may increase. In addition, we will likely incur significant time and expense in locating alternative parties to provide the services we expect to receive under both our Investment Advisory Agreement and our Administration Agreement. Any new investment advisory agreement would also be subject to approval by our stockholders.

A summary of our significant contractual payment obligations as of December 31, 2023 are as follows (dollars in millions):

	Contractual Obligations Payments Due by Period				Total
	Less Than 1 Year	1 – 3 Years	3 – 5 Years	More Than 5 Years	
2026 Notes	\$ —	\$ 50.0	\$ —	\$ —	\$ 50.0
2032 Convertible Notes	—	—	—	15.0	15.0
KeyBank Credit Facility	—	—	39.6	—	39.6
Total Contractual Obligations	\$ —	\$ 50.0	\$ 39.6	\$ 15.0	\$ 104.6

Senior Securities

Information about the Company's senior securities as of December 31, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014 are shown in the following table.

Class and Year	Total Amount Outstanding ⁽¹⁾	Assets Coverage Per Unit ⁽²⁾⁽⁶⁾	Involuntary Liquidation Preference per Unit ⁽³⁾	Average Market Value per Unit ⁽⁴⁾
KeyBank Credit Facility⁽⁵⁾				
2023	\$ 39,553	\$ 1,839	—	N/A
2022	55,937	1,771	—	N/A
2021	—	1,849	—	N/A
2020	—	1,900	—	N/A
ING Credit Facility⁽⁵⁾				
2019	\$ —	\$ 2,200	—	N/A
2018	10,000	2,400	—	N/A
2017	9,000	2,600	—	N/A
2016	44,000	2,600	—	N/A
2015	70,000	2,500	—	N/A
2014	—	1,800	—	N/A
2022 Convertible Notes				
2023	\$ 15,000	\$ 1,839	—	N/A
2022	15,000	1,771	—	N/A
2026 Notes				
2023	\$ 50,000	\$ 1,839	—	N/A
2022	50,000	1,771	—	N/A
2021	50,000	1,849	—	N/A
2022 Notes				
2021	\$ 22,833	\$ 1,849	—	\$ 1,002
2020	72,833	1,900	—	867
2019	75,000	2,200	—	1,000
2018	75,000	2,400	—	996
2017	75,000	2,600	—	1,014
2022 Convertible Notes				
2021	\$ 52,088	\$ 1,849	—	\$ 1,005
2020	52,088	1,900	—	856
2019	52,088	2,200	—	994
2018	52,088	2,400	—	984
2017	52,088	2,600	—	1,001
SBA-guaranteed debentures				
2020	\$ 91,000	N/A	—	N/A
2019	150,000	N/A	—	N/A
2018	165,700	N/A	—	N/A
2017	170,700	N/A	—	N/A
2016	170,700	N/A	—	N/A
2015	184,200	N/A	—	N/A
2014	192,200	\$ 1,800	—	N/A
2021 Notes				
2016	\$ 113,438	\$ 2,600	—	\$ 1,006
2015	113,438	2,500	—	1,020
2014	113,438	1,800	—	1,036

(1) Total amount of each class of senior securities outstanding at the end of the period presented in thousands.

(2) Asset coverage per unit is the ratio of the carrying value of our total consolidated assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness. Asset coverage per unit is expressed in terms of dollar amounts per \$1,000 of indebtedness. Amounts are rounded to the nearest \$1,000.

(3) The amount to which such class of senior security would be entitled upon the involuntary liquidation of the issuer in preference to any security junior to it. The "—" indicates information that the SEC expressly does not require to be disclosed for certain types of senior securities.

(4) Not applicable except for the 2021 Notes, the 2022 Notes and the 2022 Convertible Notes which are publicly traded. The Average Market Value Per Unit is calculated by taking the daily average closing price during the period and dividing it by twenty-five dollars per share and multiplying the result by one thousand to determine a unit price per thousand consistent with Asset Coverage Per Unit.

(5) On June 19, 2020, the Company unilaterally terminated the ING Credit Facility.

(6) We have excluded our SBA-guaranteed debentures from the asset coverage calculation as of December 31, 2020, 2019, 2018, 2017, 2016 and 2015 pursuant to the exemptive relief granted by the SEC in June 2014 that permits us to exclude such debentures from the definition of senior securities in the asset coverage ratio we are required to satisfy under the 1940 Act.

Distributions

In order to qualify as a RIC and to avoid corporate-level U.S. federal income tax on the income we timely distribute to our stockholders, we are required to distribute at least 90% of our ordinary income and our net short-term capital gains in excess of net long-term capital losses, if any, to our stockholders on an annual basis. Additionally, to avoid U.S. federal excise tax, we must distribute for each calendar year an amount at least equal to the sum of 98% of our ordinary income (during the calendar year) plus 98.2% of our capital gain net income (during each 12-month period ending on October 31 in that calendar year) plus any ordinary income and capital gain net income that we recognized for preceding years, but were not distributed during such years, and on which we paid no U.S. federal income tax. We made quarterly distributions to our stockholders for the first four full quarters subsequent to our IPO. To the extent we had income available, we made monthly distributions to our stockholders from October 30, 2014 until March 30, 2020. As announced on April 1, 2020, distributions, if any, will be made on a quarterly basis effective for the second quarter of 2020. Our stockholder distributions, if any, will be determined by our Board on a quarterly basis. Any distributions to our stockholders will be declared out of

assets legally available for distribution. During the year ended December 31, 2023, the Company made distributions of \$0.96 per share. The Company's Board determined not to declare any distributions during the years ended December 31, 2022 and 2021.

We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of our distributions from time to time, and from time to time we may decrease the amount of our distributions. In addition, we may be limited in our ability to make distributions due to the asset coverage requirements applicable to us as a BDC under the 1940 Act. If we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including the possible loss of our qualification as a RIC. We cannot assure stockholders that they will receive any distributions.

To the extent our taxable earnings fall below the total amount of our distributions for that fiscal year, a portion of those distributions may be deemed a return of capital to our stockholders for U.S. federal income tax purposes. Thus, the source of a distribution to our stockholders may be the original capital invested by the stockholder rather than our income or gains. Stockholders should read any written disclosure accompanying any stockholder distribution carefully and should not assume that the source of any distribution is our ordinary income or capital gains.

We have adopted an "opt out" dividend reinvestment plan ("DRIP") for our common stockholders. As a result, if we declare a distribution, then stockholders' cash distributions will be automatically reinvested in additional shares of our common stock unless a stockholder specifically "opts out" of our DRIP. If a stockholder opts out, that stockholder will receive cash distributions. Although distributions paid in the form of additional shares of our common stock will generally be subject to U.S. federal, state, and local taxes in the same manner as cash distributions, stockholders participating in our DRIP will not receive any corresponding cash distributions with which to pay any such applicable taxes.

Related Parties

We have entered into the Investment Advisory Agreement with the Investment Adviser. The Company is externally managed by the Investment Adviser, an affiliate of BC Partners, pursuant to the Investment Advisory Agreement. Mr. Goldthorpe, an interested member of the Board, has a direct or indirect pecuniary interest in the Investment Adviser. The Investment Adviser is a registered investment adviser under the Advisers Act. The Investment Adviser is an affiliate of BC Partners Advisors L.P. for U.S. regulatory purposes. MLC is the ultimate control person of the Investment Adviser.

Under the Investment Advisory Agreement, fees payable to the Investment Adviser equal (i) the Base Management Fee and (ii) the Incentive Fee. Unless earlier terminated as described below, the Investment Advisory Agreement will remain in effect from year-to-year if approved annually by a majority of the Board or by the holders of a majority of the outstanding shares, and, in each case, a majority of the independent directors.

Pursuant to the Administration Agreement, the Administrator provides administrative services to the Company necessary for the operations of the Company, which include providing to the Company office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities and such other services as the Administrator, subject to review by the Board, shall from time to time deem to be necessary or useful to perform its obligations under the applicable Administration Agreement. The Administrator also provides to the Company portfolio collection functions for and is responsible for the financial and other records that the Company is required to maintain and prepares, prints and disseminates reports to the Company's stockholders and reports and all other materials filed with the SEC.

For providing these services, facilities and personnel, the Company reimburses the Administrator the allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations under the Administration Agreement, including the Company's allocable portion of the costs of compensation and related expenses of its chief financial officer and chief compliance officer and their respective staffs.

On April 10, 2023, superseding a prior exemptive order granted on October 23, 2018, the SEC issued an order granting an application for exemptive relief to us and certain of our affiliates that allows BDCs managed by the Investment Adviser, including Logan Ridge, to co-invest, subject to the satisfaction of certain conditions, in certain private placement transactions, with other funds managed by the Investment Adviser or its affiliates, certain proprietary accounts of the Investment Adviser or its affiliates and any future funds that are advised by the Investment Adviser or its affiliated investment advisers. Under the terms of the exemptive order, in order for Logan Ridge to participate in a co-investment transaction, a "required majority" (as defined in Section 57(o) of the 1940 Act) of Logan Ridge's independent directors; must conclude that (i) the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair to Logan Ridge and its stockholders and do not involve overreaching with respect of Logan Ridge or its stockholders on the part of any person concerned, and (ii) the proposed transaction is consistent with the interests of Logan Ridge's stockholders and is consistent with Logan Ridge's investment objectives and strategies and certain criteria established by the Board. We believe this relief may not only enhance our ability to further our investment objectives and strategies, but may also increase favorable investment opportunities for us, in part by allowing us to participate in larger investments, together with our co-investment affiliates, than would be available to us in the absence of such relief.

Off-Balance Sheet Arrangements

As of December 31, 2023 and 2022, the Company had the following unfunded commitments to existing portfolio companies (dollars in thousands):

Portfolio Company	Investment	December 31, 2023	December 31, 2022
Accordion Partners LLC ⁽¹⁾	First Lien/Senior Secured Debt	\$ N/A	\$ 897
Accordion Partners LLC (Revolver)	First Lien/Senior Secured Debt	1,531	1,531
American Clinical Solutions, LLC ⁽¹⁾	First Lien/Senior Secured Debt	250	N/A
BetaNXT, Inc. (Revolver)	First Lien/Senior Secured Debt	408	453
Bradshaw International, Inc. (Revolver)	First Lien/Senior Secured Debt	922	922
Critical Nurse Staffing, LLC ⁽¹⁾	First Lien/Senior Secured Debt	N/A	2,063
Critical Nurse Staffing, LLC (Revolver)	First Lien/Senior Secured Debt	1,000	700
Dentive, LLC ⁽¹⁾	First Lien/Senior Secured Debt	344	598
Dentive, LLC (Revolver)	First Lien/Senior Secured Debt	148	187
Epic Staffing Group ⁽¹⁾	First Lien/Senior Secured Debt	N/A	872
Great Lakes Funding II LLC - Series A	Joint Venture	55	80
GreenPark Infrastructure, LLC - Series M-1	Common Stock and Membership Units	732	732
IDC Infusion Services, LLC ⁽¹⁾	First Lien/Senior Secured Debt	799	N/A
Keg Logistics LLC (Revolver)	First Lien/Senior Secured Debt	—	436
Marble Point Credit Management LLC (Revolver)	First Lien/Senior Secured Debt	N/A	2,500
Morae Global Corporation (Revolver)	First Lien/Senior Secured Debt	292	N/A
Orthopaedic (ITC) Buyer, LLC ⁽¹⁾	First Lien/Senior Secured Debt	638	N/A
Premier Imaging, LLC ⁽¹⁾	First Lien/Senior Secured Debt	N/A	1,378
PhyNet Dermatology LLC ⁽¹⁾	First Lien/Senior Secured Debt	259	N/A
Tactical Air Support, Inc. ⁽¹⁾	First Lien/Senior Secured Debt	286	N/A
Taoglas Group Holdings Limited (Revolver)	First Lien/Senior Secured Debt	261	N/A
VBC Spine Opco, LLC (DxTx Pain and Spine LLC) ⁽¹⁾	First Lien/Senior Secured Debt	713	N/A
VBC Spine Opco, LLC (DxTx Pain and Spine LLC) (Revolver)	First Lien/Senior Secured Debt	97	N/A
Wealth Enhancement Group, LLC (Revolver)	First Lien/Senior Secured Debt	438	438
Total Unfunded Commitments		\$ 9,173	\$ 13,787

⁽¹⁾ Delayed-draw term loan.

We have no other off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Recent Developments

On March 11, 2024, the Company's Board of Directors authorized a new share repurchase program, whereby the Company may repurchase up to an aggregate of \$5.0 million of its outstanding common shares in the open market. Unless extended or discontinued by the Company's Board of Directors, the repurchase program will terminate on March 31, 2025. The repurchase program may be extended, modified or discontinued at any time for any reason without prior notice. The repurchase program does not obligate the Company to acquire any specific number of shares, and all repurchases will be made in accordance with SEC Rule 10b-18 and accomplished through a Rule 10b5-1 plan, which sets certain restrictions on the method, timing, price and volume of share repurchases.

On March 11, 2024, the Company's Board of Directors approved a distribution of \$0.32 per share payable on April 2, 2024 to stockholders of record as of March 25, 2024.

On March 11, 2024, Brandon Satoren was appointed by the Board as Chief Financial Officer of the Company, effective April 1, 2024. Mr. Satoren currently serves as the Chief Accounting Officer, Secretary and Treasurer of the Company, and will remain in those roles. Mr. Satoren serves as the Chief Accounting Officer, Secretary, and Treasurer of other registered investment companies within the broader BC Partners Credit platform, and has over 14 years of experience in the asset management industry.

The Company does not pay cash compensation or provide other benefits directly to Mr. Satoren or to any of its other executive officers. Mr. Satoren is an employee of BC Partners Advisors LP, the indirect sole owner of the Administrator, which is compensated for the services it provides to the Company pursuant to the terms of the Administration Agreement. Pursuant to the Administration Agreement, the Company makes payments equal to an amount that reimburses the Administrator for its costs and expenses in performing its obligations and providing personnel and facilities (including rent, office equipment and utilities) for the Company's use under the Administration Agreement, including an allocable portion of the compensation paid to Mr. Satoren.

Mr. Satoren: (i) was not appointed as the Company's Chief Financial Officer pursuant to any arrangement or understanding with any other person; (ii) does not have a family relationship with any of the Company's directors or other executive officers; and (iii) there are no transactions in which Mr. Satoren has an interest requiring disclosure under Item 404(a) of Regulation S-K.

On March 11, 2024, the Board received and accepted the resignation of Jason T. Roos from his position as the Chief Financial Officer of the Company, effective March 31, 2024. Mr. Roos' resignation is not related or due to any disagreement with the Company on any matter relating to the Company's operations, policies or practices. Mr. Roos will serve in an advisory role at BC Partners Advisors LP for an extended period of time.

Critical Accounting Policies and Estimates

In the preparation of our consolidated financial statements and related disclosures, we have adopted various accounting policies that govern the application of U.S. GAAP. Our significant accounting policies are described in Note 2 to the consolidated financial statements. While all of these policies are important to understanding our consolidated financial statements, certain accounting policies and estimates are considered critical due to their impact on the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses for the periods covered by such consolidated financial statements. We have identified investment valuation, revenue recognition, and income taxes as our most critical accounting estimates. We continuously evaluate our estimates, including those related to the matters described below. Because of the nature of the judgments and assumptions we make, actual results could materially differ from those estimates under different assumptions or conditions. A discussion of our critical accounting policies follows.

Valuation of Investments

Investment transactions are recorded on the trade date. Realized gains or losses on investments are calculated using the specific identification method as the difference between the net proceeds received (excluding prepayment fees, if any) and the amortized cost basis of the investment without regard to unrealized appreciation or depreciation previously recognized, and include investments charged off during the period, net of recoveries. Net change in unrealized appreciation or depreciation reflects the change in portfolio investment values during the reporting period, including any reversal of previously recorded unrealized appreciation or depreciation when gains or losses are recognized.

Investments for which market quotations are available are typically valued at those market quotations. To validate market quotations, the Company will utilize a number of factors to determine if the quotations are representative of fair value, including the source and number of the quotations.

Debt that is not publicly traded but for which there are external pricing sources available as of the valuation date is valued using independent broker-dealer, market maker quotations or independent pricing services. The valuation committee, comprised of members of the Adviser, (the "Valuation Committee") subjects these quotes to various criteria including, but not limited to, the number and quality of quotes, the deviation among the quotes and information derived from analyzing the Company's own transactions in such investments throughout the reporting period. Generally, such investments are categorized in level 2 of the fair value hierarchy, unless the Valuation Committee determines that the quality, quantity or deviation among quotes warrants significant adjustment to the inputs utilized.

The Board has designated the Adviser as its "valuation designee" pursuant to Rule 2a-5 under the 1940 Act, and in that role the Adviser is responsible for performing fair value determinations relating to all of the Company's investments, including periodically assessing and managing any material valuation risks and establishing and applying fair value methodologies, in accordance with valuation policies and procedures that have been approved by the Board. The Board remains ultimately responsible for fair value determinations under the 1940 Act and satisfies its responsibility through oversight of the valuation designee in accordance with Rule 2a-5. Investments that are not publicly traded or whose market prices are not readily available, as is expected to be the case for substantially all of the Company's investments, are valued at fair value as determined in good faith by the Adviser, based on, among other things, input of independent third-party valuation firm(s).

The Adviser undertakes a multi-step valuation process, which includes, among other procedures, the following:

- The Company's quarterly valuation process begins with each portfolio company or investment being initially valued using certain inputs, among others, provided by the investment professionals responsible for the portfolio investment in conjunction with the Company's portfolio management team. The Company utilizes an independent valuation firm to provide valuation on each material illiquid security at least once every trailing 12-month period;
- Preliminary valuations are reviewed and discussed with management of the Adviser and investment professionals; and
- the Adviser will review the valuations and determine the fair value of each investment. Valuations that are not based on readily available market quotations will be valued in good faith based on, among other things, the input of, where applicable, third parties.

As part of the valuation process, the Adviser may consider other information and may use valuation methods including but not limited to (i) market quotes for similar investments, (ii) recent trading activity, (iii) discounting forecasted cash flows of the investment, (iv) models that consider the implied yields from comparable debt, (v) third party appraisal, (vi) sale negotiations and purchase offers received from independent parties and (vii) estimated value of underlying assets to be received in liquidation or restructuring.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may fluctuate from period to period. Additionally, the fair value of such investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that may ultimately be realized. Further, such investments are generally less liquid than publicly traded securities and may be subject to contractual and other restrictions on resale. If the Company were required to liquidate a portfolio investment in a forced or liquidation sale, it could realize amounts that are different from the amounts presented and such differences could be material.

In addition, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the unrealized gains or losses reflected herein.

Under existing accounting guidance, fair value is defined as the price that the Company would receive upon selling an investment or pay to transfer a liability in an orderly transaction to a market participant in the principal or most advantageous market for the investment. This accounting guidance emphasizes valuation techniques that maximize the use of observable market inputs and minimize the use of unobservable inputs. Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances.

The Company classifies the inputs used to measure these fair values into the following hierarchy as defined by current accounting guidance:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible to the Company.

Level 2: Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

Level 3: Significant inputs that are unobservable for an asset or liability.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Investments for which no external pricing sources are available as of the valuation date are included in level 3 of the fair value hierarchy.

As a practical expedient, the Company uses net asset value ("NAV") as the fair value for its equity investment in Great Lakes Funding II LLC ("Great Lakes II Joint Venture"). The Great Lakes II Joint Venture records its underlying investments at fair value on a quarterly basis in accordance with the 1940 Act and U.S. GAAP.

Enterprise Value Waterfall Approach

The enterprise value waterfall approach determines an enterprise value based on EBITDA multiples of publicly traded companies that are considered similar to the subject portfolio company. The Company considers a variety of items in determining a reasonable pricing multiple, including, but not limited to, operating results, budgeted projections, growth, size, risk, profitability, leverage, management depth, diversification, market position, supplier or customer dependence, asset utilization, liquidity metrics, and access to capital markets. EBITDA of the portfolio company is adjusted for non-recurring items in order to reflect a normalized level of earnings that is representative of future earnings. In certain instances, the Company may also utilize revenue multiples to determine enterprise value. When available, the Company

may assign a pricing multiple or value its investments based on the value of recent investment transactions in the subject portfolio company or offers to purchase the portfolio company. The enterprise value is adjusted for financial instruments with seniority to the Company's ownership and for the effect of any instrument which may dilute the Company's investment in the portfolio company. The adjusted enterprise value is then apportioned based on the seniority and privileges of the Company's investments within the portfolio company.

Income Approach

The income approach utilizes a discounted cash flow methodology in which the Company estimates fair value based on the present value of expected cash flows discounted at a market rate of interest. The determination of a discount rate, or required rate of return, takes into account the portfolio company's fundamentals and perceived credit risk. Because the majority of the Company's portfolio companies do not have a public credit rating, determining a discount rate often involves assigning an implied credit rating based on the portfolio company's operating metrics compared to average metrics of similar publicly rated debt. Operating metrics include, but are not limited to, EBITDA, interest coverage, leverage ratio, return on capital, and debt to equity ratios. The implied credit rating is used to assign a base discount rate range based on publicly available yields on similarly rated debt securities. The Company may apply a premium to the discount rate utilized in determining fair value when performance metrics and other qualitative information indicate that there is an additional level of uncertainty about collectability of cash flows.

Asset Approach

The asset approach values an investment based on the value of the underlying collateral securing the investment.

Revenue Recognition

The Company's revenue recognition policies are as follows:

Interest income and paid-in-kind interest income: Interest income is recorded on the accrual basis to the extent that such amounts are expected to be collected. The Company has loans in the portfolio that contain a PIK interest provision. PIK interest, which represents contractually deferred interest added to the loan balance that is generally due at maturity, is recorded on the accrual basis to the extent that such amounts are expected to be collected. PIK interest is not accrued if the Company does not expect the issuer to be able to pay all principal and interest when due.

Non-accrual investments: Management reviews all loans that become 90 days or more past due, or when there is reasonable doubt that principal or interest will be collected, for possible placement on non-accrual status. When the Company otherwise does not expect the borrower to be able to service its debt and other obligations, the Company will place the loan on non-accrual status and will generally cease recognizing interest income and PIK interest on that loan for financial reporting purposes. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment. The Company writes off any previously accrued and uncollected cash interest when it is determined that interest is no longer considered collectible. Non-accrual loans are returned to accrual status when the borrower's financial condition improves such that management believes current interest and principal payments are expected to be collected.

Gains and losses on investment sales and paydowns: Realized gains and losses on investments are recognized using the specific identification method.

Dividend income and paid-in-kind dividends: Dividend income is recognized on the date dividends are declared. The Company holds preferred equity investments in the portfolio that contain a PIK dividend provision. PIK dividends, which represent contractually deferred dividends added to the equity balance, are recorded on the accrual basis to the extent that such amounts are expected to be collected. The Company will typically cease accrual of PIK dividends when the fair value of the equity investment is less than the cost basis of the investment or when it is otherwise determined by management that PIK dividends are unlikely to be collected. If management determines that a decline in fair value is temporary in nature and PIK dividends are more likely than not to be collected, management may elect to continue accruing PIK dividends.

Original issue discount: Discounts received to par on loans purchased are capitalized and accreted into income over the life of the loan. Any remaining discount is accreted into income upon prepayment of the loan.

Other income: Origination fees (to the extent services are performed to earn such income), amendment fees, consent fees, and other fees associated with investments in portfolio companies are recognized as income when they are earned. Prepayment penalties received by the Company for debt instruments repaid prior to the maturity date are recorded as income upon receipt.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to financial market risks, including valuation risk and interest rate risk. Changes in interest rates may affect both our cost of funding and our interest income from portfolio investments and cash and cash equivalents. Generally, a rise in the general level of interest rates can be expected to lead to higher interest rates applicable to any variable rate investments we may hold and to declines in the value of any fixed rate investments we may hold. However, for those variable rate investments we may hold that provide for an interest rate floor, our interest income will not decrease below a threshold amount. To the extent that a substantial portion of our investments may be in variable rate investments, an increase in interest rates beyond this threshold would make it easier for us to meet or exceed the hurdle rate applicable to the upper level breakpoint of the pre-incentive fee net investment income incentive fee, and may result in a substantial increase in our net investment income and to the amount of incentive fees payable to the Adviser with respect to our increased pre-incentive fee net investment income. Conversely, a decline in the general level of interest rates, including the current environment, can be expected to lead to lower interest rates applicable to any variable rate investments we may hold and to increases in the value of any fixed rate investments we may hold. Such a decrease would make it more difficult for us to meet or exceed the hurdle rate applicable to the upper level breakpoint of the pre-incentive fee net investment income incentive fee, and may result in a substantial decrease in our net investment income and to the amount of incentive fees payable to the Adviser with respect to our decreased pre-incentive fee net investment income.

In addition, we borrow funds in order to make additional investments. Our net investment income will depend, in part, upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. As a result, we will be subject to risks relating to changes in market interest rates. In periods of rising interest rates when we or any future subsidiaries have debt outstanding or financing arrangements in effect, our interest expense will increase, which could reduce our net investment income, especially to the extent we hold fixed rate investments.

We may hedge against interest rate fluctuations by using standard hedging instruments such as futures, options and forward contracts subject to the requirements of the 1940 Act. For the year ended December 31, 2023, we did not engage in hedging activities.

We invest primarily in illiquid debt of private companies. Most of our investments will not have a readily available market price, and we value these investments at fair value as determined in good faith by our Advisor, subject to the oversight of our Board, based on, among other things, the input of independent third-party valuation firm(s), and in accordance with our valuation policy. There is no single technique for determining fair value. As a result, determining fair value requires that judgment be

applied to the specific facts and circumstances of each portfolio investment while employing a consistently applied valuation process for the types of investments we make. If, in the future, we are required to liquidate a portfolio investment in a forced or liquidation sale, we may realize amounts that are different from the amounts presented and such differences could be material.

Valuation Risk

We have invested, and plan to continue to invest, primarily in illiquid debt and equity securities of private companies. Most of our investments do not have a readily available market price, and we value these investments at fair value as determined in good faith by our Adviser as valuation designee subject to the oversight of our Board, in accordance with our valuation policy. There is no single standard for determining fair value in good faith. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment while employing a consistently applied valuation process for the types of investments we make. If we were required to liquidate a portfolio investment in a forced or liquidation sale, we may realize amounts that are different from the amounts presented and such differences could be material.

Interest Rate Risk

We are subject to financial market risks, including changes in interest rates. Changes in interest rates may affect both our cost of funding and our interest income from portfolio investments and cash and cash equivalents. We may hedge against interest rate fluctuations by using standard hedging instruments such as futures, options, and forward contracts subject to the requirements of the 1940 Act. During the year ended December 31, 2023, we did not engage in hedging activities.

As of December 31, 2023, we held 48 securities bearing a variable rate of interest. Our variable rate investments represent approximately 86.4% of the fair value of our total debt investments. As of December 31, 2023, none of our variable rate securities were yielding interest at a rate equal to the established interest rate floor. As of December 31, 2023, we had \$39.6 million outstanding on our KeyBank Credit Facility, which has a variable rate of interest at one-month SOFR + 2.90%, subject to an interest rate floor of 0.40%. As of December 31, 2023, all of our other interest paying liabilities, consisting of \$15.0 million in 2032 Convertible Notes and \$50.0 million in 2026 Notes, were bearing interest at a fixed rate.

Interest rate sensitivity refers to the change in earnings that may result from changes in the level of interest rates. Because we fund a portion of our investments with borrowings, our net investment income is affected by the difference between the rate at which we invest and the rate at which we borrow. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. In addition, in a prolonged low interest rate environment, including a reduction of LIBOR to zero, the difference between the total interest income earned on interest earning assets and the total interest expense incurred on interest bearing liabilities may be compressed, reducing our net interest income and potentially adversely affecting our operating results.

Based on our December 31, 2023 consolidated statement of assets and liabilities, the following table shows the annual impact on net income (excluding the potential related incentive fee impact) of base rate changes in interest rates (considering interest rate floors for variable rate securities) assuming no changes in our investment and borrowing structure (dollars in thousands):

Basis Point Change	Increase (decrease) in interest income	(Increase) decrease in interest expense	Increase (decrease) in net income
Up 300 basis points	\$ 4,235	\$ (1,203)	\$ 3,032
Up 200 basis points	2,823	(802)	2,021
Up 100 basis points	1,412	(401)	1,011
Down 100 basis points	(1,412)	401	(1,011)
Down 200 basis points	(2,823)	802	(2,021)
Down 300 basis points	\$ (4,176)	\$ 1,203	\$ (2,973)

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
<u>Report of Independent Registered Public Accounting Firm (PCAOB ID No 34)</u>	F-2
Audited Financial Statements:	
<u>Consolidated Statements of Assets and Liabilities as of December 31, 2023 and 2022</u>	F-4
<u>Consolidated Statements of Operations for the years ended December 31, 2023, 2022, and 2021</u>	F-5
<u>Consolidated Statements of Changes in Net Assets for the years ended December 31, 2023, 2022, and 2021</u>	F-6
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2023, 2022, and 2021</u>	F-7
<u>Consolidated Schedules of Investments as of December 31, 2023 and 2022</u>	F-8
<u>Notes to Consolidated Financial Statements</u>	F-12

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Logan Ridge Finance Corporation

Opinion on the Consolidated Financial Statements and Financial Highlights

We have audited the accompanying consolidated statements of assets and liabilities of Logan Ridge Finance Corporation and subsidiaries (the "Company"), including the consolidated schedules of investments, as of December 31, 2023 and 2022, the related consolidated statements of operations, cash flows, changes in net assets, and the consolidated financial highlights for each of the three years in the period then ended, and the related notes (collectively referred to as "financial statements and financial highlights"). In our opinion, the financial statements and financial highlights present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations, changes in net assets, cash flows, and financial highlights for each of the three years in the period then ended in conformity with accounting principles generally accepted in the United States of America. The financial highlights for the years ended December 31, 2020 and 2019 were audited by other auditors whose report dated March 8, 2021, expressed an unqualified opinion on such financial highlights.

Basis for Opinion

These financial statements and financial highlights are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements and financial highlights based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Our audits also included evaluating the accounting principles used and significant estimates made by the Company, as well as evaluating the overall presentation of the financial statements and financial highlights. Our procedures included confirmation of investments owned as of December 31, 2023 and 2022, by correspondence with the custodian, loan agents, and borrowers; when replies were not received, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements and financial highlights that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Fair Value of Level 3 Investments — Refer to Notes 2 and 4 to the financial statements

Critical Audit Matter Description

The Company held investments classified as Level 3 investments under accounting principles generally accepted in the United States of America. These investments included debt and equity securities with unique contract terms and conditions and/or complexity that considers a combination of multiple levels of market and asset specific inputs. The valuation techniques used in estimating the fair value of these investments vary and certain significant inputs used were unobservable.

We identified the valuation of Level 3 investments as a critical audit matter because of the judgments necessary for management to select valuation techniques and to use significant unobservable inputs to estimate the fair value, including discount rates utilized. This required a high degree of auditor judgement and extensive audit effort to audit management's estimate of fair value of Level 3 investments, including the need to involve fair value specialists possessing relevant valuation experience to evaluate the appropriateness of the valuation techniques and the significant unobservable inputs used in the valuation of certain investments.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the valuation of certain Level 3 investments included the following, among other factors:

1. We evaluated the design and implementation of controls over the Company's valuation of Level 3 investments, including those related to valuation techniques and significant unobservable inputs.
2. We evaluated the appropriateness of the valuation techniques used for Level 3 investments and tested the related significant unobservable inputs by comparing these inputs to external sources.
3. For certain Level 3 investments, we performed procedures with the assistance of internal fair value specialists to evaluate the valuation techniques and significant unobservable inputs and assumptions utilized.
4. We evaluated management's ability to estimate fair value by comparing management's historical estimates to subsequent transactions, taking into account changes in market or investment specific conditions, and performing back testing, where applicable.

/s/ Deloitte & Touche LLP

New York, New York
March 26, 2024

We have served as the Company's auditor since 2021.

LOGAN RIDGE FINANCE CORPORATION
CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
(in thousands, except share and per share data)

	As of December 31, 2023	As of December 31, 2022
ASSETS		
Investments at fair value:		
Non-control/non-affiliate investments (amortized cost of \$170,972 and \$191,435, respectively)	\$ 161,880	\$ 177,268
Affiliate investments (amortized cost of \$25,546 and \$29,081, respectively)	27,778	26,324
Total investments at fair value (amortized cost of \$196,518 and \$220,516, respectively)	189,658	203,592
Cash and cash equivalents	3,893	6,793
Interest and dividend receivable	1,374	1,578
Prepaid expenses	2,163	2,682
Other assets	—	65
Total assets	\$ 197,088	\$ 214,710
LIABILITIES		
2026 Notes (net of deferred financing costs and original issue discount of \$1,057 and \$1,421, respectively)	48,943	48,579
2032 Convertible Notes (net of deferred financing costs and original issue discount of \$999 and \$1,117, respectively)	14,001	13,883
KeyBank Credit Facility (net of deferred financing costs of \$982 and \$1,322, respectively)	38,571	54,615
Management and incentive fees payable	869	933
Interest and financing fees payable	949	973
Accounts payable and accrued expenses	833	722
Payable for unsettled trades	3,747	—
Total liabilities	\$ 107,913	\$ 119,705
Commitments and contingencies (Note 2)		
NET ASSETS		
Common stock, par value \$0.01, 100,000,000 common shares authorized, 2,674,698 and 2,711,068 common shares issued and outstanding, respectively	\$ 27	\$ 27
Capital in excess of par value	188,405	191,038
Total distributable loss	(99,257)	(96,060)
Total net assets	\$ 89,175	\$ 95,005
Total liabilities and net assets	\$ 197,088	\$ 214,710
Net asset value per share	\$ 33.34	\$ 35.04

See accompanying notes to consolidated financial statements.

LOGAN RIDGE FINANCE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)

	For the Years Ended December 31,		
	2023	2022	2021
INVESTMENT INCOME			
Interest income:			
Non-control/non-affiliate investments	\$ 18,536	\$ 12,732	\$ 10,068
Affiliate investments	(170)	706	4,368
Control investments	—	228	389
Total interest income	<u>18,366</u>	<u>13,666</u>	<u>14,825</u>
Payment-in-kind interest and dividend income:			
Non-control/non-affiliate investments	1,322 ⁽¹⁾	919	95
Affiliate investments	162	187	361
Total payment-in-kind interest and dividend income	<u>1,484</u>	<u>1,106</u>	<u>456</u>
Dividend income:			
Non-control/non-affiliate investments	—	—	727
Affiliate investments	68	14	179
Total dividend income	<u>68</u>	<u>14</u>	<u>906</u>
Other income:			
Non-control/non-affiliate investments	258	141	479
Affiliate investments	1	—	88
Total other income	<u>259</u>	<u>141</u>	<u>567</u>
Total investment income	<u>20,177</u>	<u>14,927</u>	<u>16,754</u>
EXPENSES			
Interest and financing expenses	8,329	7,815	10,569
Base management fee	3,658	3,861	4,846
Directors' expense	540	493	410
Administrative service fees	895	620	1,039
General and administrative expenses	2,908	3,300	3,483
Total expenses	<u>16,330</u>	<u>16,089</u>	<u>20,347</u>
NET INVESTMENT INCOME (LOSS)	<u>3,847</u>	<u>(1,162)</u>	<u>(3,593)</u>
REALIZED AND UNREALIZED (LOSS) GAIN ON INVESTMENTS			
Net realized (loss) gain on investments:			
Non-control/non-affiliate investments	(16,393)	17,312	(10,442)
Affiliate investments	—	1,672	2,475
Control investments	—	(5,215)	—
Net realized (loss) gain on investments	<u>(16,393)</u>	<u>13,769</u>	<u>(7,967)</u>
Net change in unrealized appreciation (depreciation) on investments:			
Non-control/non-affiliate investments	5,075	(25,434)	13,058
Affiliate investments	4,989	(1,208)	(908)
Control investments	—	2,011	(1,483)
Net change in unrealized appreciation (depreciation) on investments	<u>10,064</u>	<u>(24,631)</u>	<u>10,667</u>
Total net realized and change in unrealized (loss) gain on investments	<u>(6,329)</u>	<u>(10,862)</u>	<u>2,700</u>
Net realized loss on extinguishment of debt	—	—	(1,025)
Total federal tax provision (benefit), net (Note 7)	—	—	—
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ (2,482)</u>	<u>\$ (12,024)</u>	<u>\$ (1,918)</u>
NET DECREASE IN NET ASSETS PER SHARE RESULTING FROM OPERATIONS – BASIC & DILUTED (SEE NOTE 10)	<u>\$ (0.92)</u>	<u>\$ (4.44)</u>	<u>\$ (0.71)</u>
WEIGHTED AVERAGE COMMON STOCK OUTSTANDING – BASIC & DILUTED (SEE NOTE 10)	2,694,857	2,711,068	2,711,068
DISTRIBUTIONS PAID PER SHARE	<u>\$ 0.96</u>	<u>\$ —</u>	<u>\$ —</u>

⁽¹⁾ During the year ended December 31, 2023, the Company received \$0.2 million of non-recurring income that was paid-in-kind and included in this financial statement line item.

See accompanying notes to consolidated financial statements.

LOGAN RIDGE FINANCE CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
(in thousands, except share data)

For the Years Ended December 31, 2021, 2022 and 2023	Common Stock		Capital in Excess of Par Value	Total Distributable Loss	Total
	Number of Shares	Par Value			
BALANCE, December 31, 2020	2,711,068	\$ 27	\$ 229,481	\$ (120,561)	\$ 108,947
Net investment loss	—	—	—	(3,593)	(3,593)
Net realized loss on investments	—	—	—	(7,967)	(7,967)
Net change in unrealized appreciation on investments	—	—	—	10,667	10,667
Net realized loss on extinguishment of debt	—	—	—	(1,025)	(1,025)
Tax reclassification of stockholders' equity	—	—	(40,635)	40,635	—
BALANCE, December 31, 2021	2,711,068	\$ 27	\$ 188,846	\$ (81,844)	\$ 107,029
Net investment loss	—	—	—	(1,162)	(1,162)
Net realized gain on investments	—	—	—	13,769	13,769
Net change in unrealized depreciation on investments	—	—	—	(24,631)	(24,631)
Tax reclassification of stockholders' equity	—	—	2,192	(2,192)	—
BALANCE, December 31, 2022	2,711,068	\$ 27	\$ 191,038	\$ (96,060)	\$ 95,005
Net investment income	—	—	—	3,847	3,847
Net realized loss on investments	—	—	—	(16,393)	(16,393)
Net change in unrealized appreciation on investments	—	—	—	10,064	10,064
Repurchase of common stock	(36,667)	—	(769)	—	(769)
Stock issued under dividend reinvestment plan	297	—	6	—	6
Distributions declared	—	—	—	(2,585)	(2,585)
Tax reclassification of stockholders' equity	—	—	(1,870)	1,870	—
BALANCE, December 31, 2023	2,674,698	\$ 27	\$ 188,405	\$ (99,257)	\$ 89,175

See accompanying notes to consolidated financial statements.

LOGAN RIDGE FINANCE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Years Ended December 31,		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net decrease in net assets resulting from operations	\$ (2,482)	\$ (12,024)	\$ (1,918)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by (used in) operating activities:			
Purchase of investments	(33,220)	(107,698)	(89,432)
Repayments and sales of investments	43,677	94,034	169,616
Net realized loss (gain) on investments	16,393	(13,769)	7,967
Net change in unrealized (appreciation) depreciation on investments	(10,064)	24,631	(10,667)
Net realized loss on extinguishment of debt	—	—	1,025
Payment-in-kind interest and dividends	(1,484)	(1,106)	(456)
Accretion of original issue discount on investments	(1,368)	(1,495)	(525)
Amortization of deferred financing fees and original issue discount	823	931	1,412
Changes in assets and liabilities:			
Interest and dividend receivable	204	(649)	1,357
Prepaid expenses	519	676	(2,281)
Receivable for unsettled trades	—	685	(685)
Other assets	65	(65)	—
Management and incentive fees payable	(64)	(132)	(2,777)
Interest and financing fees payable	(24)	62	(777)
Payable for unsettled trades	3,747	(9,265)	9,265
Accounts payable and accrued expenses	111	(422)	1,116
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	16,833	(25,606)	82,240
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of SBA-guaranteed debentures	—	—	(91,000)
Prepayment penalty on SBA-guaranteed debentures	—	—	(519)
Proceeds from issuance of 2026 Notes	—	—	49,000
Proceeds from issuance of 2032 Convertible Notes	—	13,950	—
Repayment of 2022 Notes	—	(22,833)	—
Repayment of 2022 Convertible Notes	—	(52,088)	(50,000)
Borrowings under KeyBank Credit Facility	19,400	82,632	25,000
Repayments under KeyBank Credit Facility	(35,785)	(26,695)	(25,000)
Distributions paid to shareholders	(2,579)	—	—
Repurchase of common stock	(769)	—	—
Deferred financing fees paid	—	(1,623)	(607)
NET CASH USED IN FINANCING ACTIVITIES	(19,733)	(6,657)	(93,126)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,900)	(32,263)	(10,886)
CASH AND CASH EQUIVALENTS, beginning of period	6,793	39,056	49,942
CASH AND CASH EQUIVALENTS, end of period	\$ 3,893	\$ 6,793	\$ 39,056
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid for interest	\$ 7,472	\$ 6,412	\$ 10,604
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING TRANSACTIONS			
Distributions paid through dividend reinvestment plan share issuances	\$ 6	\$ —	\$ —

See accompanying notes to consolidated financial statements.

LOGAN RIDGE FINANCE CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS
DECEMBER 31, 2023
(in thousands, except for units/shares)

Investment (1), (2), (3), (4), (5)	Industry	Interest Rate (+)	Reference Rate and Spread (+)	Floor (+)	Maturity	Par/Shares (++)	Cost	Fair Value	Footnotes
Investments in Non-Control, Non-Affiliate Portfolio Companies - 181.5%									
First Lien/Senior Secured Debt - 136.2%									
Accordian Partners LLC	Industrials	11.60%	SOFR + 6.25%	0.75%	08/29/2029	5,413	\$ 5,312	\$ 5,410	(16)
Accordian Partners LLC (Revolver)	Industrials	—	SOFR + 6.25%	0.75%	08/31/2028	—	(27)	(2)	(12)(17)
Accurate Background, LLC	Information Technology	11.61%	SOFR + 6.00%	1.00%	03/26/2027	4,413	4,166	4,242	(16)
AIDC Intermediateco 2, LLC (Peak Technologies)	Information Technology	11.80%	SOFR + 6.40%	1.00%	07/22/2027	4,950	4,887	4,879	(16)
American Academy Holdings, LLC	Healthcare	16.47%	SOFR + 5.75%, 5.25% PIK	1.00%	01/01/2025	2,619	2,605	2,635	(16)
American Clinical Solutions, LLC	Healthcare	12.50%	SOFR + 7.00%, 5.50% PIK	1.00%	06/30/2025	5,516	5,516	5,037	(12)
AP Core Holdings II, LLC	Information Technology	10.97%	SOFR + 5.50%	0.75%	07/21/2027	1,109	1,099	1,089	(16)
AP Core Holdings II, LLC	Information Technology	10.97%	SOFR + 5.50%	0.75%	07/21/2027	1,250	1,239	1,223	(16)
BetaNXT, Inc.	Financials	11.10%	SOFR + 5.75%	—	07/02/2029	2,364	2,232	2,269	(16)
BetaNXT, Inc. (Revolver)	Financials	9.60%	SOFR + 4.25%	—	07/01/2027	45	45	27	(12)
Bradshaw International, Inc.	Consumer Discretionary	11.21%	SOFR + 5.75%	1.00%	10/21/2027	496	488	482	(16)
Bradshaw International, Inc. (Revolver)	Consumer Discretionary	—	SOFR + 5.75%	1.00%	10/21/2026	—	(13)	(25)	(12)(17)
Critical Nurse Staffing, LLC	Healthcare	12.03%	SOFR + 6.50%	1.00%	10/30/2026	5,805	5,747	5,718	(16)
Critical Nurse Staffing, LLC (Revolver)	Healthcare	—	SOFR + 6.50%	1.00%	10/30/2026	—	(10)	(15)	(12)(17)
Datalink, LLC	Healthcare	12.21%	SOFR + 6.75%	1.00%	11/23/2026	5,779	5,779	5,779	(16)
Dentive, LLC	Healthcare	12.35%	SOFR + 7.00%	1.00%	12/26/2028	1,459	1,418	1,428	(12)(16)
Dentive, LLC (Revolver)	Healthcare	12.39%	SOFR + 7.00%	1.00%	12/23/2028	39	34	35	(12)
Dodge Data & Analytics LLC	Information Technology	10.25%	SOFR + 4.75%	0.50%	02/12/2029	1,478	1,461	1,165	(16)
Epic Staffing Group	Industrials	11.36%	SOFR + 6.00%	0.50%	06/28/2029	4,935	4,751	4,726	(16)
Florida Food Products, LLC	Consumer Staples	10.36%	SOFR + 5.00%	0.75%	10/18/2028	1,980	1,888	1,737	(16)
Hudson Hospital OpCo, LLC	Healthcare	13.43%	SOFR + 8.00%	3.00%	11/04/2023	3,060	3,060	3,060	(16)
HUMC Opco, LLC	Healthcare	13.43%	SOFR + 8.00%	3.00%	11/04/2023	3,890	3,890	3,855	(16)
H.W. Lochner, Inc.	Industrials	12.31%	SOFR + 6.75%	1.00%	07/02/2027	917	893	902	(16)
IDC Infusion Services LLC	Healthcare	11.98%	SOFR + 6.50%	0.50%	07/07/2028	2,196	2,140	2,147	(12)(16)
IJKG OpCo, LLC	Healthcare	13.43%	SOFR + 8.00%	3.00%	11/04/2023	2,040	2,040	2,040	(16)
JO ET Holdings Limited	Information Technology	18.38%	SOFR + 6.00%, 7.00% PIK	1.00%	12/15/2026	1,130	1,118	1,127	(16)
Keg Logistics LLC	Consumer Discretionary	11.53%	SOFR + 6.00%	1.00%	11/23/2027	7,384	7,312	7,125	(16)
Keg Logistics LLC (Revolver)	Consumer Discretionary	11.53%	SOFR + 6.00%	1.00%	11/23/2027	872	864	842	
Lucky Bucks, LLC (Priority First Out)	Consumer Discretionary	13.03%	SOFR + 7.65%	1.00%	10/02/2028	184	180	186	
Lucky Bucks, LLC (Priority Second Out)	Consumer Discretionary	13.03%	SOFR + 7.65%	1.00%	10/02/2029	366	366	350	
Material Handling Systems, Inc.	Industrials	10.89%	SOFR + 5.50%	0.50%	06/08/2029	1,975	1,812	1,755	(16)
Money Transfer Acquisition Inc.	Financials	13.71%	SOFR + 8.25%	1.00%	12/14/2027	6,825	6,717	6,654	(16)
Morae Global Corporation	Information Technology	13.53%	SOFR + 8.00%	2.00%	10/26/2026	3,188	2,985	3,037	(16)
Morae Global Corporation (Revolver)	Information Technology	—	SOFR + 8.00%	2.00%	10/26/2026	—	(16)	(14)	(12)(17)
Neptune BidCo US Inc.	Communication Services	10.51%	SOFR + 5.00%	0.50%	04/11/2029	1,493	1,353	1,367	(16)
Orthopaedic (ITC) Buyer, LLC	Healthcare	11.95%	SOFR + 6.50%	1.00%	07/31/2028	2,356	2,301	2,345	(12)(16)
PhyNet Dermatology LLC	Healthcare	11.99%	SOFR + 6.50%	1.00%	10/20/2029	490	478	483	(12)(16)
Premier Imaging, LLC	Healthcare	11.61%	SOFR + 6.00%	1.00%	01/02/2025	2,570	2,554	2,471	(16)
RN Enterprises, LLC	Healthcare	12.05%	SOFR + 6.50%	1.00%	12/23/2025	1,983	1,957	1,926	(16)
Sequoia Healthcare Management LLC	Healthcare Management	—	—	—	11/04/2023	11,935	11,935	9,465	(7)
South Street Securities Holdings, Inc.	Financials	9.00%	—	—	09/20/2027	450	394	361	(16)
STG Logistics	Industrials	11.50%	SOFR + 6.00%	0.75%	03/24/2028	2,469	2,408	1,827	(16)
Symplr Software, Inc.	Healthcare	9.98%	SOFR + 4.50%	0.75%	12/22/2027	1,670	1,667	1,502	(16)
Synamedia Americas Holdings, Inc.	Communication Services	13.10%	SOFR + 7.75%	1.00%	12/05/2028	2,759	2,663	2,662	(16)
Tactical Air Support, Inc.	Industrials	13.96%	SOFR + 8.50%	1.00%	12/22/2028	1,714	1,672	1,671	(12)(16)
Taoglas Group Holdings Limited	Information Technology	12.60%	SOFR + 7.25%	1.00%	02/28/2029	2,337	2,277	2,194	(16)
Taoglas Group Holdings Limited (Revolver)	Information Technology	12.54%	SOFR + 7.16%	1.00%	02/28/2029	383	367	344	(12)
TransNetwork LLC	Financials	10.85%	SOFR + 5.50%	0.50%	11/20/2030	3,810	3,747	3,747	(16)
VBC Spine Opco LLC (DxTx Pain and Spine LLC)	Healthcare	13.54%	SOFR + 8.00%	2.00%	06/14/2028	1,313	1,275	1,287	(12)(16)
VBC Spine Opco LLC (DxTx Pain and Spine LLC) (Revolver)	Healthcare	13.52%	SOFR + 8.00%	2.00%	06/14/2028	48	46	47	(12)(16)
Wealth Enhancement Group, LLC	Financials	11.11%	SOFR + 5.75%	1.00%	10/02/2027	6,889	6,866	6,889	(16)
Wealth Enhancement Group, LLC (Revolver)	Financials	—	SOFR + 6.00%	1.00%	10/02/2027	—	(1)	—	(12)(17)
Total First Lien/Senior Secured Debt							<u>125,937</u>	<u>121,493</u>	
Second Lien/Senior Secured Debt - 7.9%									
American Academy Holdings, LLC	Healthcare	14.50% PIK	—	—	03/01/2028	4,133	4,066	3,663	(16)
BLST Operating Company, LLC	Online Merchandise Retailer	13.96%	SOFR + 8.50%, 12.96% PIK	1.50%	08/28/2025	1,023	1,023	959	(8)(16)
Ivanti Software, Inc.	Information Technology	12.91%	SOFR + 7.25%	0.50%	12/01/2028	3,000	2,989	2,435	(16)
Total Second Lien/Senior Secured Debt							<u>8,078</u>	<u>7,057</u>	
Subordinated Debt - 26.4%									
Eastport Holdings, LLC	Business Services	14.14%	SOFR + 8.50%	1.00%	09/29/2027	19,250	19,250	19,215	
Lucky Bucks, LLC	Consumer Discretionary	—	—	—	05/29/2028	2,557	2,229	473	(7)
Tubular Textile Machinery, Inc.	Textile Equipment Manufacturer	5.00%	—	—	10/29/2027	5,094	5,094	3,860	
Total Subordinated Debt							<u>26,573</u>	<u>23,548</u>	
Collateralized Loan Obligations - 1.8%									
JMP Credit Advisors CLO IV Ltd.	Financials	22.05%	—	—	07/17/2029	7,891	293	293	(13)(15)
JMP Credit Advisors CLO V Ltd.	Financials	27.86%	—	—	07/17/2030	7,320	1,307	1,307	(13)(15)
Total Collateralized Loan Obligations							<u>1,600</u>	<u>1,600</u>	
Preferred Stock and Units - 1.5%									
American Academy Holdings, LLC	Healthcare	—	—	—	—	102,261	—	136	(6)
MicroHoldco, LLC	General Industrial	—	—	—	—	740,237	749	212	(11)
Taylor Precision Products, Inc. - Series C	Household Product Manufacturer	—	—	—	—	379	758	758	
U.S. BioTek Laboratories, LLC - Class A	Testing Laboratories	—	—	—	—	500	540	238	
Total Preferred Stock and Units							<u>2,047</u>	<u>1,344</u>	

See accompanying notes to consolidated financial statements.

LOGAN RIDGE FINANCE CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS - CONTINUED
DECEMBER 31, 2023
(in thousands, except for units/shares)

Investment (1), (2), (3), (4), (5)	Industry	Interest Rate (+)	Reference Rate and Spread (+)	Floor (+)	Maturity	Par/Shares (++)	Cost	Fair Value	Footnotes
Common Stock and Membership Units - 7.7%									
American Academy Holdings, LLC	Healthcare	—	—	—	—	0.05	—	345	(6)
American Clinical Solutions, LLC - Class A	Healthcare	—	—	—	—	6,030,384	3,198	1,913	(6)
Aperture Dodge 18 LLC	Financials	—	—	—	—	2,045,271	2,045	2,158	
BLST Operating Company, LLC - Class A	Online Merchandise Retailer	—	—	—	—	217,013	286	1,136	(6)
DxTx Pain and Spine LLC	Healthcare	—	—	—	—	59,312	97	97	(6)
Freedom Electronics, LLC	Electronic Machine Repair	—	—	—	—	181,818	182	245	
Lucky Bucks, LLC	Consumer Discretionary	—	—	—	—	50,066	741	747	
Morae Global Corporation - Warrants	Information Technology	—	—	—	—	1	122	139	
South Street Securities Holdings, Inc. - Warrants	Financials	—	—	—	—	567	65	58	
U.S. BioTek Laboratories, LLC - Class C	Testing Laboratories	—	—	—	—	578	1	—	
Total Common Stock and Membership Units							<u>6,737</u>	<u>6,838</u>	
Total Investments in Non-Control, Non-Affiliate Portfolio Companies									
Investments in Affiliated Portfolio Companies - 31.2%^									
First Lien/Senior Secured Debt - 2.8%									
MMI Holdings, LLC	Medical Device Distributor	—	—	—	06/28/2024	2,600	2,600	2,514	(7)
Total First Lien/Senior Secured Debt							<u>2,600</u>	<u>2,514</u>	
Second Lien/Senior Secured Debt - 1.0%									
MMI Holdings, LLC	Medical Device Distributor	—	—	—	06/28/2024	400	400	352	(7)
V12 Holdings, Inc.	Data Processing & Digital Marketing	—	—	—	—	509	490	509	(11)
Total Second Lien/Senior Secured Debt							<u>890</u>	<u>861</u>	
Joint Ventures - 0.5%									
Great Lakes Funding II LLC - Series A	Financials	—	—	—	—	440	440	450	(12)(15)
Total Joint Ventures							<u>440</u>	<u>450</u>	
Preferred Stock and Units - 7.6%									
GA Communications, Inc. - Series A-1	Advertising & Marketing Services	—	—	—	—	1,998	3,476	3,540	
GreenPark Infrastructure, LLC - Series A	Industrials	—	—	—	—	400	200	200	(6)
MMI Holdings, LLC	Medical Device Distributor	—	—	—	—	1,000	1,998	559	
RAM Payment, LLC	Financial Services	6.00% PIK	—	—	—	86,000	959	2,445	(14)
Total Preferred Stock and Units							<u>6,633</u>	<u>6,744</u>	
Common Stock and Membership Units - 19.3%									
Burgaflex Holdings, LLC - Class A	Automobile Part Manufacturer	—	—	—	—	1,253,198	1,504	3,090	
Burgaflex Holdings, LLC - Class B	Automobile Part Manufacturer	—	—	—	—	1,085,073	362	2,420	
GA Communications, Inc. - Series B-1	Advertising & Marketing Services	—	—	—	—	200,000	2	620	
GreenPark Infrastructure, LLC - Series M-1	Industrials	—	—	—	—	200	69	69	(6)(12)
MMI Holdings, LLC	Medical Device Distributor	—	—	—	—	45	—	—	
Nth Degree Investment Group, LLC	Business Services	—	—	—	—	6,088,000	6,088	10,340	
Sierra Hamilton Holdings Corporation	Oil & Gas Engineering and Consulting Services	—	—	—	—	27,396,364	6,958	670	
Total Common Stock and Membership Units							<u>14,983</u>	<u>17,209</u>	
Total Investments in Affiliated Portfolio Companies^							<u>25,546</u>	<u>27,778</u>	
Total Investments - 212.7%							<u>\$ 196,518</u>	<u>\$ 189,658</u>	

^ As defined in the Investment Company Act, the investment is deemed to be an "affiliated person" of the Company because the Company owns, either directly or indirectly, 5% or more of the portfolio company's outstanding voting securities.

^^ As defined in the Investment Company Act, the investment is deemed to be a "controlled affiliated person" of the Company because the Company owns, either directly or indirectly, 25% or more of the portfolio company's outstanding voting securities or has the power to exercise control over management or policies of such portfolio company.

(+) Represents the actual interest rate for partially or fully funded debt in effect as of the reporting date. Variable rate loans bear interest at a rate that may be determined by the floor of the reference to SOFR, or alternate base rate at the borrower's option, which reset periodically based on the terms of the credit agreement. SOFR loans are typically indexed to 6 month, 3 month, or 1 month SOFR rates. As of December 31, 2023, rates for the 6 month, 3 month, and 1 month SOFR are 5.16%, 5.33%, and 5.35%, respectively. For investments with multiple reference rates or alternate base rates, the interest rate shown is the weighted average interest rate in effect at December 31, 2023.

(++) Par amount is presented for debt investments, while the number of shares or units owned is presented for equity investments.

(1) All investments valued using unobservable inputs (Level 3), unless otherwise noted.

(2) The fair value of each of the Company's investments is determined in good faith using significant unobservable inputs by the Adviser in its role as "valuation designee" in accordance with Rule 2a-5 under the 1940 Act, pursuant to valuation policies and procedures that have been approved by the Company's board of directors (the "Board").

(3) All debt investments are income producing, unless otherwise noted. Equity and warrant investments are non-income producing, unless otherwise noted.

(4) Percentages are based on net assets as of December 31, 2023.

(5) The Company generally acquires its investments in private transactions exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"). These investments are generally subject to certain limitations on resale, and may be deemed to be "restricted securities" under the Securities Act.

(6) Investment is held through our Taxable Subsidiary (See Note 1).

(7) Non-accrual investment.

(8) 1.0% of interest rate payable in cash. The remainder of interest rate payable in cash or paid-in-kind at borrower's election.

(9) Not used.

(10) Not used.

(11) The investment has been exited or sold. The residual value reflects estimated earnout, escrow, or other proceeds expected post-closing.

(12) The Company has an unfunded loan or investment commitment to the portfolio company at December 31, 2023 (See Note 2).

(13) Collateralized loan obligations ("CLO" or "CLOs") are entitled to periodic distributions which are generally equal to the remaining cash flow of the payments made by the underlying fund's investments less contractual payments to debt holders and fund expenses. The estimated annualized effective yield indicated is based upon a current projection of the amount and timing of these distributions. Such projections are updated on a quarterly basis and the estimated effective yield is adjusted prospectively.

(14) The equity investment is income producing, based on rate disclosed.

(15) The investment is treated as a non-qualifying asset under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of our total assets. As of December 31, 2023, qualifying assets represent 99% of the Company's total assets and non-qualifying assets represent 1% of the Company's total assets.

(16) All or a portion of this security is pledged as collateral under the KeyBank Credit Facility and held through the Company's wholly-owned subsidiary, Capitala Business Lending, LLC.

(17) The negative cost is the result of the capitalized discount being greater than the principal amount outstanding on the loan.

See accompanying notes to consolidated financial statements.

LOGAN RIDGE FINANCE CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS
DECEMBER 31, 2022
(in thousands, except for units/shares)

Investment (1), (2), (3), (4), (5)	Industry	Interest Rate (+)	Reference Rate and Spread (+)	Floor (+)	Maturity	Par/Shares (++)	Cost	Fair Value	Footnotes
Investments in Non-Control, Non-Affiliate Portfolio Companies - 186.6%									
First Lien/Senior Secured Debt - 137.7%									
Accordian Partners LLC	Industrials	10.83%	SOFR + 6.25%	0.75%	08/29/2029	\$ 4,565	\$ 4,457	\$ 4,463	(12)(16)
Accordian Partners LLC (Revolver)	Industrials	—	SOFR + 6.25%	0.75%	08/31/2028	—	(33)	(29)	(12)
Accurate Background, LLC	Information Technology	10.03%	L + 6.00%	1.00%	03/26/2027	4,458	4,131	4,302	(16)
AIDC Intermediateco 2, LLC (Peak Technologies)	Information Technology	10.44%	SOFR + 6.40%	1.00%	07/22/2027	5,000	4,918	4,857	(16)
Alternative Biomedical Solutions, LLC	Healthcare	8.00%	—	—	12/18/2022	6,941	6,941	5,988	
American Academy Holdings, LLC	Healthcare	15.38%	L + 4.75%, 6.25% PIK	1.00%	01/01/2025	2,506	2,486	2,459	(16)
American Clinical Solutions, LLC	Healthcare	11.27%	L + 7.00%, 4.27% PIK	—	12/31/2024	3,500	3,500	3,203	
AP Core Holdings II, LLC	Information Technology	9.88%	L + 5.50%	0.75%	07/21/2027	1,172	1,158	1,065	(16)
AP Core Holdings II, LLC	Information Technology	9.88%	L + 5.50%	0.75%	07/21/2027	1,250	1,235	1,131	(16)
Beta Plus Technologies	Financials	8.87%	SOFR + 4.75%	—	07/02/2029	2,993	2,937	2,918	(16)
Beta Plus Technologies (Revolver)	Financials	—	SOFR + 4.25%	—	07/02/2027	—	—	(18)	(12)
Bradshaw International, Inc.	Consumer Discretionary	10.19%	L + 5.75%	1.00%	10/21/2027	501	491	462	(16)
Bradshaw International, Inc. (Revolver)	Consumer Discretionary	—	L + 5.75%	1.00%	10/21/2026	—	(18)	(71)	(12)
CIMSense	Financials	9.92%	SOFR + 5.50%	1.00%	12/17/2026	2,921	2,902	2,772	(16)
Critical Nurse Staffing, LLC	Healthcare	10.48%	L + 6.00%	1.00%	10/30/2026	5,864	5,771	5,765	(12)(16)
Critical Nurse Staffing, LLC (Revolver)	Healthcare	10.70%	L + 6.00%	1.00%	10/30/2026	300	287	287	(12)
Datalink, LLC	Healthcare	11.48%	L + 6.75%	1.00%	11/23/2026	5,843	5,843	5,799	(16)
Dentive, LLC	Healthcare	11.53%	SOFR + 7.00%	1.00%	12/26/2028	1,215	1,170	1,170	(12)(16)
Dentive, LLC (Revolver)	Healthcare	—	SOFR + 7.00%	1.00%	12/26/2028	—	(6)	(6)	(12)
Dodge Data & Analytics LLC	Information Technology	9.79%	SOFR + 4.75%	1.00%	02/12/2029	1,493	1,473	1,183	(16)
Epic Staffing Group	Industrials	10.40%	SOFR + 6.00%	—	06/28/2029	4,107	3,831	3,856	(12)(16)
Florida Food Products, LLC	Consumer Staples	9.32%	SOFR + 5.00%	0.75%	10/18/2028	2,000	1,888	1,928	(16)
Fortis Payment Solutions	Financials	9.93%	SOFR + 5.25%	1.00%	02/13/2026	2,918	2,903	2,886	(16)
Grindr Capital, LLC	Information Technology	12.52%	SOFR + 8.00%	—	11/14/2027	2,000	1,981	1,988	(16)
Heads Up Technologies	Industrials	10.14%	SOFR + 5.50%	0.75%	08/10/2028	2,926	2,899	2,889	(16)
Hudson Hospital OpCo, LLC	Healthcare	12.22%	SOFR + 8.00%	3.00%	11/04/2023	2,380	2,380	2,380	(16)
HUMC Opco, LLC	Healthcare	12.22%	SOFR + 8.00%	3.00%	11/04/2023	3,967	3,967	3,927	(16)
IJKG OpCo, LLC	Healthcare	12.22%	SOFR + 8.00%	3.00%	11/04/2023	1,020	1,020	1,020	(16)
JO ET Holdings Limited	Information Technology	17.53%	SOFR + 6.00%, 7.00% PIK	1.00%	12/15/2026	1,063	1,047	1,049	(16)
Jurassic Quest Holdings, LLC	Entertainment	11.62%	L + 7.50%	2.00%	05/01/2024	7,855	7,855	7,459	(16)
Keg Logistics LLC	Consumer Discretionary	10.70%	L + 6.00%	1.00%	11/23/2027	7,460	7,368	7,198	(16)
Keg Logistics LLC (Revolver)	Consumer Discretionary	10.32%	L + 6.00%	1.00%	11/23/2027	436	425	405	(12)
Lucky Bucks, LLC	Consumer Discretionary	10.43%	L + 5.50%	0.75%	07/21/2027	2,850	2,806	1,679	
Marble Point Credit Management LLC	Financials	10.75%	L + 6.00%	1.00%	08/11/2028	5,504	5,382	5,504	(16)
Marble Point Credit Management LLC (Revolver)	Financials	—	L + 6.00%	1.00%	08/11/2028	—	(20)	—	(12)
Material Handling Systems, Inc.	Industrials	10.08%	SOFR + 5.50%	1.00%	06/08/2029	1,995	1,800	1,736	(16)
Money Transfer Acquisition Inc.	Financials	12.67%	SOFR + 8.25%	1.00%	12/14/2027	7,000	6,861	6,860	(16)
Neptune BidCo US Inc.	Communication Services	8.82%	SOFR + 5.00%	—	04/11/2029	1,000	891	896	(16)
Patriot Pickle, Inc.	Consumer Staples	10.16%	SOFR + 5.43%	—	04/13/2027	2,919	2,898	2,897	(16)
Premier Imaging, LLC	Healthcare	10.13%	L + 5.75%	1.00%	01/02/2025	2,596	2,566	2,537	(12)(16)
RN Enterprises, LLC	Healthcare	10.78%	SOFR + 6.50%	1.00%	12/23/2025	980	960	960	(16)
Sequoia Healthcare Management, LLC	Healthcare Management	—	—	—	11/04/2023	11,935	11,935	9,695	(7)
Shock Doctor, Inc.	Consumer Discretionary	9.37%	SOFR + 5.00%	1.00%	05/14/2024	2,269	2,262	2,232	(16)
South Street Securities Holdings, Inc.	Financials	9.00%	—	—	09/20/2027	450	380	372	(16)
STG Logistics	Industrials	10.32%	SOFR + 6.00%	0.75%	03/24/2028	2,494	2,418	2,447	(16)
Symplr Software, Inc.	Healthcare	8.69%	SOFR + 4.50%	0.75%	12/22/2027	1,687	1,684	1,417	(16)
Wealth Enhancement Group, LLC	Financials	10.00%	SOFR + 6.00%	1.00%	10/02/2027	6,959	6,933	6,897	(16)
Wealth Enhancement Group, LLC (Revolver)	Financials	—	SOFR + 6.00%	1.00%	10/02/2027	—	(2)	(4)	(12)
Total First Lien/Senior Secured Debt							136,961	130,810	
Second Lien/Senior Secured Debt - 5.9%									
American Academy Holdings, LLC	Healthcare	14.50% PIK	—	—	03/01/2028	3,584	3,502	2,912	(16)
BLST Operating Company, LLC	Online Merchandise Retailer	12.94%	L + 8.50%	0.50%	08/28/2025	912	912	884	(8)(16)
Ivanti Software, Inc.	Information Technology	12.01%	L + 7.25%	0.50%	12/01/2028	3,000	2,987	1,755	
Total Second Lien/Senior Secured Debt							7,401	5,551	
Subordinated Debt - 27.2%									
Eastport Holdings, LLC	Business Services	13.17%	SOFR + 8.50%	1.00%	09/29/2027	19,250	19,250	19,250	
Lucky Bucks, LLC	Consumer Discretionary	12.50% PIK	—	—	05/29/2028	2,261	2,227	1,600	
Tubular Textile Machinery, Inc.	Textile Equipment Manufacturer	5.00%	—	—	10/29/2027	5,094	5,094	5,001	
Total Subordinated Debt							26,571	25,851	
Collateralized Loan Obligations - 5.2%									
JMP Credit Advisors CLO IV Ltd.	Financials	24.43%	—	—	07/17/2029	7,891	1,723	1,723	(13)(15)
JMP Credit Advisors CLO V Ltd.	Financials	2.16%	—	—	07/17/2030	7,320	4,462	3,249	(13)(15)
Total Collateralized Loan Obligations							6,185	4,972	
Preferred Stock and Units - 2.3%									
Alternative Biomedical Solutions, LLC - Series A	Healthcare	—	—	—	—	15,553	1,276	—	
Alternative Biomedical Solutions, LLC - Series B	Healthcare	—	—	—	—	54,084	3,949	—	
Alternative Biomedical Solutions, LLC - Series C	Healthcare	—	—	—	—	78,900	—	—	
American Academy Holdings, LLC	Healthcare	—	—	—	—	102,261	—	118	(6)
Jurassic Quest Holdings, LLC	Entertainment	—	—	—	—	467,784	480	—	(6)
MicroHoldco, LLC	General Industrial	—	—	—	—	740,237	749	641	(11)
Taylor Precision Products, Inc. - Series C	Household Product Manufacturer	—	—	—	—	379	758	758	
U.S. BioTek Laboratories, LLC - Class A	Testing Laboratories	—	—	—	—	500	540	671	
Total Preferred Stock and Units							7,752	2,188	

See accompanying notes to consolidated financial statements.

LOGAN RIDGE FINANCE CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS - CONTINUED
DECEMBER 31, 2022
(in thousands, except for units/shares)

Investment (1), (2), (3), (4), (5)	Industry	Interest Rate (+)	Reference Rate and Spread (+)	Floor (+)	Maturity	Par/Shares (++)	Cost	Fair Value	Footnotes
Common Stock and Membership Units - 8.3%									
Alternative Biomedical Solutions, LLC	Healthcare	—	—	—	—	20,092	800	—	
Alternative Biomedical Solutions, LLC - Membership Unit Warrants	Healthcare	—	—	—	—	49,295	—	—	
American Academy Holdings, LLC	Healthcare	—	—	—	—	0.05	—	196	(6)
American Clinical Solutions, LLC - Class A	Healthcare	—	—	—	—	6,030,384	3,198	2,462	(6)
Aperture Dodge 18 LLC	Financials	—	—	—	—	2,033,247	2,033	2,033	
BLST Operating Company, LLC - Class A	Online Merchandise Retailer	—	—	—	—	217,013	286	2,817	(6)
Freedom Electronics, LLC	Electronic Machine Repair	—	—	—	—	181,818	182	271	
South Street Securities Holdings, Inc. - Warrants	Financials	—	—	—	—	567	65	65	
U.S. BioTek Laboratories, LLC - Class C	Testing Laboratories	—	—	—	—	578	1	52	
Total Common Stock and Membership Units							6,565	7,896	
Total Investments in Non-Control, Non-Affiliate Portfolio Companies							191,435	177,268	
Investments in Affiliated Portfolio Companies - 27.7%^									
First Lien/Senior Secured Debt - 6.4%									
MMI Holdings, LLC	Medical Device Distributor	12.00%	—	—	04/01/2022	2,600	2,600	2,600	
RAM Payment, LLC (First Out)	Financial Services	9.12%	L + 5.00%	1.50%	01/04/2024	939	939	939	(16)
RAM Payment, LLC (Last Out)	Financial Services	12.45%	—	1.50%	01/04/2024	2,547	2,547	2,547	(10)(16)
Total First Lien/Senior Secured Debt							6,086	6,086	
Second Lien/Senior Secured Debt - 1.0%									
MMI Holdings, LLC	Medical Device Distributor	6.00%	—	—	04/01/2022	400	388	400	
Sierra Hamilton Holdings Corporation	Oil & Gas Engineering and Consulting Services	15.00% PIK	—	—	09/12/2023	4	4	4	(9)
V12 Holdings, Inc.	Data Processing & Digital Marketing	—	—	—	—	509	490	509	(11)
Total Second Lien/Senior Secured Debt							882	913	
Joint Ventures - 0.4%									
Great Lakes Funding II LLC - Series A	Financials	—	—	—	—	414	414	403	(12)(15)
Total Joint Ventures							414	403	
Preferred Stock and Units - 8.7%									
GA Communications, Inc. - Series A-1	Advertising & Marketing Services	—	—	—	—	1,998	3,477	3,562	
GreenPark Infrastructure, LLC - Series A	Industrials	—	—	—	—	400	200	200	(6)
MMI Holdings, LLC	Medical Device Distributor	8.00% PIK	—	—	—	1,000	1,904	1,360	(14)
RAM Payment, LLC	Financial Services	6.00% PIK	—	—	—	86,000	1,135	3,165	(14)
Total Preferred Stock and Units							6,716	8,287	
Common Stock and Membership Units - 11.2%									
Burgaflex Holdings, LLC - Class A	Automobile Part Manufacturer	—	—	—	—	1,253,198	1,504	2,802	
Burgaflex Holdings, LLC - Class B	Automobile Part Manufacturer	—	—	—	—	1,085,073	362	2,190	
GA Communications, Inc. - Series B-1	Advertising & Marketing Services	—	—	—	—	200,000	2	—	
GreenPark Infrastructure, LLC - Series M-1	Industrials	—	—	—	—	200	69	69	(6)(12)
MMI Holdings, LLC	Medical Device Distributor	—	—	—	—	45	—	—	
Nth Degree Investment Group, LLC	Business Services	—	—	—	—	6,088,000	6,088	5,320	
Sierra Hamilton Holdings Corporation	Oil & Gas Engineering and Consulting Services	—	—	—	—	15,068,000	6,958	254	
Total Common Stock and Membership Units							14,983	10,635	
Total Investments in Affiliated Portfolio Companies^							29,081	26,324	
Total Investments - 214.3%							\$ 220,516	\$ 203,592	

^ As defined in the Investment Company Act, the investment is deemed to be an "affiliated person" of the Company because the Company owns, either directly or indirectly, 5% or more of the portfolio company's outstanding voting securities.

^^ As defined in the Investment Company Act, the investment is deemed to be a "controlled affiliated person" of the Company because the Company owns, either directly or indirectly, 25% or more of the portfolio company's outstanding voting securities or has the power to exercise control over management or policies of such portfolio company.

(+) Represents the actual interest rate for partially or fully funded debt in effect as of the reporting date. Variable rate loans bear interest at a rate that may be determined by the larger of the floor of the reference to either LIBOR ("L"), SOFR or alternate base rate (unless otherwise noted) at the borrower's option, which reset periodically based on the terms of the credit agreement. L loans are typically indexed to 6 month, 3 month, or 1 month L rates. SOFR loans are typically indexed to 6 month, 3 month, or 1 month SOFR rates. As of December 31, 2022, rates for the 6 month, 3 month, and 1 month L are 5.14%, 4.77%, and 4.39%, respectively. As of December 31, 2022, rates for the 6 month, 3 month, and 1 month SOFR are 4.78%, 4.59%, and 4.36%, respectively. For investments with multiple reference rates or alternate base rates, the interest rate shown is the weighted average interest rate in effect at December 31, 2022.

(++) Par amount is presented for debt investments, while the number of shares or units owned is presented for equity investments.

(1) All investments valued using unobservable inputs (Level 3), unless otherwise noted.

(2) The fair value of each of the Company's investments is determined in good faith using significant unobservable inputs by the Adviser in its role as "valuation designee" in accordance with Rule 2a-5 under the 1940 Act, pursuant to valuation policies and procedures that have been approved by the Company's board of directors (the "Board").

(3) All debt investments are income producing, unless otherwise noted. Equity and warrant investments are non-income producing, unless otherwise noted.

(4) Percentages are based on net assets as of December 31, 2022.

(5) The Company generally acquires its investments in private transactions exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"). These investments are generally subject to certain limitations on resale, and may be deemed to be "restricted securities" under the Securities Act.

(6) Investment is held through our Taxable Subsidiary (See Note 1).

(7) Non-accrual investment.

(8) 1.0% interest rate payable in cash, 9.0% interest rate payable in cash or paid-in-kind at borrower's election.

(9) 15.0% interest payable in cash or paid-in-kind at borrower's election.

(10) The cash rate equals the approximate current yield on our last-out portion of the unitranche facility.

(11) The investment has been exited or sold. The residual value reflects estimated earnout, escrow, or other proceeds expected post-closing.

(12) The Company has an unfunded loan or investment commitment to the portfolio company at December 31, 2022 (See Note 2).

(13) Collateralized loan obligations ("CLO" or "CLOs") are entitled to periodic distributions which are generally equal to the remaining cash flow of the payments made by the underlying fund's investments less contractual payments to debt holders and fund expenses. The estimated annualized effective yield indicated is based upon a current projection of the amount and timing of these distributions. Such projections are updated on a quarterly basis and the estimated effective yield is adjusted prospectively.

(14) The equity investment is income producing, based on rate disclosed.

(15) The investment is treated as a non-qualifying asset under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of our total assets. As of December 31, 2022, qualifying assets represent 97.5% of the Company's total assets and non-qualifying assets represent 2.5% of the Company's total assets.

(16) All or a portion of this security is pledged as collateral under the KeyBank Credit Facility and held through the Company's wholly-owned subsidiary, Capitala Business Lending, LLC.

See accompanying notes to consolidated financial statements.

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1. Organization

Logan Ridge Finance Corporation (“Logan Ridge”, the “Company”, “we”, “us”, and “our”) is an externally managed non-diversified closed-end management investment company incorporated in Maryland on February 21, 2013. The Company has elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). The Company commenced operations on May 24, 2013 and completed its initial public offering (“IPO”) on September 30, 2013. The Company is managed by Mount Logan Management LLC (the “Investment Adviser”), an investment adviser that is registered as an investment adviser under the Investment Advisers Act of 1940, as amended, and BC Partners Management LLC (the “Administrator”) provides administrative services necessary for the Company to operate. For United States (“U.S.”) federal income tax purposes, the Company has elected to be treated as a regulated investment company (“RIC”) under subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”). The Company believes it qualified as a RIC under the Code for the fiscal year ended December 31, 2023, and the Company intends to comply with the requirements to continue to qualify annually as a RIC under the Code. As further discussed below, for the fiscal years ended December 31, 2022, 2021 and 2020, the Company failed the income source requirement under subchapter M of the Code, and thus did not qualify as a RIC under the Code for such years. The Company has determined that there would be no quantitative impact to the consolidated statements of assets and liabilities, the consolidated statements of operations, the consolidated statements of changes in net assets, and the consolidated statements of cash flows as of and for the years ended December 31, 2022, 2021 and 2020. See “Note 2. – Summary of Significant Accounting Policies,” and “Note 7. – Income Taxes” for additional information.

The Company’s investment objective is to generate both current income and capital appreciation through debt and equity investments. The Company offers customized financing to business owners, management teams, and financial sponsors for change of ownership transactions, recapitalizations, strategic acquisitions, business expansion, and other growth initiatives. The Company invests in first lien loans, and, to a lesser extent, second lien loans and equity securities issued by lower middle-market and traditional middle-market companies.

The Company was formed for the purpose of: (i) acquiring, through a series of transactions, an investment portfolio from the following entities: CapitalSouth Partners Fund I Limited Partnership (“Fund I”); CapitalSouth Partners Fund II Limited Partnership (“Fund II”); CapitalSouth Partners Fund III, L.P. (“Fund III Parent”); CapitalSouth Fund III, L.P. (f/k/a CapitalSouth Partners SBIC Fund III, L.P.) (“Fund III”); and CapitalSouth Partners Florida Sidecar Fund I, L.P. (“Florida Sidecar” and, collectively with Fund I, Fund II, Fund III, and Fund III Parent, the “Legacy Funds”); (ii) raising capital in the IPO and (iii) continuing and expanding the business of the Legacy Funds by making additional debt and equity investments in lower middle-market and traditional middle-market companies.

On September 24, 2013, the Company acquired 100% of the limited partnership interests in Fund II, Fund III, and Florida Sidecar and each of their respective general partners, as well as certain assets from Fund I and Fund III Parent, in exchange for an aggregate of 8,974,420 shares of the Company’s common stock (the “Formation Transactions”). Fund II, Fund III, and Florida Sidecar became the Company’s wholly owned subsidiaries. Fund II and Fund III retained their small business investment company (“SBIC”) licenses, continued to hold their existing investments at the time of the IPO and have continued to make new investments. The IPO consisted of the sale of 4,000,000 shares of the Company’s common stock at a price of \$20.00 per share, resulting in net proceeds to the Company of \$74.25 million, after deducting underwriting fees and commissions totaling \$4.0 million and offering expenses totaling \$1.75 million. The other costs of the IPO were borne by the limited partners of the Legacy Funds. During the fourth quarter of 2017, Florida Sidecar transferred all of its assets to the Company and was legally dissolved as a standalone partnership. On March 1, 2019, Fund II repaid its outstanding debentures guaranteed by the SBA (the “SBA-guaranteed debentures”) and relinquished its SBIC license. On June 10, 2021, Fund III repaid its SBA-guaranteed debentures and relinquished its SBIC license. Accordingly, as of December 31, 2023 and 2022, there were no SBA-guaranteed debentures outstanding.

The Company has formed, and expects to continue to form, certain consolidated taxable subsidiaries (the “Taxable Subsidiaries”), which are taxed as corporations for U.S. federal income tax purposes. The Taxable Subsidiaries allow the Company to make equity investments in companies organized as pass-through entities while continuing to satisfy the requirements of a RIC under the Code.

Capitala Business Lending, LLC (“CBL”), a wholly-owned subsidiary of the Company, was established on October 30, 2020, for the sole purpose of holding certain investments pledged as collateral under the Company’s line of credit with KeyBank National Association (the “KeyBank Credit Facility”). See Note 6 for more details about the KeyBank Credit Facility. The financial statements of CBL are consolidated with those of Logan Ridge Finance Corporation.

Reverse Stock Split

On July 30, 2020, the Company’s board of directors (the “Board”) approved a one-for-six reverse stock split of the Company’s shares of common stock. Accordingly, on August 3, 2020, the Company filed Articles of Amendment (the “Articles of Amendment”) to its Articles of Amendment and Restatement with the State Department of Assessments and Taxation of the State of Maryland to effectuate a one-for-six reverse stock split (the “Reverse Stock Split”) of the Company’s shares of common stock, par value \$0.01 per share (the “Shares”). The Reverse Stock Split became effective at 5:00 p.m. Eastern Time on August 21, 2020 (the “Effective Time”). At the Effective Time, every six (6) issued and outstanding Shares were converted into one (1) Share. The Articles of Amendment also provided that there was no change in the par value of \$0.01 per Share as a result of the Reverse Stock Split.

No fractional shares of common stock were issued in connection with the Reverse Stock Split and fractional shares of common stock were eliminated by paying cash for the fair value of a fractional portion of Shares. The Reverse Stock Split applied to all of the Company’s outstanding Shares and therefore did not affect any shareholder’s relative ownership percentage.

Definitive Agreement

On April 20, 2021, Capitala Investment Advisors, LLC (“Capitala”), the Company’s former investment adviser, entered into a definitive agreement (the “Definitive Agreement”) with the Investment Adviser and Mount Logan Capital Inc. (“MLC”), both affiliates of BC Partners Advisors L.P. (“BC Partners”) for U.S. regulatory purposes, whereby Mount Logan acquired certain assets related to Capitala’s business of providing investment management services to the Company (the “Transaction”), through which the Investment Adviser became the Company’s investment adviser pursuant to an investment advisory agreement (the “Investment Advisory Agreement”) with the Company. At a special meeting of the Company’s stockholders (the “Special Meeting”) held on May 27, 2021, the Company’s stockholders approved the Investment Advisory Agreement. The transactions contemplated by the Definitive Agreement closed on July 1, 2021 (the “Closing”). Unless earlier terminated in accordance with its terms, the Investment Advisory Agreement will remain in effect from year to year if approved annually by the Board or by a majority of our outstanding voting securities, including, in either case, by a majority of our directors who are not “interest persons” as such term is defined in Section 2(a)(19) of the 1940 Act (“Independent Directors”). The Board most recently approved the renewal of the Investment Advisory Agreement at a meeting on May 9, 2023.

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

As part of the Transaction, beginning on July 1, 2021, the Investment Adviser entered into a two-year contractual fee waiver (the "Fee Waiver") with the Company to waive, to the extent necessary, any capital gains fee under the Investment Advisory Agreement that exceeds what would have been paid to Capitala in the aggregate over such two-year period under the prior advisory agreement. The Fee Waiver expired at the end of the two-year period.

On the date of the Closing, the Company changed its name from Capitala Finance Corp. to Logan Ridge Finance Corporation and on July 2, 2021, the Company's common stock began trading on the NASDAQ Global Select Market under the symbol "LRFC."

On July 1, 2021, in connection with the Closing, the Company's then-current interested directors and the Company's then-current independent directors resigned as members of the Board and Ted Goldthorpe, the Chairman and Chief Executive Officer of the Company, along with Alexander Duka, George Grunebaum, and Robert Warshauer, were appointed as members of the Board (the "Directors"). The Directors were appointed by the Board to fill the vacancies created by the resignations described above and the Directors were appointed to the class of directors as determined by the Board in accordance with the Company's organizational documents. The Company's stockholders will have the opportunity to vote for each of the Directors when his class of directors is up for reelection.

All of the Company's then-current officers resigned at the Closing and the Board appointed Ted Goldthorpe as the Company's Chief Executive Officer and President, Jason Roos as the Company's Chief Financial Officer, Treasurer and Secretary, Patrick Schafer as the Company's Chief Investment Officer and David Held as the Company's Chief Compliance Officer. On November 9, 2021, Jason Roos was replaced as Secretary and Treasurer of the Company by Brandon Satoren, who was also appointed as Chief Accounting Officer. Mr. Roos continues to serve as Chief Financial Officer of the Company.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") pursuant to the requirements for reporting on Form 10-K and Regulation S-X, as appropriate. These consolidated financial statements reflect adjustments that in the opinion of the Company are necessary for the fair presentation of the financial position and results of operations as of and for the periods presented herein. The Company is considered an investment company as defined in Accounting Standards Codification ("ASC") Topic 946—Financial Services—Investment Companies ("ASC 946") and therefore applies the accounting and reporting guidance applicable to investment companies. The Company has evaluated subsequent events through the date of issuance of the consolidated financial statements.

The Company's financial statements as of December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 are presented on a consolidated basis. The consolidated financial statements of the Company include the accounts of the Company and its wholly owned subsidiaries, including Fund II, Fund III, CBL, and the Taxable Subsidiaries. The effects of all intercompany transactions between the Company and its subsidiaries (Fund II, Fund III, CBL, and the Taxable Subsidiaries) have been eliminated in consolidation. All financial data and information included in these consolidated financial statements have been presented on the basis described above. In the opinion of management, the consolidated financial statements reflect all adjustments that are necessary for the fair presentation of financial results as of and for the periods presented.

Use of Estimates in the Preparation of Financial Statements

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates under different assumptions and conditions. The most significant estimates in the preparation of the consolidated financial statements are investment valuation, revenue recognition, and income taxes.

Consolidation

As provided under ASC 946, the Company will generally not consolidate its investment in a company other than a substantially wholly owned investment company subsidiary or a controlled operating company whose business consists of providing services to the Company. Accordingly, the Company consolidated the results of the Company's wholly owned investment company subsidiaries (Fund II, Fund III, CBL, and the Taxable Subsidiaries) in its consolidated financial statements.

Cash and Cash Equivalents

The Company considers cash equivalents to be highly liquid investments with original maturities of three months or less at the date of purchase. The Company deposits its cash in financial institutions, and, at times, such balances may be in excess of the Federal Deposit Insurance Corporation insurance limits.

Investment Classification

In accordance with the provisions of the 1940 Act, the Company classifies its investments by level of control. As defined in the 1940 Act, "Control Investments" are investments in those companies that the Company is deemed to "Control." "Affiliate Investments" are investments in those companies that are "Affiliated Companies" of the Company, as defined in the 1940 Act, other than Control Investments. "Non-Control/Non-Affiliate Investments" are those investments that are neither Control Investments nor Affiliate Investments. Generally, under the 1940 Act, the Company is deemed to control a company in which it has invested if the Company owns more than 25% of the voting securities of such company and/or has greater than 50% representation on its board or has the power to exercise control over management or policies of such portfolio company. The Company is deemed to be an affiliate of a company in which the Company has invested if it owns between 5% or more of the voting securities of such company.

Valuation of Investments

Investment transactions are recorded on the trade date. Realized gains or losses on investments are calculated using the specific identification method as the difference between the net proceeds received (excluding prepayment fees, if any) and the amortized cost basis of the investment without regard to unrealized appreciation or depreciation previously recognized, and include investments charged off during the period, net of recoveries. Net change in unrealized appreciation or depreciation reflects the change in portfolio investment values during the reporting period, including any reversal of previously recorded unrealized appreciation or depreciation when gains or losses are recognized.

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

Investments for which market quotations are available are typically valued at those market quotations. To validate market quotations, the Company will utilize a number of factors to determine if the quotations are representative of fair value, including the source and number of the quotations.

Debt that is not publicly traded but for which there are external pricing sources available as of the valuation date is valued using independent broker-dealer, market maker quotations or independent pricing services. The valuation committee, comprised of members of the Adviser, (the "Valuation Committee") subjects these quotes to various criteria including, but not limited to, the number and quality of quotes, the deviation among the quotes and information derived from analyzing the Company's own transactions in such investments throughout the reporting period. Generally, such investments are categorized in level 2 of the fair value hierarchy, unless the Valuation Committee determines that the quality, quantity or deviation among quotes warrants significant adjustment to the inputs utilized.

The Board has designated the Adviser as its "valuation designee" pursuant to Rule 2a-5 under the 1940 Act, and in that role the Adviser is responsible for performing fair value determinations relating to all of the Company's investments, including periodically assessing and managing any material valuation risks and establishing and applying fair value methodologies, in accordance with valuation policies and procedures that have been approved by the Board. The Board remains ultimately responsible for fair value determinations under the 1940 Act and satisfies its responsibility through oversight of the valuation designee in accordance with Rule 2a-5. Investments that are not publicly traded or whose market prices are not readily available, as is expected to be the case for substantially all of the Company's investments, are valued at fair value as determined in good faith by the Adviser, based on, among other things, input of independent third-party valuation firm(s).

The Adviser undertakes a multi-step valuation process, which includes, among other procedures, the following:

- The Company's quarterly valuation process begins with each portfolio company or investment being initially valued using certain inputs, among others, provided by the investment professionals responsible for the portfolio investment in conjunction with the Company's portfolio management team. The Company utilizes an independent valuation firm to provide valuation on each material illiquid security at least once every trailing 12-month period;
- Preliminary valuations are reviewed and discussed with management of the Adviser and investment professionals; and
- The Adviser will review the valuations and determine the fair value of each investment. Valuations that are not based on readily available market quotations will be valued in good faith based on, among other things, the input of, where applicable, third parties.

As part of the valuation process, the Adviser may consider other information and may use valuation methods including but not limited to (i) market quotes for similar investments, (ii) recent trading activity, (iii) discounting forecasted cash flows of the investment, (iv) models that consider the implied yields from comparable debt, (v) third party appraisal, (vi) sale negotiations and purchase offers received from independent parties and (vii) estimated value of underlying assets to be received in liquidation or restructuring.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may fluctuate from period to period. Additionally, the fair value of such investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that may ultimately be realized. Further, such investments are generally less liquid than publicly traded securities and may be subject to contractual and other restrictions on resale. If the Company were required to liquidate a portfolio investment in a forced or liquidation sale, it could realize amounts that are different from the amounts presented and such differences could be material.

In addition, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the unrealized gains or losses reflected herein.

Under existing accounting guidance, fair value is defined as the price that the Company would receive upon selling an investment or pay to transfer a liability in an orderly transaction to a market participant in the principal or most advantageous market for the investment. This accounting guidance emphasizes valuation techniques that maximize the use of observable market inputs and minimize the use of unobservable inputs. Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances.

The Company classifies the inputs used to measure these fair values into the following hierarchy as defined by current accounting guidance:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible to the Company.

Level 2: Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

Level 3: Significant inputs that are unobservable for an asset or liability.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Investments for which no external pricing sources are available as of the valuation date are included in level 3 of the fair value hierarchy.

As a practical expedient, the Company uses net asset value ("NAV") as the fair value for its equity investment in Great Lakes Funding II LLC ("Great Lakes II Joint Venture"). The Great Lakes II Joint Venture records its underlying investments at fair value on a quarterly basis in accordance with the 1940 Act and U.S. GAAP.

Enterprise Value Waterfall Approach

The enterprise value waterfall approach determines an enterprise value based on earnings before interest, tax, depreciation, and amortization ("EBITDA") multiples of publicly traded companies that are considered similar to the subject portfolio company. The Company considers a variety of items in determining a reasonable pricing multiple, including, but not limited to, operating results, budgeted projections, growth, size, risk, profitability, leverage, management depth, diversification, market position, supplier or customer dependence, asset utilization, liquidity metrics, and access to capital markets. EBITDA of the portfolio company is adjusted for non-recurring items in order to reflect a normalized level of earnings that is representative of future earnings. In certain instances, the Company may also utilize revenue multiples to determine enterprise value. When available, the Company may assign a pricing multiple or value its investments based on the value of recent investment transactions in the subject portfolio company or offers to purchase the portfolio company. The enterprise value is adjusted for financial instruments with seniority to the Company's ownership and for the effect of any instrument which may dilute the Company's investment in the portfolio company. The adjusted enterprise value is then apportioned based on the seniority and privileges of the Company's investments within the portfolio company.

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

Income Approach

The income approach utilizes a discounted cash flow methodology in which the Company estimates fair value based on the present value of expected cash flows discounted at a market rate of interest. The determination of a discount rate, or required rate of return, takes into account the portfolio company's fundamentals and perceived credit risk. Because the majority of the Company's portfolio companies do not have a public credit rating, determining a discount rate often involves assigning an implied credit rating based on the portfolio company's operating metrics compared to average metrics of similar publicly rated debt. Operating metrics include, but are not limited to, EBITDA, interest coverage, leverage ratios, return on capital, and debt to equity ratios. The implied credit rating is used to assign a base discount rate range based on publicly available yields on similarly rated debt securities. The Company may apply a premium to the discount rate utilized in determining fair value when performance metrics and other qualitative information indicate that there is an additional level of uncertainty about collectability of cash flows.

Asset Approach

The asset approach values an investment based on the value of the underlying collateral securing the investment.

Revenue Recognition

The Company's revenue recognition policies are as follows:

Interest income and payment-in-kind ("PIK") interest income: Interest income is recorded on the accrual basis to the extent that such amounts are expected to be collected. The Company has loans in the portfolio that contain a PIK interest provision. PIK interest, which represents contractually deferred interest added to the loan balance that is generally due at maturity, is recorded on an accrual basis to the extent that such amounts are expected to be collected. PIK interest is not accrued if the Company does not expect the issuer to be able to pay all principal and interest when due.

Non-accrual investments: Management reviews all loans that become 90 days or more past due, or when there is reasonable doubt that principal or interest will be collected, for possible placement on non-accrual status. When the Company otherwise does not expect the borrower to be able to service its debt and other obligations, the Company will place the loan on non-accrual status and will generally cease recognizing interest income and PIK interest on that loan for financial reporting purposes. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment. The Company writes off any previously accrued and uncollected interest when it is determined that interest is no longer considered collectible. Non-accrual loans are returned to accrual status when the borrower's financial condition improves such that management believes current interest and principal payments are expected to be collected. As of December 31, 2023, we had debt investments in three portfolio companies on non-accrual status with an aggregate amortized cost of \$17.2 million and an aggregate fair value of \$12.8 million, which represented 8.7% and 6.8% of the investment portfolio, respectively. As of December 31, 2022, we had a debt investment in one portfolio company on non-accrual status with aggregate amortized cost of \$11.9 million and an aggregate fair value of \$9.7 million, which represented 5.4% and 4.8% of the investment portfolio, respectively.

Gains and losses on investment sales: Realized gains and losses on investments are recognized using the specific identification method.

Dividend income and paid-in-kind dividends: Dividend income is recognized on the date dividends are declared. The Company holds preferred equity investments in the portfolio that contain a PIK dividend provision. PIK dividends, which represent contractually deferred dividends added to the equity balance, are recorded on the accrual basis to the extent that such amounts are expected to be collected. The Company will typically cease accrual of PIK dividends when the fair value of the equity investment is less than the cost basis of the investment or when it is otherwise determined by management that PIK dividends are unlikely to be collected. If management determines that a decline in fair value is temporary in nature and PIK dividends are more likely than not to be collected, management may elect to continue accruing PIK dividends.

Original issue discount: Discounts received to par on loans purchased are capitalized and accreted into income over the life of the loan. Any remaining discount is accreted into income upon prepayment of the loan.

Other income: Origination fees (to the extent services are performed to earn such income), amendment fees, consent fees, and other fees associated with investments in portfolio companies are recognized as income when they are earned. Prepayment penalties received by the Company for debt instruments repaid prior to maturity date are recorded as income upon receipt.

General and Administrative Expenses

General and administrative expenses are accrued as incurred. The Company's administrative expenses include personnel and overhead expenses allocable to the Company paid by and reimbursed to the Administrator under an administration agreement between the Company and the Administrator (the "Administration Agreement"). Other operating expenses such as legal and audit fees and director and officer insurance are generally paid directly by the Company.

Deferred Financing Fees

Costs incurred to issue the Company's debt obligations are capitalized and are amortized over the term of the debt agreements under the effective interest method. Deferred financing fees are presented as a direct deduction from the carrying amount of the corresponding debt liability in the Statement of Assets and Liabilities.

Earnings per share

The Company's earnings per share ("EPS") amounts have been computed based on the weighted-average number of shares of the Company's common stock outstanding for the period. Basic EPS is computed by dividing net increase (decrease) in net assets resulting from operations by the weighted average number of shares of the Company's common stock outstanding during the period of computation. Diluted EPS is computed by dividing net increase (decrease) in net assets resulting from operations, adjusted for the change in net assets resulting from the exercise of the dilutive shares, by the weighted average number of shares of the Company's common stock assuming all potentially dilutive shares had been issued. Diluted EPS reflects the potential dilution, using the as-if-converted method for convertible debt, which could occur if all potentially dilutive securities were exercised.

Retroactive Adjustments for Reverse Stock Split

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

The share amount and per share amount of the Company's common stock in the consolidated financial statements and notes have been retroactively adjusted for the Reverse Stock Split effected on August 21, 2020 for all periods presented. See Note 1 for more information regarding the Reverse Stock Split.

Commitments and Contingencies

As of December 31, 2023 and 2022, the Company had the following unfunded commitments to existing portfolio companies (dollars in thousands):

Portfolio Company	Investment	December 31, 2023	December 31, 2022
Accordion Partners LLC ⁽¹⁾	First Lien/Senior Secured Debt	\$ N/A	\$ 897
Accordion Partners LLC (Revolver)	First Lien/Senior Secured Debt	1,531	1,531
American Clinical Solutions, LLC ⁽¹⁾	First Lien/Senior Secured Debt	250	N/A
BetaNXT, Inc. (Revolver)	First Lien/Senior Secured Debt	408	453
Bradshaw International, Inc. (Revolver)	First Lien/Senior Secured Debt	922	922
Critical Nurse Staffing, LLC ⁽¹⁾	First Lien/Senior Secured Debt	N/A	2,063
Critical Nurse Staffing, LLC (Revolver)	First Lien/Senior Secured Debt	1,000	700
Dentive, LLC ⁽¹⁾	First Lien/Senior Secured Debt	344	598
Dentive, LLC (Revolver)	First Lien/Senior Secured Debt	148	187
Epic Staffing Group ⁽¹⁾	First Lien/Senior Secured Debt	N/A	872
Great Lakes Funding II LLC - Series A	Joint Venture	55	80
GreenPark Infrastructure, LLC - Series M-1	Common Stock and Membership Units	732	732
IDC Infusion Services, LLC ⁽¹⁾	First Lien/Senior Secured Debt	799	N/A
Keg Logistics LLC (Revolver)	First Lien/Senior Secured Debt	—	436
Marble Point Credit Management LLC (Revolver)	First Lien/Senior Secured Debt	N/A	2,500
Morae Global Corporation (Revolver)	First Lien/Senior Secured Debt	292	N/A
Orthopaedic (ITC) Buyer, LLC ⁽¹⁾	First Lien/Senior Secured Debt	638	N/A
Premier Imaging, LLC ⁽¹⁾	First Lien/Senior Secured Debt	N/A	1,378
PhyNet Dermatology LLC ⁽¹⁾	First Lien/Senior Secured Debt	259	N/A
Tactical Air Support, Inc. ⁽¹⁾	First Lien/Senior Secured Debt	286	N/A
Taoglas Group Holdings Limited (Revolver)	First Lien/Senior Secured Debt	261	N/A
VBC Spine Opco, LLC (DxTx Pain and Spine LLC) ⁽¹⁾	First Lien/Senior Secured Debt	713	N/A
VBC Spine Opco, LLC (DxTx Pain and Spine LLC) (Revolver)	First Lien/Senior Secured Debt	97	N/A
Wealth Enhancement Group, LLC (Revolver)	First Lien/Senior Secured Debt	438	438
Total Unfunded Commitments		<u>\$ 9,173</u>	<u>\$ 13,787</u>

⁽¹⁾ Delayed-draw term loan.

In the ordinary course of business, the Company may enter into contracts or agreements that contain indemnifications or warranties. Future events could occur that could lead to the execution of these provisions against the Company. Based on its history and experience, management believes that the likelihood of such an event is remote.

In the ordinary course of business, the Company may directly or indirectly be a defendant or plaintiff in legal actions with respect to bankruptcy, insolvency, or other types of proceedings. Such lawsuits may involve claims that could adversely affect the value of certain financial instruments owned by the Company or result in direct losses to the Company. The nature of litigation can make it difficult to predict the impact a particular lawsuit will have on the Company. There are many reasons that the Company cannot make these assessments, including, among others, one or more of the following: the proceeding is in its early stages; the damages sought are unspecified, unsupported, unexplained or uncertain; discovery has not started or is not complete; there are significant facts in dispute; and there are other parties who may share in any ultimate liability.

In management's opinion, no direct losses with respect to litigation contingencies were probable as of December 31, 2023 and 2022. Management is of the opinion that the ultimate resolution of such claims, if any, will not materially affect the Company's business, financial position, results of operations, or liquidity. Furthermore, in management's opinion, it is not possible to estimate a range of reasonably possible losses with respect to litigation contingencies.

Income Taxes

The Company has elected to be treated as a RIC under subchapter M of the Code. The Company believes it qualified as a RIC under the Code for the fiscal year ended December 31, 2023, and the Company intends to comply with the requirements to continue to qualify annually as a RIC under the Code. As further discussed below, for the fiscal years ended December 31, 2022, December 31, 2021 and December 31, 2020, the Company failed the income source requirement under subchapter M of the Code, and thus did not qualify as a RIC under the Code for such years. The Company has determined that there would be no quantitative impact to the consolidated statements of assets and liabilities, the consolidated statements of operations, the consolidated statements of changes in net assets, and the consolidated statements of cash flows as of and for the years ended December 31, 2022, 2021 and 2020. See "Note 7. – Income Taxes" for additional information.

In order to qualify for tax treatment as a RIC, among other requirements, the Company is required to timely distribute to its stockholders at least 90.0% of its investment company taxable income, as defined by the Code, for each fiscal tax year. The Company will be subject to a nondeductible U.S. federal excise tax of 4.0% on undistributed income if it does not distribute an amount at least equal to the sum of (i) 98.0% of its ordinary income for the calendar year, (ii) 98.2% of its capital gains in excess of capital losses for the one-year period ending on October 31 of the calendar year, and (iii) any ordinary income and capital gain net income that it recognized for preceding years, but were not distributed during such years, and on which it paid no U.S. federal income tax.

Depending on the level of taxable income earned in an excise tax year, the Company may choose to carry forward taxable income in excess of current year dividend distributions into the next excise tax year and pay a 4.0% excise tax on such income, as required. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions for U.S. federal excise tax purposes, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. Since the Company's IPO, the Company has not accrued or paid excise tax.

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

The tax years ended December 31, 2023, 2022, 2021 and 2020 remain subject to examination by U.S. federal, state, and local tax authorities. No material interest expense or penalties have been assessed for the years ended December 31, 2023, 2022, 2021 and 2020. If the Company were required to recognize interest and penalties, if any, related to unrecognized tax benefits, this would be recognized as income tax expense in the consolidated statements of operations.

The Company records deferred tax assets or liabilities related to temporary book versus tax differences on taxable income or loss generated by the underlying equity investments held by the Company's Taxable Subsidiaries as well as temporary book versus tax differences generated by the Company during the years the Company did not qualify as a RIC (see "Note 7. – Income Taxes").

As of December 31, 2023 and 2022, the Company recorded a net deferred tax asset of zero, respectively. For the years ended December 31, 2023, 2022 and 2021, the Company recorded a tax provision of zero, \$0.1 million and zero, respectively.

As of December 31, 2023 and 2022, the valuation allowance on the Company's Taxable Subsidiaries' net deferred tax asset was \$3.9 million and \$4.0 million, respectively. For the years ended December 31, 2023, 2022 and 2021, the Company's Taxable Subsidiaries recognized a (decrease) increase in the valuation allowance of \$(0.1) million, \$1.5 million, and \$(2.1) million, respectively.

As of December 31, 2022, 2021 and 2020, the years the Company did not qualify as RIC, the valuation allowance on the Company's net deferred tax asset was \$31.9 million, \$29.2 million and \$33.3 million, respectively, excluding the Taxable Subsidiaries. For the years ended December 31, 2022, 2021 and 2020, the Company, excluding its Taxable Subsidiaries, recognized an increase (decrease) in the valuation allowance of \$2.7 million, \$(4.1) million, and \$33.3 million, respectively. See "Note 7. – Income Taxes" for further details.

In accordance with certain applicable U.S. Treasury regulations and guidance issued by the Internal Revenue Service, a publicly offered RIC may treat a distribution of its own stock as fulfilling its RIC distribution requirements if each stockholder may elect to receive its entire distribution in either cash or stock of the RIC, subject to a limitation on the aggregate amount of cash available to be distributed to all stockholders, which limitation must be at least 20.0% of the aggregate declared distribution. If too many stockholders elect to receive cash, the cash available for distribution must be allocated among the stockholders electing to receive cash (with the balance of the distribution paid in stock). In no event will any stockholder, electing to receive cash, receive less than 20.0% of its entire distribution in cash. If these and certain other requirements are met, for U.S. federal income tax purposes, the amount of the dividend paid in stock will be equal to the amount of cash that could have been received instead of stock.

For income tax purposes, the Company has paid distributions on its shares of common stock from ordinary income in the amount of \$2.6 million, zero, and zero during the tax years ended December 31, 2023, 2022 and 2021, respectively. For income tax purposes, none of the Company's distributions paid on its shares of common stock were accounted for as a return of capital for the tax years ended December 31, 2023, 2022 and 2021.

ASC Topic 740 — Income Taxes ("ASC 740") provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the consolidated financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" to be sustained by the applicable tax authority. Tax positions deemed to meet a "more-likely-than-not" threshold would be recorded as a tax benefit or expense in the current period. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the consolidated statements of operations. As of December 31, 2023 and 2022, there were no uncertain tax positions.

The Company is required to determine whether a tax position of the Company is more-likely-than-not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized could result in the Company recording a tax liability that could negatively impact the Company's net assets.

Distributions

Distributions to the Company's common stockholders are recorded on the record date. The amount to be paid out as a dividend is determined by the Board. Net capital gains, if any, are generally distributed at least annually, although we may decide to retain such capital gains for reinvestment.

The Company has adopted an "opt out" dividend reinvestment plan ("DRIP") for the Company's common stockholders. As a result, if the Company declares a distribution, then stockholders' cash distributions will be automatically reinvested in additional shares of the Company's common stock unless a stockholder specifically "opts out" of our DRIP. If a stockholder opts out, that stockholder will receive cash distributions. Although distributions paid in the form of additional shares of our common stock will generally be subject to U.S. federal, state, and local taxes in the same manner as cash distributions, stockholders participating in the Company's DRIP will not receive any corresponding cash distributions with which to pay any such applicable taxes.

Company Investment Risk, Concentration of Credit Risk and Liquidity Risk

The Investment Adviser has broad discretion in making investments for the Company. Investments will generally consist of debt and equity instruments that may be affected by business, financial market, or legal uncertainties. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Company's activities and the value of its investments. In addition, the value of the Company's portfolio may fluctuate as the general level of interest rates fluctuate.

The value of the Company's investments may be detrimentally affected to the extent, among other things, that a borrower defaults on its obligations, there is insufficient collateral and/or there are extensive legal and other costs incurred in collecting on a defaulted loan. The value of the Company's investments may also be detrimentally affected to the extent observable primary or secondary market yields for similar instruments issued by comparable companies increase materially or risk premiums in the market between smaller companies, such as our borrowers, and those for which market yields are observable increase materially.

The Investment Adviser may attempt to minimize this risk by maintaining low debt-to-liquidation values with each debt investment and the collateral underlying the debt investment.

The Company's assets may, at any time, include securities and other financial instruments or obligations that are illiquid or thinly traded, making purchase or sale of such securities and financial instruments at desired prices or in desired quantities difficult. Furthermore, the sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to value any such investments accurately.

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 3. Investments and Fair Value Measurements

The Company's investment objective is to generate both current income and capital appreciation through debt and equity investments. The Company offers customized financing to business owners, management teams, and financial sponsors for change of ownership transactions, recapitalizations, strategic acquisitions, business expansion, and other growth initiatives. The Company invests in first lien loans, and, to a lesser extent, second lien loans and equity securities issued by lower middle-market and traditional middle-market companies. As of December 31, 2023, our portfolio consisted of investments in 60 portfolio companies with a fair value of approximately \$189.7 million.

Most of the Company's debt investments are structured as first lien loans. First lien loans may contain some minimum amount of principal amortization, excess cash flow sweep feature, prepayment penalties, or any combination of the foregoing. First lien loans are secured by a first priority lien in existing and future assets of the borrower and may take the form of term loans, delayed draw facilities, or revolving credit facilities. Unitranche debt, a form of first lien loan, typically involves issuing one debt security that blends the risk and return profiles of both senior secured and subordinated debt, bifurcating the loan into a first-out tranche and last-out tranche. As of December 31, 2023, none of the fair value of our first lien loans consisted of last-out loans. As of December 31, 2022, 1.9% of the fair value of our first lien loans consisted of last-out loans. In some cases, first lien loans may be subordinated, solely with respect to the payment of cash interest, to an asset based revolving credit facility.

The Company also invests in debt instruments structured as second lien loans. Second lien loans are loans which have a second priority security interest in all or substantially all of the borrower's assets, and in some cases, may be subject to the interruption of cash interest payments upon certain events of default, at the discretion of the first lien lender.

During the year ended December 31, 2023, the Company made approximately \$33.2 million of investments and had approximately \$43.7 million in repayments and sales, resulting in net repayments and sales of approximately \$10.5 million for the year. During the year ended December 31, 2022, the Company made approximately \$107.7 million of investments and had approximately \$94.0 million in repayments and sales, resulting in net deployment of approximately \$13.7 million for the year. During the year ended December 31, 2021, the Company made approximately \$89.4 million of investments and had approximately \$169.6 million in repayments and sales, resulting in net repayments and sales of approximately \$80.2 million for the year.

As of December 31, 2023, the Company's Adviser approved the fair value of the Company's investment portfolio of approximately \$189.7 million in good faith in accordance with the Company's valuation procedures. The Company's Adviser approved the fair value of the Company's investment portfolio as of December 31, 2023 with input from third-party valuation firms and the Investment Adviser, as valuation designee, based on information known or knowable as of the valuation date, including trailing and forward looking data.

The composition of our investments as of December 31, 2023, at amortized cost and fair value was as follows (dollars in thousands):

	Investments at Amortized Cost	Amortized Cost Percentage of Total Portfolio	Investments at Fair Value	Fair Value Percentage of Total Portfolio
First Lien Debt	\$ 128,537	65.4 %	\$ 124,007	65.4 %
Second Lien Debt	8,968	4.6 %	7,918	4.2 %
Subordinated Debt	26,573	13.5 %	23,548	12.4 %
Collateralized Loan Obligations	1,600	0.8 %	1,600	0.8 %
Joint Venture	440	0.2 %	450	0.2 %
Equity	30,400	15.5 %	32,135	17.0 %
Total	\$ 196,518	100.0 %	\$ 189,658	100.0 %

The composition of our investments as of December 31, 2022, at amortized cost and fair value was as follows (dollars in thousands):

	Investments at Amortized Cost	Amortized Cost Percentage of Total Portfolio	Investments at Fair Value	Fair Value Percentage of Total Portfolio
First Lien Debt	\$ 143,047	64.9 %	\$ 136,896	67.3 %
Second Lien Debt	8,283	3.8 %	6,464	3.2 %
Subordinated Debt	26,571	12.0 %	25,851	12.7 %
Collateralized Loan Obligations	6,185	2.8 %	4,972	2.4 %
Joint Venture	414	0.2 %	403	0.2 %
Equity	36,016	16.3 %	29,006	14.2 %
Total	\$ 220,516	100.0 %	\$ 203,592	100.0 %

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

The following table shows the portfolio composition by industry grouping at fair value as of December 31, 2023 and 2022 (dollars in thousands):

	December 31, 2023		December 31, 2022	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Healthcare	\$ 47,934	25.3 %	42,594	20.9 %
Business Services	29,555	15.6 %	24,570	12.1 %
Financials	24,213	12.8 %	35,660	17.5 %
Information Technology	21,860	11.5 %	17,330	8.5 %
Industrials	16,558	8.7 %	15,631	7.7 %
Consumer Discretionary	10,180	5.4 %	13,505	6.6 %
Healthcare Management	9,465	5.0 %	9,695	4.8 %
Automobile Part Manufacturer	5,510	2.9 %	4,992	2.5 %
Advertising & Marketing Services	4,160	2.2 %	3,562	1.7 %
Communication Services	4,029	2.1 %	896	0.4 %
Textile Equipment Manufacturer	3,860	2.0 %	5,001	2.5 %
Medical Device Distributor	3,425	1.8 %	4,360	2.1 %
Financial Services	2,445	1.3 %	6,651	3.3 %
Online Merchandise Retailer	2,095	1.1 %	3,701	1.8 %
Consumer Staples	1,737	0.9 %	4,825	2.4 %
Household Product Manufacturer	758	0.4 %	758	0.4 %
Oil & Gas Engineering and Consulting Services	670	0.4 %	258	0.1 %
Data Processing & Digital Marketing	509	0.3 %	509	0.2 %
Electronic Machine Repair	245	0.1 %	271	0.1 %
Testing Laboratories	238	0.1 %	723	0.4 %
General Industrial	212	0.1 %	641	0.3 %
Entertainment	—	—	7,459	3.7 %
Total	\$ 189,658	100.0 %	\$ 203,592	100.0 %

All investments by the Company as of December 31, 2023 and 2022 were made in portfolio companies located in the U.S.

As noted above, the Company values all investments in accordance with Rule 2a-5 under the 1940 Act and ASC 820. ASC 820 requires enhanced disclosures about assets and liabilities that are measured and reported at fair value. As defined in ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability of inputs used in measuring investments at fair value. Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Based on the observability of the inputs used in the valuation techniques, the Company is required to provide disclosures on fair value measurements according to the fair value hierarchy. The fair value hierarchy ranks the observability of the inputs used to determine fair values. Investments carried at fair value are classified and disclosed in one of the following three categories:

- Level 1 — Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2 — Valuations based on inputs other than quoted prices in active markets, which are either directly or indirectly observable.
- Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

In addition to using the above inputs in investment valuations, the Company continues to employ the valuation policy approved by the Board that is consistent with ASC 820 (see Note 2). Consistent with the Company's valuation policy, the Company evaluates the source of inputs, including any markets in which its investments are trading, in determining fair value.

In estimating fair value of portfolio investments, the Company starts with the cost basis of the investment, which includes amortized original issue discount and PIK income, if any. The transaction price is typically the best estimate of fair value at inception. When evidence supports a subsequent change to the carrying value from the original transaction price, adjustments are made to reflect the expected fair values.

The following table presents the fair value measurements of investments, by major class, as of December 31, 2023 (dollars in thousands), according to the fair value hierarchy:

	Fair Value Measurements					Total
	Level 1	Level 2	Level 3	NAV		
First Lien Debt	\$ —	\$ —	\$ 124,007	\$ —		\$ 124,007
Second Lien Debt	—	—	7,918	—		7,918
Subordinated Debt	—	—	23,548	—		23,548
Collateralized Loan Obligations	—	—	1,600	—		1,600
Joint Venture	—	—	—	450		450
Equity	—	—	32,135	—		32,135
Total	\$ —	\$ —	\$ 189,208	\$ 450		\$ 189,658

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

The following table presents the fair value measurements of investments, by major class, as of December 31, 2022 (dollars in thousands), according to the fair value hierarchy:

	Fair Value Measurements				
	Level 1	Level 2	Level 3	NAV	Total
First Lien Debt	\$ —	\$ —	\$ 136,896	\$ —	\$ 136,896
Second Lien Debt	—	—	6,464	—	6,464
Subordinated Debt	—	—	25,851	—	25,851
Collateralized Loan Obligations	—	—	4,972	—	4,972
Joint Venture	—	—	—	403	403
Equity	—	—	29,006	—	29,006
Total	\$ —	\$ —	\$ 203,189	\$ 403	\$ 203,592

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the year ended December 31, 2023 (dollars in thousands):

	First Lien Debt	Second Lien Debt	Subordinated Debt	Collateralized Loan Obligations	Equity	Total
Balance as of January 1, 2023	\$ 136,896	\$ 6,464	\$ 25,851	\$ 4,972	\$ 29,006	\$ 203,189
Repayments/sales	(42,425)	(5)	—	(97)	(1,094)	(43,621)
Purchases	32,165	—	—	—	973	33,138
Payment-in-kind interest and dividends accrued	655	661	2	—	166	1,484
Accretion of original issue discount	707	29	—	632	—	1,368
Net realized loss on investments	(5,612)	—	—	(5,120)	(5,661)	(16,393)
Net change in unrealized appreciation (depreciation) on investments	1,621	769	(2,305)	1,213	8,745	10,043
Transfers out	—	—	—	—	—	—
Balance as of December 31, 2023	\$ 124,007	\$ 7,918	\$ 23,548	\$ 1,600	\$ 32,135	\$ 189,208

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the year ended December 31, 2022 (dollars in thousands):

	First Lien Debt	Second Lien Debt	Subordinated Debt	Collateralized Loan Obligations	Equity	Total
Balance as of January 1, 2022	\$ 98,251	\$ 30,190	\$ 5,050	\$ 7,717	\$ 56,981	\$ 198,189
Repayments/sales	(41,915)	(25,297)	—	(816)	(25,903)	(93,931)
Purchases	80,456	3,086	21,272	—	2,367	107,181
Payment-in-kind interest and dividends accrued	265	402	243	—	196	1,106
Accretion of original issue discount	476	44	6	969	—	1,495
Net realized gain (loss) on investments	94	—	—	(2,007)	15,682	13,769
Net change in unrealized (depreciation) appreciation on investments	(731)	(1,961)	(720)	(891)	(20,317)	(24,620)
Balance as of December 31, 2022	\$ 136,896	\$ 6,464	\$ 25,851	\$ 4,972	\$ 29,006	\$ 203,189

The net change in unrealized appreciation (depreciation) on Level 3 investments held as of December 31, 2023 and 2022, was \$1.0 million and \$(4.3) million, respectively, and is included in net change in unrealized appreciation (depreciation) on investments on the consolidated statements of operations.

The valuation techniques and significant unobservable inputs used in recurring Level 3 fair value measurements of assets and (liabilities) as of December 31, 2023 were as follows:

	Fair Value (in millions)	Valuation Technique	Unobservable Input	Range of Input (Weighted Average) ⁽²⁾
First lien debt	\$ 9.9	Market	Broker/Dealer Quotes	N/A
First lien debt	114.1	Income	Required Rate of Return	7.8% – 30.0% (13.5%)
Second lien debt	2.4	Market	Broker/Dealer Quotes	N/A
Second lien debt	5.5	Income	Required Rate of Return	2.2% – 17.9% (15.7%)
Subordinated debt	19.2	Income	Required Rate of Return	11.0%
Subordinated debt	0.5	Enterprise Market Value	EBITDA Multiple	4.5x
Subordinated debt	3.9	Enterprise Market Value	Revenue Multiple	0.5x
Collateralized Loan Obligations	1.6	Income	Discount Margin	22.4% – 24.1% (23.8%)
Equity	0.1	Income	Stock Price	\$102.49
			Time to Exit (Years)	2.0
			Volatility	35.0%
Equity	29.5	Enterprise Market Value and Asset ⁽¹⁾	EBITDA Multiple	2.3x – 18.0x (6.6x)
Equity	2.5	Enterprise Market Value	Revenue Multiple	0.3x – 1.2x (0.9x)
	\$ 189.2			

⁽¹⁾ \$1.0 million in equity was valued using the asset approach.

⁽²⁾ The weighted averages disclosed in the table above were weighted by their relative fair value.

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

The valuation techniques and significant unobservable inputs used in recurring Level 3 fair value measurements of assets as of December 31, 2022 were as follows:

	Fair Value (in millions)	Valuation Technique	Unobservable Input	Range of Input (Weighted Average) ⁽²⁾
First lien debt	\$ 7.4	Market	Broker/Dealer Quotes	N/A
First lien debt	123.5	Income	Required Rate of Return	6.0% – 30.0% (12.2%)
First lien debt	6.0	Enterprise Market Value	Revenue Multiple	0.4x
Second lien debt	2.6	Market	Broker/Dealer Quotes	N/A
Second lien debt	3.4	Income	Required Rate of Return	1.6% – 18.7% (16.1%)
Second lien debt	0.4	Enterprise Market Value	Revenue Multiple	4.7x
Subordinated debt	25.9	Income	Required Rate of Return	5.9% – 18.9% (10.4%)
Collateralized loan obligations	5.0	Income	Discount Margin	21.5% – 24.8% (23.6%)
Equity	0.1	Income	Stock Price	\$115.8
			Time to Exit (Years)	2.0
			Volatility	35.0%
Equity	26.2	Enterprise Market Value and Asset ⁽¹⁾	EBITDA Multiple	3.3x – 15.8x (6.4x)
Equity	2.7	Enterprise Market Value	Revenue Multiple	0.3x – 1.0x (0.9x)
	<u>\$ 203.2</u>			

⁽¹⁾ \$1.0 million in equity and warrants were valued using the asset approach.

⁽²⁾ The weighted averages disclosed in the table above were weighted by their relative fair value.

The significant unobservable inputs used in the valuation of the Company's investments are required rate of return, EBITDA multiples, revenue multiples, discount margin, stock price, projected time to exit and volatility. Changes in any of these unobservable inputs could have a significant impact on the Company's estimate of fair value. An increase (decrease) in the required rate of return or discount margin will result in a lower (higher) estimate of fair value, respectively, while an increase (decrease) in adjusted EBITDA or revenue multiples, stock price, projected time to exit (option-pricing model) or volatility will result in a higher (lower) estimate of fair value, respectively.

Great Lakes Funding II LLC

In August 2022, the Company invested in the Great Lakes II Joint Venture, a joint venture with an investment strategy to underwrite and hold senior, secured unitranche loans made to middle-market companies. The Company treats its investment in the Great Lakes II Joint Venture as a joint venture since an affiliate of the Investment Adviser controls a 50% voting interest in the Great Lakes II Joint Venture.

The Great Lakes II Joint Venture is a Delaware series limited liability company, and pursuant to the terms of the Great Lakes Funding II LLC Limited Liability Company Agreement (the "Great Lakes II LLC Agreement"), prior to the end of the investment period with respect to each series established under the Great Lakes II LLC Agreement, each member of the predecessor series would be offered the opportunity to roll its interests into any subsequent series of the Great Lakes II Joint Venture. The Company does not pay any advisory fees in connection with its investment in the Great Lakes II Joint Venture. Certain other funds managed by the Investment Adviser or its affiliates have also invested in the Great Lakes II Joint Venture.

The fair value of the Company's investment in the Great Lakes II Joint Venture at December 31, 2023 and December 31, 2022 was \$0.5 million and \$0.4 million, respectively. Fair value has been determined utilizing the net asset value as a practical expedient pursuant to U.S. GAAP. Pursuant to the terms of the Great Lakes II LLC Agreement, the Company generally may not effect any direct or indirect sale, transfer, assignment, hypothecation, pledge or other disposition of or encumbrance upon its interests in the Great Lakes II Joint Venture, except that the Company may sell or otherwise transfer its interests with the consent of the managing members of the Great Lakes II Joint Venture or to an affiliate or a successor to substantially all of the assets of the Company.

As of December 31, 2023, the Company has an unfunded commitment to the Great Lakes II Joint Venture of \$0.1 million.

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 4. Transactions With Affiliated Companies

During the year ended December 31, 2023, the Company had investments in portfolio companies designated as affiliates under the 1940 Act. Transactions with affiliates were as follows (dollars in thousands):

Company ⁽⁴⁾	Type of Investment	Principal Amount	Amount of Interest, Fees or Dividends Credited to Income ⁽¹⁾	December 31, 2022 Fair Value	Gross Additions ⁽²⁾	Gross Reductions ⁽³⁾	Realized Gain/(Loss)	Unrealized Appreciation (Depreciation)	December 31, 2023 Fair Value
Affiliate investments									
Burgaflex Holdings, LLC	Common Stock Class A (1,253,198 shares)	\$ —	\$ —	\$ 2,802	\$ —	\$ —	\$ —	\$ 288	\$ 3,090
Burgaflex Holdings, LLC	Common Stock Class B (1,085,073 shares)	—	—	2,190	—	—	—	230	2,420
				4,992	—	—	—	518	5,510
GA Communications, Inc.	Series A-1 Preferred Stock (1,998 shares)	—	—	3,562	—	(1)	—	(21)	3,540
GA Communications, Inc.	Series B-1 Common Stock (200,000 shares)	—	—	—	—	—	—	620	620
				3,562	—	(1)	—	599	4,160
Great Lakes Funding II LLC	Series A	—	68	403	82	(56)	—	21	450
			68	403	82	(56)	—	21	450
GreenPark Infrastructure, LLC	Series A (400 Units)	—	—	200	—	—	—	—	200
GreenPark Infrastructure, LLC	Series M-1 (200 Units)	—	—	69	—	—	—	—	69
				269	—	—	—	—	269
MMI Holdings, LLC	First Lien Debt (12.00% Cash, Due 6/28/24)	2,600	(316)	2,600	—	—	—	(86)	2,514
MMI Holdings, LLC	Second Lien Debt (6.00% Cash, Due 6/28/24)	400	(13)	400	12	—	—	(60)	352
MMI Holdings, LLC ⁽⁵⁾	Preferred Units (1,000 units, 8.00% PIK Dividend)	—	94	1,360	94	—	—	(895)	559
MMI Holdings, LLC	Common Membership Units (45 units)	—	—	—	—	—	—	—	—
			(235)	4,360	106	—	—	(1,041)	3,425
Nth Degree Investment Group, LLC	Membership Units (6,088,000 units)	—	—	5,320	—	—	—	5,020	10,340
				5,320	—	—	—	5,020	10,340
RAM Payment, LLC	First Lien Debt (10.43% Cash (1 month LIBOR + 5.00%), 1.50% Floor, Due 1/4/24)	—	27	939	—	(939)	—	—	—
RAM Payment, LLC	First Lien Debt (13.76% Cash, Due 1/4/24)	—	132	2,547	—	(2,547)	—	—	—
RAM Payment, LLC ⁽⁵⁾	Preferred Units (86,000 units, 6.00% PIK Dividend)	—	68	3,165	68	(244)	—	(544)	2,445
			227	6,651	68	(3,730)	—	(544)	2,445
Sierra Hamilton Holdings Corporation	Second Lien Debt (15.00% PIK, Due 9/12/23)	—	1	4	—	(4)	—	—	—
Sierra Hamilton Holdings Corporation	Common Stock (27,396,364 shares)	—	—	254	—	—	—	416	670
			1	258	—	(4)	—	416	670
V12 Holdings, Inc.	Second Lien Debt	509	—	509	—	—	—	—	509
			—	509	—	—	—	—	509
Total Affiliate investments			\$ 61	\$ 26,324	\$ 256	\$ (3,791)	\$ —	\$ 4,989	\$ 27,778

- (1) Represents the total amount of interest, original issue discount, fees and dividends credited to income for the portion of the year an investment was included in Affiliate or Control categories, respectively.
- (2) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, follow-on investments, accrued PIK and accretion of original issue discount. Gross additions also include transfers into Affiliate or Control classification.
- (3) Gross reductions include decreases in the cost basis of investments resulting from principal repayments and sales. Gross reductions also include transfers out of Affiliate or Control classification.
- (4) All debt investments are income producing. Equity and warrant investments are non-income producing, unless otherwise noted.
- (5) The equity investment is income producing, based on rate disclosed.

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

During the year ended December 31, 2022, the Company had investments in portfolio companies designated as affiliates under the 1940 Act. Transactions with affiliates were as follows (dollars in thousands):

Company ⁽⁴⁾	Type of Investment	Principal Amount	Amount of Interest, Fees or Dividends Credited to Income ⁽¹⁾	December 31, 2021 Fair Value	Gross Additions ⁽²⁾	Gross Reductions ⁽³⁾	Realized Gain/(Loss)	Unrealized Appreciation (Depreciation)	December 31, 2022 Fair Value
Affiliate investments⁽⁴⁾									
Burgaflex Holdings, LLC	Common Stock Class B (1,085,073 shares)	\$ —	\$ —	\$ 1,528	\$ —	\$ —	\$ —	\$ 662	\$ 2,190
Burgaflex Holdings, LLC	Common Stock Class A (1,253,198 shares)	—	—	1,193	—	—	—	1,609	2,802
				2,721	—	—	—	2,271	4,992
GA Communications, Inc.	Series A-1 Preferred Stock (1,998 shares)	—	—	4,394	—	—	—	(832)	3,562
GA Communications, Inc.	Series B-1 Common Stock (200,000 shares)	—	—	185	—	—	—	(185)	—
				4,579	—	—	—	(1,017)	3,562
Great Lakes Funding II LLC	Series A	—	14	—	517	(103)	—	(11)	403
			14	—	517	(103)	—	(11)	403
GreenPark Infrastructure, LLC	Series A (400 Units)	—	—	—	200	—	—	—	200
GreenPark Infrastructure, LLC	Series M-1 (200 Units)	—	—	—	69	—	—	—	69
				—	269	—	—	—	269
LJS Partners, LLC	Preferred Units (202,336 units)	—	—	843	—	(979)	542	(406)	—
LJS Partners, LLC	Common Membership Units (2,593,234 units)	—	—	7,164	—	(2,354)	1,130	(5,940)	—
				8,007	—	(3,333)	1,672	(6,346)	—
MMI Holdings, LLC	First Lien Debt (12.0% Cash, Due 4/1/22)	2,600	308	2,600	—	—	—	—	2,600
MMI Holdings, LLC	Second Lien Debt (6.0% Cash, Due 4/1/22)	400	24	400	—	—	—	—	400
MMI Holdings, LLC ⁽⁵⁾	Preferred Units (1,000 units, 8.0% PIK Dividend)	—	118	1,898	118	—	—	(656)	1,360
MMI Holdings, LLC	Common Membership Units (45 units)	—	—	63	—	—	—	(63)	—
			450	4,961	118	—	—	(719)	4,360
Nih Degree Investment Group, LLC	Membership Units (6,088,000 units)	—	—	—	—	—	—	5,320	5,320
				—	—	—	—	5,320	5,320
RAM Payment, LLC	First Lien Debt (6.5% Cash (1 month LIBOR + 5.0%), 1.5% Floor), Due 1/4/24)	939	82	998	—	(59)	—	—	939
RAM Payment, LLC	First Lien Debt (12.45% Cash, Due 1/4/24)	2,547	291	2,706	—	(159)	—	—	2,547
RAM Payment, LLC ⁽⁵⁾	Preferred Units (86,000 units, 6.0% PIK Dividend)	—	69	3,726	69	—	—	(630)	3,165
			442	7,430	69	(218)	—	(630)	6,651
Sierra Hamilton Holdings Corporation	Second Lien Debt (15.0% PIK, Due 9/12/23)	3	1	3	1	—	—	—	4
Sierra Hamilton Holdings Corporation	Common Stock (15,068,000 shares)	—	—	330	—	—	—	(76)	254
			1	333	1	—	—	(76)	258
V12 Holdings, Inc.	Second Lien Debt	509	—	509	—	—	—	—	509
			—	509	—	—	—	—	509
			\$ 907	\$ 28,540	\$ 974	\$ (3,654)	\$ 1,672	\$ (1,208)	\$ 26,324
Total Affiliate investments									
Control investments									
Vology, Inc.	First Lien Debt (10.5% Cash (1 month LIBOR + 8.5%, 2.0% Floor), Due 3/31/22)	\$ —	\$ 228	\$ 3,635	\$ —	\$ (3,635)	\$ —	\$ —	\$ —
Vology, Inc.	Class A Preferred Units (9,041,810 Units)	—	—	3,204	—	—	(5,215)	2,011	—
Vology, Inc.	Membership Units (5,363,982 Units)	—	—	—	—	—	—	—	—
			\$ 228	\$ 6,839	\$ —	\$ (3,635)	\$ (5,215)	\$ 2,011	\$ —
Total Control investments									

- (1) Represents the total amount of interest, original issue discount, fees and dividends credited to income for the portion of the year an investment was included in Affiliate or Control categories, respectively.
- (2) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, follow-on investments, accrued PIK and accretion of original issue discount. Gross additions also include transfers into Affiliate or Control classification.
- (3) Gross reductions include decreases in the cost basis of investments resulting from principal repayments and sales. Gross reductions also include transfers out of Affiliate or Control classification.
- (4) All debt investments are income producing. Equity and warrant investments are non-income producing, unless otherwise noted.
- (5) The equity investment is income producing, based on rate disclosed.
- (6) During the second quarter of 2022, Eastport Holdings, LLC completed a refinancing and recapitalization transaction. Logan Ridge received \$16.5 million in cash and \$19.3 million in principal of a new debt security in exchange for all of its previous debt and equity securities, which resulted in a realized gain of approximately \$16.0 million on the Company's equity interest. As a result of this transaction, Eastport Holdings, LLC is no longer an affiliate of the Company.

Note 5. Agreements and Related Party Transactions

Investment Advisory Agreement

On July 1, 2021, the Company entered into an investment advisory agreement (the "Investment Advisory Agreement") with the Investment Adviser, which was approved by the Company's stockholders on May 27, 2021. Unless earlier terminated in accordance with its terms, the Investment Advisory Agreement will remain in effect from year-to-year if approved annually by the Board or by a majority of our outstanding voting securities, including, in either case, by a majority of our directors who are not "interested persons" as such term is defined in Section 2(a)(19) of the 1940 Act ("Independent Directors"). The Board most recently approved the renewal of the Investment Advisory Agreement at a meeting on May 9, 2023. Subject to the overall supervision of the Board, the Investment Adviser manages our day-to-day operations and provides investment advisory and management services to us. Under the terms of the Investment Advisory Agreement, the Investment Adviser:

- determines the composition of our portfolio, the nature and timing of the changes to our portfolio, and the manner of implementing such changes;
- identifies, evaluates, and negotiates the structure of the investments we make (including performing due diligence on our prospective portfolio companies);
- closes and monitors the investments we make; and
- provides us with other investment advisory, research, and related services as we may from time to time require.

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

The Investment Adviser's services under the Investment Advisory Agreement are not exclusive, and it is free to furnish similar services to other entities so long as its services to us are not impaired.

The Investment Advisory Agreement provides that, absent willful misfeasance, bad faith, or negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, the Investment Adviser and its officers, managers, partners, agents, employees, controlling persons, members, and any other person or entity affiliated with it are entitled to indemnification from the Company for any damages, liabilities, costs, and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of our Investment Adviser's services under the Investment Advisory Agreement or otherwise as Investment Adviser for the Company.

Pursuant to the Investment Advisory Agreement, the Company has agreed to pay the Investment Adviser a fee for investment advisory and management services consisting of two components — a base management fee and an incentive fee.

The base management fee is calculated at an annual rate of 1.75% of the gross assets, which are the total assets reflected on the consolidated statements of assets and liabilities and includes any borrowings for investment purposes. Although the Company does not anticipate making significant investments in derivative financial instruments, the fair value of any such investments, which will not necessarily equal their notional value, will be included in the calculation of gross assets. For services rendered under the Investment Advisory Agreement, the base management fee is payable quarterly in arrears. The base management fee is calculated based on the average value of the gross assets at the end of the two most recently completed calendar quarters, and appropriately adjusted for any share issuances or repurchases during the current calendar quarter.

The incentive fee consists of the following two parts:

The first part of the incentive fee is calculated and payable quarterly in arrears based on the pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income, and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, diligence, and consulting fees or other fees that we receive from portfolio companies) accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under the Administration Agreement to our Administrator, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with PIK interest and zero coupon securities), accrued income that we have not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, computed net of all realized capital losses or unrealized capital appreciation or depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, is compared to a hurdle of 2.0% per quarter (8.0% annualized). The Company pays the Investment Adviser an incentive fee with respect to the pre-incentive fee net investment income in each calendar quarter as follows:

- no incentive fee in any calendar quarter in which the pre-incentive fee net investment income does not exceed the hurdle of 2.0%;
- 100% of the pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle but is less than 2.5% in any calendar quarter (10.0% annualized). The Company refers to this portion of the pre-incentive fee net investment income (which exceeds the hurdle but is less than 2.5%) as the "catch-up." The "catch-up" is meant to provide the Investment Adviser with 20% of the pre-incentive fee net investment income as if a hurdle did not apply if this net investment income exceeds 2.5% in any calendar quarter; and
- 20% of the amount of the pre-incentive fee net investment income, if any, that exceeds 2.5% in any calendar quarter (10.0% annualized) is payable to the Investment Adviser (once the hurdle is reached and the catch-up is achieved, 20% of all pre-incentive fee investment income thereafter is allocated to the Investment Adviser).

The second part of the incentive fee is determined and payable in arrears as of the end of each calendar year, commencing on December 31, 2021, and equals 20.0% of the Company's realized capital gains, if any, on a cumulative basis with respect to each of the investments in the Company's portfolio from the fiscal quarter ending on or immediately prior to July 1, 2021 through the end of each calendar year, beginning with the calendar year ending December 31, 2021, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis from September 30, 2021 through the end of each calendar year, beginning with the calendar year ending December 31, 2021, less the aggregate amount of any previously paid capital gain fees under the Investment Advisory Agreement. Any realized capital gains, realized capital losses and unrealized capital depreciation with respect to the Company's portfolio as of the end of the fiscal quarter ending on or immediately prior to July 1, 2021 are excluded from the calculations of the capital gains fee. In the event that the Investment Advisory Agreement terminates as of a date that is not a calendar year end, the termination date will be treated as though it were a calendar year end for purposes of calculating and paying a capital gains fee.

The Company will defer cash payment of the portion of any incentive fee otherwise earned by the Investment Adviser that would, when taken together with all other incentive fees paid to the Investment Adviser during the most recent 12 full calendar month period ending on or prior to the date such payment is to be made, exceed 20% of the sum of (a) the pre-incentive fee net investment income during such period, (b) the net unrealized appreciation or depreciation during such period and (c) the net realized capital gains or losses during such period. Any deferred incentive fees will be carried over for payment in subsequent calculation periods to the extent such payment is payable under the Investment Advisory Agreement. As of December 31, 2023 and 2022, the Company did not have incentive fees payable to the Investment Adviser related to fees earned in prior years but deferred under the incentive fee deferral mechanism.

As part of the Transaction, beginning on July 1, 2021, the Investment Adviser entered into a two-year contractual fee waiver (the "Fee Waiver") with the Company to waive, to the extent necessary, any capital gains fee under the Investment Advisory Agreement that exceeds what would have been paid to Capitala in the aggregate over such two-year period under the prior advisory agreement. The Fee Waiver expired at the end of the two-year period.

For the years ended December 31, 2023, 2022 and 2021, the Company incurred \$3.7 million, \$3.9 million and \$4.8 million in base management fees, respectively, under the Investment Advisory Agreement and the Prior Investment Advisory Agreement. The Company did not incur incentive fees related to pre-incentive fee net investment income for the years ended December 31, 2023, 2022, and 2021, respectively. For the years ended December 31, 2023, 2022 and 2021, our Investment Adviser did not waive any incentive fees as none were incurred.

As of December 31, 2023 and 2022, the Company had \$0.9 million and \$0.9 million, respectively, of management and incentive fees payable to the Adviser. These amounts are reflected in the accompanying consolidated statements of assets and liabilities under the caption "Management and incentive fees payable."

Administration Agreement

On July 1, 2021, the Company entered into the Administration Agreement, pursuant to which the Administrator has agreed to furnish the Company with office facilities, equipment and clerical, bookkeeping, and record keeping services at such facilities. The Administrator also performs or oversees the performance of the required

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

administrative services, which include, among other things, being responsible for the financial records that the Company is required to maintain and preparing reports to our stockholders. In addition, the Administrator assists in determining and publishing the net asset value, oversees the preparation and filing of the tax returns and the printing and dissemination of reports to the stockholders, and generally oversees the payment of the expenses and the performance of administrative and professional services rendered to the Company by others.

Payments under the Administration Agreement are equal to an amount based upon the allocable portion of the Administrator's overhead in performing its obligations under the Administration Agreement, including rent, the fees and expenses associated with performing compliance functions, and the allocable portion of the compensation of the chief financial officer, the chief compliance officer, and their respective administrative support staff. Under the Administration Agreement, the Administrator will also provide, on the Company's behalf, managerial assistance to those portfolio companies that request such assistance. Unless terminated earlier in accordance with its terms, the Administration Agreement was renewed on May 9, 2023 for a period of one year effective July 1, 2023 and will remain in effect until July 1, 2024. It will remain in effect from year-to-year thereafter if approved annually by the Board. To the extent that the Administrator outsources any of its functions, the Company will pay the fees associated with such functions on a direct basis without any incremental profit to our Administrator. Stockholder approval is not required to amend the Administration Agreement.

For the years ended December 31, 2023, 2022 and 2021, the Company accrued \$0.9 million, \$0.6 million, and \$1.0 million, respectively, for the Company's allocable portion of the Administrator's overhead.

The Administration Agreement provides that, absent willful misfeasance, bad faith, or negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, our Administrator and its officers, managers, partners, agents, employees, controlling persons, members, and any other person or entity affiliated with it are entitled to indemnification from the Company for any damages, liabilities, costs, and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of our Administrator's services under the Administration Agreement or otherwise as Administrator for the Company.

Co-investment Exemptive Relief

As a BDC, the Company is subject to certain regulatory restrictions in making its investments. For example, BDCs generally are not permitted to co-invest with certain affiliated entities in transactions originated by the BDC or its affiliates in the absence of an exemptive order from the SEC. However, BDCs are permitted to, and may, simultaneously co-invest in transactions where price is the only negotiated term. On April 10, 2023, superseding a prior exemptive order granted on October 23, 2018, the SEC issued an order granting an application for exemptive relief to us and certain of our affiliates that allows BDCs managed by the Investment Adviser, including Logan Ridge, to co-invest, subject to the satisfaction of certain conditions, in certain private placement transactions, with other funds managed by the Investment Adviser or its affiliates, certain proprietary accounts of the Investment Adviser or its affiliates and any future funds that are advised by the Investment Adviser or its affiliated investment advisers.

Under the terms of the exemptive order, in order for the Company to participate in a co-investment transaction a "required majority" (as defined in Section 57(0) of the 1940 Act) of the Company's independent directors must conclude that (i) the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair to the Company and its stockholders and do not involve overreaching with respect of the Company or its stockholders on the part of any person concerned, and (ii) the proposed transaction is consistent with the interests of the Company's stockholders and is consistent with the Company's investment objectives and strategies and certain criteria established by the Board.

Trade with Affiliated Funds

There were no transactions subject to Rule 17a-7 under the 1940 Act during year ended December 31, 2023. During the year ended December 31, 2022, the Company sold \$7.9 million in total investments to an affiliated fund in accordance with, and pursuant to procedures adopted under, Rule 17a-7 of the 1940 Act. Realized losses on those sales for the same period amounted to less than \$0.1 million. There were no transactions subject to Rule 17a-7 under the 1940 Act during year ended December 31, 2021.

Potential Conflicts of Interest

The members of the senior management and investment teams of the Investment Adviser serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as the Company does, or of investment vehicles managed by the same personnel. In serving in these multiple and other capacities, they may have obligations to other clients or investors in those entities, the fulfillment of which may or may not be in the Company's best interests or in the best interest of the Company's stockholders. The Company's investment objectives may overlap with the investment objectives of such investment funds, accounts or other investment vehicles.

Note 6. Borrowings

SBA-guaranteed debentures

The Company, through its wholly owned subsidiary Fund III, historically used debenture leverage provided through the SBA to finance a portion of its investment portfolio. As of December 31, 2020, the Company had \$91.0 million of SBA-guaranteed debentures outstanding. On June 10, 2021, Fund III repaid all of its remaining SBA-guaranteed debentures. As of December 31, 2020, Fund III had total assets of \$186.0 million collateralizing its SBA-guaranteed debentures. On June 10, 2014, the Company received an exemptive order from the SEC exempting the Company, Fund II, and Fund III from certain provisions of the 1940 Act (including an exemptive order granting relief from the asset coverage requirements for certain indebtedness issued by Fund II and Fund III as SBICs) and from certain reporting requirements mandated by the Securities Exchange Act of 1934, as amended, with respect to Fund II and Fund III.

On March 1, 2019, Fund II repaid its outstanding SBA-guaranteed debentures and relinquished its SBIC license. On June 10, 2021, Fund III repaid its SBA-guaranteed debentures and relinquished its SBIC license. As a result of the payoff, the Company recorded an extinguishment loss of \$0.8 million during the year ended December 31, 2021.

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

As of December 31, 2023 and 2022, there were no SBA-guaranteed debentures outstanding. The following table summarizes the historical interest expense and annual charges, deferred financing costs, average outstanding balance, and average stated interest and annual charge rate on the SBA-guaranteed debentures for the year ended December 31, 2021 (dollars in thousands):

	For the Year Ended December 31,	
	2021	
Interest expense and annual charges	\$	1,066
Deferred financing costs		188
Total interest and financing expenses	\$	1,254
Average outstanding balance	\$	33,773
Average stated interest and annual charge rate		3.14 %

2022 Notes

On May 16, 2017, the Company issued \$70.0 million in aggregate principal amount of 6.0% fixed-rate notes due May 31, 2022 (the "2022 Notes"). On May 25, 2017, the Company issued an additional \$5.0 million in aggregate principal amount of the 2022 Notes pursuant to a partial exercise of the underwriters' overallocation option. On November 1, 2021, the Company notified the Trustee for the Company's 2022 Notes, of the Company's election to redeem \$50.0 million aggregate principal amount of the 2022 Notes outstanding. The redemption was completed on December 6, 2021. On May 31, 2022, the remaining 2022 Notes reached maturity, and the entire outstanding principal of the 2022 Notes became payable and was paid by the Company. Accordingly, as of December 31, 2023 and December 31, 2022, there were no 2022 Notes outstanding.

The 2022 Notes were scheduled to mature on May 31, 2022 and could be redeemed in whole or in part at any time or from time to time at the Company's option on or after May 31, 2019 at a redemption price equal to 100% of the outstanding principal, plus accrued and unpaid interest. Interest on the 2022 Notes was payable quarterly. The 2022 Notes were listed on the NASDAQ Global Select Market under the trading symbol "CPTAL" with a par value of \$25.00 per share.

The following table summarizes the interest expense, deferred financing costs, average outstanding balance, and average stated interest rate on the 2022 Notes for the years ended December 31, 2023, 2022 and 2021 (dollars in thousands):

	For the Year Ended December 31,		
	2023	2022	2021
Interest expense	N/A	\$ 609	\$ 4,119
Deferred financing costs	N/A	45	590
Total interest and financing expenses	N/A	\$ 654	\$ 4,709
Average outstanding balance	N/A	\$ 9,384	\$ 69,272
Average stated interest rate	N/A	6.00 %	6.00 %

2022 Convertible Notes

On May 26, 2017, the Company issued \$50.0 million in aggregate principal amount of 5.75% fixed-rate convertible notes due May 31, 2022 (the "2022 Convertible Notes"). On June 26, 2017, the Company issued an additional \$2.1 million in aggregate principal amount of the 2022 Convertible Notes pursuant to a partial exercise of the underwriters' overallocation option. On May 31, 2022, the 2022 Convertible Notes reached maturity, and the entire outstanding principal of the 2022 Convertible Notes became payable, and was paid by the Company. Accordingly, as of December 31, 2023 and December 31, 2022, there were no 2022 Convertible Notes outstanding.

The 2022 Convertible Notes were convertible, at the holder's option, into shares of the Company's common stock at any time on or prior to the close of business on the business day immediately preceding the maturity date. The conversion rate for the 2022 Convertible Notes was initially 1.5913 shares per \$25.00 principal amount of 2022 Convertible Notes (equivalent to an initial conversion price of approximately \$15.71 per share of common stock). The initial conversion premium was approximately 14.0%. As a result of the reverse stock split, the conversion rate for the 2022 Convertible Notes was 0.2652 shares per \$25.00 principal amount of 2022 Convertible Notes (equivalent to a conversion price of approximately \$94.26), effective August 21, 2020. Upon conversion, the Company was obligated to deliver shares of its common stock (and cash in lieu of fractional shares). The conversion rate was subject to adjustment if certain events occurred as outlined in the supplemental indenture relating to the 2022 Convertible Notes. The Company determined that the embedded conversion option in the 2022 Convertible Notes was not required to be separately accounted for as a derivative under U.S. GAAP.

In addition, pursuant to a "fundamental change", as defined in the supplemental indenture relating to the 2022 Convertible Notes, holders of the 2022 Convertible Notes could require the Company to repurchase for cash all or part of their 2022 Convertible Notes at a repurchase price equal to 100.0% of the principal amount of the 2022 Convertible Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the repurchase date. The 2022 Convertible Notes were not redeemable prior to maturity and no "sinking fund" is provided for the 2022 Convertible Notes.

The following table summarizes the interest expense, deferred financing costs, average outstanding balance, and average stated interest rate on the 2022 Convertible Notes for the years ended December 31, 2023, 2022, and 2021 (dollars in thousands):

	For the Year Ended December 31,		
	2023	2022	2021
Interest expense	N/A	\$ 1,239	\$ 2,997
Deferred financing costs	N/A	168	385
Total interest and financing expenses	N/A	\$ 1,407	\$ 3,382
Average outstanding balance	N/A	\$ 21,406	\$ 52,088
Average stated interest rate	N/A	5.75 %	5.75 %

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

2026 Notes

On October 29, 2021, the Company issued \$50.0 million in aggregate principal amount of 5.25% fixed-rate notes due October 30, 2026 (the “2026 Notes”) pursuant to a supplemental indenture with U.S. Bank National Association (the “Trustee”), which supplements that certain base indenture, dated as of June 16, 2014. The 2026 Notes were issued in a private placement exempt from registration under the Section 4(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”). The net proceeds to the Company were approximately \$48.8 million, after deducting estimated offering expenses. The Notes will mature on October 30, 2026 and may be redeemed in whole or in part at the Company’s option at any time or from time to time at the redemption prices set forth in the Indenture. The Notes bear interest at a rate of 5.25% per year payable semi-annually on April 30 and October 30 of each year, commencing on April 30, 2022. The Notes are general unsecured obligations of the Company that rank senior in right of payment to all of the Company’s existing and future indebtedness that is expressly subordinated in right of payment to the Notes, rank pari passu with all existing and future unsecured unsubordinated indebtedness issued by the Company, rank effectively junior to any of the Company’s secured indebtedness (including unsecured indebtedness that the Company later secures) to the extent of the value of the assets securing such indebtedness, and rank structurally junior to all existing and future indebtedness (including trade payables) incurred by the Company’s subsidiaries, financing vehicles or similar facilities.

In July 2022, pursuant to the requirements of a registration rights agreements entered into in connection with the offering described above, the Company completed an exchange offer pursuant to which all of the outstanding 2026 Notes were exchanged for notes with substantially identical terms, but that are registered under the Securities Act (which notes are also referred to herein as the “2026 Notes”).

As of December 31, 2023 and 2022, the Company had \$50.0 million and \$50.0 million in 2026 Notes outstanding.

The following table summarizes the interest expense, deferred financing costs, average outstanding balance, and average stated interest rate on the 2026 Notes for the years ended December 31, 2023, 2022, and 2021 (dollars in thousands):

	For the Year Ended December 31,		
	2023	2022	2021
Interest expense	\$ 2,833	\$ 2,810	\$ 487
Deferred financing costs	156	161	20
Total interest and financing expenses	<u>\$ 2,989</u>	<u>\$ 2,971</u>	<u>\$ 507</u>
Average outstanding balance	\$ 50,000	\$ 50,000	\$ 8,767
Average stated interest rate	5.25 %	5.25 %	5.25 %

2032 Convertible Notes

On April 1, 2022, the Company issued \$15.0 million in aggregate principal amount of 5.25% fixed-rate convertible notes due April 1, 2032 (the “2032 Convertible Notes”).

The 2032 Convertible Notes are convertible, at the holder’s option and at any time on or prior to the close of business on the business day immediately preceding the maturity date, into such number of shares of the Company’s common stock as is equal to the principal balance of the notes being converted on such date divided by the “Conversion Price,” as described below. The Company will not issue more than 539,503 shares of common stock in the aggregate under the purchase agreement governing the 2032 Convertible Notes (the “Purchase Agreement”); however, such number of shares may be adjusted from time to time to give effect to any forward or reverse stock splits with respect to the common stock as well as any further adjustments described in the purchase agreement. The “Conversion Price” will be equal to the average “Closing Sale Price” for the five “Trading Days” immediately prior to the relevant “Conversion Date,” as those terms are defined in the Purchase Agreement, subject to certain anti-dilutive provisions, as further described in the Purchase Agreement. No holder of a 2032 Convertible Note will be entitled to convert any such note or portion thereof if such conversion would result in more than \$7,500,000 in principal amount of 2032 Convertible Notes being converted in any such calendar quarter. The Company has determined that the embedded conversion option in the 2032 Convertible Notes is not required to be separately accounted for as a derivative under U.S. GAAP.

The Company obtained an Investment Grade rating from a Nationally Recognized Statistical Rating Organization (“NRSRO”) with respect to the 2032 Convertible Notes. The 2032 Convertible Notes have a fixed interest rate of 5.25% per annum payable semi-annually on March 31 and September 30 of each year, commencing on September 30, 2022, subject to a step up of 0.75% per annum to the extent that the 2032 Convertible Notes are downgraded below Investment Grade by an NRSRO or the 2032 Convertible Notes no longer maintain a rating from an NRSRO. The Company will also be required to pay an additional interest rate of 2.0% per annum (x) on any overdue payment of interest and (y) during the continuance of an “Event of Default.” In addition, on the occurrence of a “Change in Control Repurchase Event” or “Delisting Event,” as defined in the Purchase Agreement, the Company will generally be required to make an offer to purchase the outstanding 2032 Convertible Notes at a price equal to 100% of the principal amount of such 2032 Convertible Notes plus accrued and unpaid interest to the repurchase date. The 2032 Convertible Notes are redeemable prior to maturity. The Company, at its option, may satisfy any payment, redemption, conversion or pre-payment obligations under the Purchase Agreement by issuing shares of common stock, paying cash or some combination of both issuing shares of common stock and paying cash. No “sinking fund” is provided for the 2032 Convertible Notes.

As of December 31, 2023 and December 31, 2022, the Company had \$15.0 million and \$15.0 million in 2032 Convertible Notes outstanding.

The following table summarizes the interest expense, deferred financing costs, average outstanding balance, and average stated interest rate on the 2032 Convertible Notes for the years ended December 31, 2023 and 2022 (dollars in thousands):

	For the Year Ended December 31,	
	2023	2022
Interest expense	\$ 892	\$ 669
Deferred financing costs	12	8
Total interest and financing expenses	<u>\$ 904</u>	<u>\$ 677</u>
Average outstanding balance	\$ 15,000	\$ 11,301
Average stated interest rate	5.25 %	5.25 %

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

Bond Repurchase Program

On July 30, 2020, the Board approved a bond repurchase program which authorizes the Company to repurchase up to an aggregate of \$10.0 million worth of the Company's outstanding 2022 Notes and/or 2022 Convertible Notes (the "Bond Repurchase Program"). The Bond Repurchase Program expired on July 30, 2021. The Company did not repurchase any of the 2022 Notes or 2022 Convertible Notes during the year ended December 31, 2021.

KeyBank Credit Facility

On October 30, 2020, CBL, a direct, wholly owned, consolidated subsidiary of the Company entered into the KeyBank Credit Facility with the investment adviser at the time, as collateral manager, the lenders from time to time parties thereto (each a "Lender"), KeyBank National Association, as administrative agent, and U.S. Bank National Association, as custodian. The KeyBank Credit Facility was amended on May 10, 2022 and October 20, 2022. Under the KeyBank Credit Facility, the Lenders have agreed to extend credit to CBL in an aggregate principal amount of up to \$75.0 million as of May 10, 2022, with an uncommitted accordion feature that allows the Company to borrow up to an additional \$125.0 million. The KeyBank Credit Facility matures on May 10, 2027, unless there is an earlier termination or event of default. The period during which the Lenders may make loans to CBL under the KeyBank Credit Facility commenced on October 30, 2020 and will continue through May 10, 2025, unless there is an earlier termination or event of default. Borrowings under the KeyBank Credit Facility bear interest at 1M Term SOFR plus 2.90% during the 3-year revolving period and 3.25% thereafter, with a 0.40% 1M Term SOFR floor. CBL will also pay an unused commitment fee at a rate of (1) 1.00% if utilization is less than or equal to 30.0%, (2) 0.65% if utilization is greater than 30.0% but less than or equal to 60.0%, or (3) 0.35% if utilization is greater than 60.0%, per annum on the unutilized portion of the aggregate commitments under the KeyBank Credit Facility. As of December 31, 2023 and December 31, 2022, there were draws of \$39.6 million and \$55.9 million, respectively, on the KeyBank Credit Facility. The KeyBank Credit Facility includes customary affirmative and negative covenants, including certain limitations on the incurrence of additional indebtedness and liens, as well as usual and customary events of default for revolving credit facilities of this nature. As of December 31, 2023 and 2022, assets pledged to secure the KeyBank Credit Facility had a fair value of \$111.2 million and \$111.3 million, respectively.

The following table summarizes the interest expense, deferred financing costs, unused commitment fees, average outstanding balance, and average stated interest rate on the KeyBank Credit Facility for the years ended December 31, 2023, 2022 and 2021 (dollars in thousands):

	For the Year Ended December 31,					
	2023		2022		2021	
Interest expense	\$	3,970	\$	1,553	\$	136
Deferred financing costs		341		286		194
Unused commitment fees		125		267		387
Total interest and financing expenses	\$	4,436	\$	2,106	\$	717
Average outstanding balance	\$	49,167	\$	27,586	\$	3,203
Average stated interest rate		7.92 %		5.35 %		4.25 %

Financial Instruments Disclosed, But Not Carried, At Fair Value

The following table presents the outstanding principal and fair value of the Company's financial liabilities disclosed, but not carried, at fair value as of December 31, 2023, and the level of each financial liability within the fair value hierarchy (dollars in thousands):

	Outstanding Principal	Fair Value	Level 1	Level 2	Level 3
2026 Notes	\$ 50,000	\$ 45,250	\$ —	\$ —	\$ 45,250
2032 Convertible Notes	15,000	13,705	—	—	13,705
KeyBank Credit Facility	39,553	39,553	—	—	39,553
Total	\$ 104,553	\$ 98,508	\$ —	\$ —	\$ 98,508

The following table presents the outstanding principal and fair value of the Company's financial liabilities disclosed, but not carried, at fair value as of December 31, 2022, and the level of each financial liability within the fair value hierarchy (dollars in thousands):

	Outstanding Principal	Fair Value	Level 1	Level 2	Level 3
2026 Notes	\$ 50,000	\$ 50,000	\$ —	\$ —	\$ 50,000
2032 Convertible Notes	15,000	15,000	—	—	15,000
KeyBank Credit Facility	55,937	55,937	—	—	55,937
Total	\$ 120,937	\$ 120,937	\$ —	\$ —	\$ 120,937

The estimated fair value of the 2026 Notes, the 2032 Convertible Notes and the KeyBank Credit Facility approximates the principal value.

Note 7. Income Taxes

The Company has elected to be treated for U.S. federal income tax purposes as a RIC under subchapter M of the Code. The Company believes it qualified as a RIC under the Code for the fiscal year ended December 31, 2023, and the Company intends to comply with the requirements to continue to qualify annually as a RIC under the Code. As a RIC, the Company is not taxed on any investment company taxable income or capital gains which it distributes to stockholders. The Company intends to make the requisite distributions to its stockholders which will relieve the Company from U.S. federal income taxes. As further discussed below, for the fiscal years ended December 31, 2022, 2021 and 2020, the Company failed the income source requirement under subchapter M of the Code, and thus did not qualify as a RIC under the Code for such years.

Distributions from net investment income, distributions from net realized capital gains, and distributions classified as return of capital are determined in accordance with U.S. federal tax regulations, which may differ from amounts in accordance with U.S. GAAP and those differences could be material.

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

Permanent differences between taxable income and net investment income for financial reporting purposes are reclassified among the capital accounts in the financial statements to reflect their tax character. During the years ended December 31, 2023, 2022 and 2021, the Company reclassified for book purposes amounts arising from permanent differences in the book and tax basis of partnership investments sold, the Company's investments in its underlying Taxable Subsidiaries and other book-tax differences. Such reclassifications are reported in "Tax reclassifications of stockholders' equity" in accordance with U.S. GAAP in the consolidated statements of changes in net assets for the years ended December 31, 2023, 2022 and 2021, respectively.

The following permanent differences due to adjustments for the realized gains (losses) upon disposition of partnership interests and for the transfer of distributions between accumulated capital gains, accumulated net investment income, and return of capital were reclassified for tax purposes for the tax years ended December 31, 2023, 2022 and 2021 (dollars in thousands):

	Tax Year Ended December 31,		
	2023	2022	2021
Change in total distributable loss	\$ 1,870	\$ (2,192)	\$ 40,635
(Decrease) increase in capital in excess of par value	\$ (1,870)	\$ 2,192	\$ (40,635)

For the tax years ended December 31, 2023, 2022 and 2021, the tax basis components of distributable earnings were as follows (dollars in thousands):

	Tax Year Ended December 31,		
	2023	2022	2021
Undistributed ordinary income	\$ 2,592	\$ —	\$ —
Accumulated capital losses	(112,160)	(96,984)	(108,018)
Unrealized (depreciation) appreciation	(11,498)	(18,351)	3,590
Other temporary differences	—	(1,588)	(1,580)
Total	<u>\$ (121,066)</u>	<u>\$ (116,923)</u>	<u>\$ (106,008)</u>

Capital losses in excess of capital gains earned in a tax year may generally be carried forward and used to offset capital gains, subject to certain limitations. Under the Regulated Investment Company Modernization Act of 2010, capital losses of RICs incurred for taxable years beginning after December 22, 2010 will not be subject to expiration. As of December 31, 2023, the Company has a capital loss carry forward of \$90.6 million expiring in 2025, a capital loss carry forward of \$5.0 million expiring in 2026, and a capital loss carry forward of \$16.6 million not subject to expiration.

Taxable income generally differs from net increase (decrease) in net assets resulting from operations for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses and generally excludes unrealized appreciation (depreciation) on investments as investment gains and losses are not included in taxable income until they are realized.

The following table reconciles net increase (decrease) in net assets resulting from operations to taxable income (loss) for the tax periods ended December 31, 2023, 2022 and 2021 (dollars in thousands):

	Tax Year Ended December 31,		
	2023	2022	2021
Net decrease in net assets resulting from operations	\$ (2,482)	\$ (12,024)	\$ (1,918)
Net change in unrealized (appreciation) depreciation on investments	(10,064)	24,631	(10,667)
Capital loss carryforward	16,550	(8,363)	7,658
Tax provision	—	—	—
Other book-to-tax differences	1,173	(4,510)	529
Total taxable income (loss)	<u>\$ 5,177</u>	<u>\$ (266)</u>	<u>\$ (4,398)</u>

For income tax purposes, distributions paid to stockholders are reported as ordinary income, long term capital gains, return of capital, or a combination thereof. The tax character of distributions paid for the tax periods ended December 31, 2023, 2022 and 2021 were as follows (dollars in thousands):

	Tax Year Ended December 31,		
	2023	2022	2021
Ordinary income	\$ 2,585	\$ —	\$ —
Long-term capital gains	—	—	—
Return of capital	—	—	—
Total	<u>\$ 2,585</u>	<u>\$ —</u>	<u>\$ —</u>

For U.S. federal income tax purposes, as of December 31, 2023, the aggregate net unrealized depreciation for all securities was \$11.5 million. As of December 31, 2023, gross unrealized appreciation was \$11.1 million and gross unrealized depreciation was \$22.6 million. The aggregate cost of securities for U.S. federal income tax purposes was \$201.2 million as of December 31, 2023. For U.S. federal income tax purposes, as of December 31, 2022, the aggregate net unrealized depreciation for all securities was \$18.3 million. As of December 31, 2022, gross unrealized appreciation was \$13.1 million and gross unrealized depreciation was \$31.4 million. The aggregate cost of securities for U.S. federal income tax purposes was \$221.9 million as of December 31, 2022.

For the tax years ended December 31, 2022, 2021 and 2020, the Company filed its tax returns as a RIC. However, in March 2024, the Company determined that information received from a portfolio company held in prior fiscal years and sold in 2022 was inaccurate, and, as a result, the Company did not satisfy the income source requirement under subchapter M of the Code for the fiscal years ended December 31, 2022, 2021, and 2020. Accordingly, the Company did not qualify as a RIC under the Code for the fiscal years ended December 31, 2022, 2021 and 2020, and thus the Company would be subject to U.S. federal income tax on all of its taxable income at regular corporate rates for these periods. Based on the assessment that the Company did not qualify as a RIC for the fiscal years ended December 31, 2022, 2021 and 2020, the Company calculated its provision for income tax as a C-Corporation for such fiscal years. Given the operations of the Company for that period, the Company has determined no income tax or capital gains taxes would be due and payable for those periods, had the Company claimed status and filed returns as a C-Corporation. Thus, the Company has determined that there would be no quantitative impact to the consolidated statements of assets and liabilities, the consolidated statements of operations, the consolidated statements of changes in net assets, and the consolidated statements of cash flows as of and for the years ended December 31, 2022, 2021 and 2020, as illustrated in the following disclosures as a C-Corporation during the period. The Company did not have a net unrealized gain on its portfolio as of the first

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

day of the fiscal year the Company requalified as a RIC that would be subject to tax if recognized within the subsequent five years. Accordingly, as specifically noted, certain tables below have been revised from the amounts previously reported to reflect the Company's tax status as a C-Corporation.

Deferred U.S. federal income taxes reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting and U.S. federal income tax purposes. The following tables have been revised such that they present the components of deferred tax assets (liabilities) as of December 31, 2022, 2021 and 2020 for the Company's tax status as a C-Corporation (dollars in thousands):

	As of December 31,		
	2022	2021	2020
Deferred tax assets:			
Net operating loss carryforwards	\$ 4,561	\$ 4,015	\$ 2,912
Capital loss carryforwards	23,099	25,452	24,247
Other deferred tax assets	4,247	—	6,108
Less valuation allowance	(31,907)	(29,244)	(33,267)
Total deferred tax assets	—	223	—
Deferred tax liabilities:			
Net unrealized depreciation on investments	—	223	—
Total deferred tax liabilities	—	223	—
Net deferred tax asset	\$ —	\$ —	\$ —

At December 31, 2022, 2021 and 2020, the valuation allowance on deferred tax assets of the Company was \$31.9 million, \$29.2 million and \$33.3 million, respectively, which represents the tax effect of net operating losses and capital losses that we do not believe we will realize through future taxable income. Any adjustments to the Company's valuation allowance will depend on estimates of future taxable income and will be made in the period such determination is made.

Total income tax expense (benefit) for the Company, which have been revised to reflect its tax status as a C-Corporation, differs from the amount computed by applying the federal statutory income tax rate of 21% to net investment income (loss) and net realized and unrealized appreciation (depreciation) on investments for the years ended December 31, 2022, 2021 and 2020, as follows (dollars in thousands):

	For the Years ended December 31,		
	2022	2021	2020
Tax (benefit) expense at statutory rates	\$ (2,525)	\$ (403)	\$ (7,444)
State income tax (benefit) expense, net of federal benefit	(380)	(61)	(1,120)
Other adjustments	4,095	(1,603)	3,823
Change in valuation allowance	(1,190)	2,067	4,741
Total tax provision (benefit), net	\$ —	\$ —	\$ —

For the years ended December 31, 2022, 2021 and 2020, the components of the Company's tax provision (benefit), which have been revised to reflect its tax status as a C-Corporation during the respective period and excluding its Taxable Subsidiaries, include the following:

	For the Years Ended December 31,		
	2022	2021	2020
Current Tax provision (benefit)			
Federal	\$ —	\$ —	\$ —
State	—	—	—
Total current tax provision (benefit), net	\$ —	\$ —	\$ —
Deferred Tax provision (benefit)			
Federal	\$ (475)	\$ (2,005)	\$ (3,620)
State	(71)	(302)	(545)
Less valuation allowance	546	2,307	4,165
Total deferred tax provision (benefit), net	\$ —	\$ —	\$ —

The Company has formed and expects to continue to form certain Taxable Subsidiaries, which are taxed as corporations for income tax purposes. These Taxable Subsidiaries allow the Company to make equity investments in companies organized as pass-through entities while continuing to satisfy the requirements of a RIC under the Code. The Taxable Subsidiaries are wholly owned consolidated subsidiaries of the Company.

The Company acquired the non-controlling interest in Print Direction, Inc. on December 1, 2017 and converted the entity to CPTA Master Blocker, Inc. (Georgia), retaining its net operating losses in the transaction subject to Section 382 of the Code. As of December 31, 2023, the Taxable Subsidiaries had net operating losses for U.S. federal income tax purposes of approximately \$13.6 million. If not utilized, \$0.9 million and \$6.1 million of these net operating losses will expire in the years ended December 31, 2036 and 2037, respectively, and \$6.6 million of these net operating losses have no expiration.

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

Components of deferred tax assets (liabilities) for the Taxable Subsidiaries as of December 31, 2023 and 2022 are as follows (dollars in thousands):

	As of December 31,	
	2023	2022
Deferred tax assets:		
Net operating loss carryforwards	\$ 3,336	\$ 3,940
Capital loss carryforwards	319	455
Other deferred tax assets	2,604	4
Less valuation allowance	(3,893)	(3,951)
Total deferred tax assets	<u>2,366</u>	<u>448</u>
Deferred tax liabilities:		
Net unrealized depreciation on investments	2,366	448
Total deferred tax liabilities	<u>2,366</u>	<u>448</u>
Net deferred tax asset	<u>\$ —</u>	<u>\$ —</u>

At December 31, 2023 and 2022, the valuation allowance on deferred tax assets of the Taxable Subsidiaries was \$3.9 million and \$4.0 million, respectively, which represents the tax effect of net operating losses that we do not believe we will realize through future taxable income. Any adjustments to the Taxable Subsidiaries' valuation allowance will depend on estimates of future taxable income and will be made in the period such determination is made.

Total income tax expense (benefit) for the Taxable Subsidiaries differs from the amount computed by applying the federal statutory income tax rate of 21% to net investment income (loss) and net realized and unrealized appreciation (depreciation) on investments for the years ended December 31, 2023, 2022 and 2021, as follows (dollars in thousands):

	For the Years Ended December 31,		
	2023	2022	2021
Tax (benefit) expense at statutory rates	\$ (299)	\$ (1,041)	\$ 1,544
State income tax (benefit) expense, net of federal benefit	(51)	(322)	281
Adjustment to unrealized depreciation	(14)	184	494
Other adjustments	(294)	(315)	(21)
Revaluation for state rate change	716	—	(134)
Change in valuation allowance	(58)	1,494	(2,164)
Total tax provision (benefit), net	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

For the years ended December 31, 2023, 2022 and 2021, the components of the Taxable Subsidiaries' tax provision (benefit) include the following:

	For the Years Ended December 31,		
	2023	2022	2021
Tax provision (benefit)			
Federal	\$ 306	\$ 938	\$ (1,918)
State	(364)	650	(246)
Less valuation allowance	58	(1,494)	2,164
Total tax provision (benefit), net	<u>\$ —</u>	<u>\$ 94</u>	<u>\$ —</u>

Note 8. Directors' Fees

Our Independent Directors receive an annual fee of \$50,000. They also receive \$5,000 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each Board meeting and \$5,000 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each committee meeting. In addition, the chairman of the audit committee receives an annual fee of \$10,000 and each chairman of any other committee receives an annual fee of \$5,000 for their additional services, if any, in these capacities. For the years ended December 31, 2023, 2022 and 2021, the Company recognized directors' fees expense of \$0.5 million, \$0.5 million, and \$0.4 million, respectively. No compensation is expected to be paid to directors who are "interested persons" of the Company, as such term is defined in Section 2(a)(19) of the 1940 Act.

Note 9. Stockholders' Equity

On March 6, 2023, the Company's Board authorized a share repurchase program whereby the Company could repurchase up to an aggregate of \$5.0 million of its outstanding shares of common stock in the open market. The repurchase program did not obligate the Company to acquire any specific number of shares, and all repurchases were made in accordance with SEC Rule 10b-18 and accomplished through a Rule 10b5-1 plan, which set certain restrictions on the method, timing, price and volume of share repurchases. On March 11, 2024, the Board authorized a new share repurchase program on substantially similar terms. Unless extended or discontinued by the Board, the new repurchase program will terminate on March 31, 2025. The repurchase program may be extended, modified or discontinued at any time for any reason without prior notice.

During the year ended December 31, 2023, the Company repurchased 36,667 of its outstanding shares under the share repurchase program at an aggregate cost of approximately \$0.8 million. There were no share repurchases during the year ended December 31, 2022.

During the year ended December 31, 2023, the Company issued 297 shares of common stock under its DRIP. The Company did not pay a dividend during the year ended December 31, 2022.

The total number of shares of the Company's common stock outstanding as of December 31, 2023 and December 31, 2022 was 2,674,698 and 2,711,068, respectively.

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 10. Earnings Per Share

In accordance with the provisions of ASC Topic 260 — *Earnings per Share* (“ASC 260”), basic earnings per share is computed by dividing earnings available to stockholders by the weighted average number of shares of the Company’s common stock outstanding during the period. Other potentially dilutive shares of the Company’s common stock, and the related impact to earnings, are considered when calculating diluted earnings per share. For the years ended December 31, 2022 and 2021, 0.6 million in convertible shares related to the 2022 Convertible Notes, which matured in May 2022, were considered anti-dilutive. For the years ended December 31, 2023 and December 31, 2022, 0.5 million and 0.5 million, respectively, in convertible shares related to the 2032 Convertible Notes were considered anti-dilutive.

The following information sets forth the computation of the weighted average basic and diluted net decrease in net assets per share resulting from operations for the years ended December 31, 2023, 2022 and 2021 (dollars in thousands, except share and per share data):

	For the Years Ended December 31,		
	2023⁽¹⁾	2022⁽²⁾	2021⁽²⁾
Net decrease in net assets resulting from operations - basic and diluted	\$ (2,482)	\$ (12,024)	\$ (1,918)
Weighted average common stock outstanding – basic and diluted	2,694,857	2,711,068	2,711,068
Net decrease in net assets per share from operations - basic and diluted	<u>\$ (0.92)</u>	<u>\$ (4.44)</u>	<u>\$ (0.71)</u>

⁽¹⁾ In applying the if-converted method, conversion is not assumed for purposes of computing diluted earnings per share if the effect would be anti-dilutive. For the year ended December 31, 2023, conversion of the 2032 Convertible Notes into 0.5 million shares was not assumed as the effect on diluted earnings per share would be anti-dilutive.

⁽²⁾ In applying the if-converted method, conversion is not assumed for purposes of computing diluted earnings per share if the effect would be anti-dilutive. For the years ended December 31, 2022 and 2021, conversion of the 2022 Convertible Notes into 0.6 million shares was not assumed as the effect on diluted earnings per share would be anti-dilutive. For the year ended December 31, 2022, conversion of the 2032 Convertible Notes into 0.5 million shares was not assumed as the effect on diluted earnings per share would be anti-dilutive.

Note 11. Distributions

The Company’s distributions are recorded on the record date. Stockholders have the option to receive payment of the distribution in cash, shares of the Company’s common stock, or a combination of cash and shares of common stock. Tax characteristics of all distributions paid are reported to stockholders on Form 1099 after the end of the calendar year. Accordingly, distributions may be subject to reclassification based on future dividends and operating results and will not be determined until the end of the year.

The following table summarizes the Company's distribution declarations for the year ended December 31, 2023 (dollars in thousands, except share and per share data):

Date Declared	Record Date	Payment Date	Amount Per Share	Cash Distribution	DRIP Shares Issued	DRIP Share Value
March 6, 2023	March 20, 2023	March 31, 2023	\$ 0.18	\$ 488	140	\$ 3
May 9, 2023	May 22, 2023	May 31, 2023	0.22	595	47	1
August 8, 2023	August 22, 2023	August 31, 2023	0.26	699	53	1
November 7, 2023	November 20, 2023	November 30, 2023	0.30	803	57	1
Total Distributions Declared and Distributed for 2023			<u>\$ 0.96</u>	<u>\$ 2,585</u>	<u>297</u>	<u>\$ 6</u>

The Company’s Board determined not to declare any distributions during the years ended December 31, 2022 and December 31, 2021.

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 12. Financial Highlights

The following is a schedule of financial highlights for the years ended December 31, 2023, 2022, 2021, 2020 and 2019 (dollars in thousands, except share and per share data, unless otherwise noted):

	For the Years Ended December 31,				
	2023	2022	2021	2020	2019
Per share data⁽¹⁾:					
Net asset value at beginning of period	\$ 35.04	\$ 39.48	\$ 40.19	\$ 54.84	\$ 71.26
Net investment income (loss) ⁽²⁾	1.43	(0.43)	(1.32)	0.02	4.86
Net realized (loss) gain on investments ⁽²⁾	(6.08)	5.08	(2.94)	(8.88)	(7.35)
Net change in unrealized appreciation (depreciation) on investments ⁽²⁾	3.73	(9.09)	3.93	(4.29)	(7.56)
Tax provision ⁽²⁾	—	—	—	—	(0.23)
Net realized (loss) gain on extinguishment of debt ⁽²⁾	—	—	(0.38)	0.06	—
Distributions - return of capital ⁽³⁾	—	—	—	(1.26)	(0.99)
Distributions - net investment income ⁽³⁾	(0.96)	—	—	(0.24)	(5.01)
Accretive effect of common stock repurchases ⁽²⁾	0.18	—	—	—	—
Other ⁽⁸⁾	—	—	—	(0.06)	(0.14)
Net asset value at end of year	\$ 33.34	\$ 35.04	\$ 39.48	\$ 40.19	\$ 54.84
Net assets at end of period	\$ 89,175	\$ 95,005	\$ 107,029	\$ 108,947	\$ 148,113
Shares outstanding at end of period	2,674,698	2,711,068	2,711,068	2,711,068	2,700,628
Per share market value at end of period	\$ 22.61	\$ 22.36	\$ 22.99	\$ 14.41	\$ 52.38
Total return based on market value ⁽⁴⁾	6.00 %	(2.74) %	59.54 %	(71.10) %	37.75 %
Ratio/Supplemental data:					
Ratio of net investment income (loss) to average net assets	4.11 %	(1.15) %	(3.20) %	0.05 %	7.85 %
Ratio of incentive fee, net of incentive fee waiver, to average net assets ⁽⁵⁾	—	—	—	—	0.73 %
Ratio of interest and financing expenses to average net assets	8.91 %	7.70 %	9.42 %	13.23 %	10.30 %
Ratio of tax provision (benefit) to average net assets	—	—	—	—	0.38 %
Ratio of other operating expenses to average net assets	8.56 %	8.14 %	8.71 %	9.82 %	7.62 %
Ratio of total expenses including tax provision, net of fee waivers to average net assets ⁽⁵⁾	17.47 %	15.84 %	18.12 %	23.05 %	19.03 %
Portfolio turnover rate ⁽⁶⁾	16.77 %	48.09 %	38.73 %	6.90 %	19.18 %
Average debt outstanding ⁽⁷⁾	\$ 114,167	\$ 119,677	\$ 167,102	\$ 256,673	\$ 290,073
Average debt outstanding per common share ⁽¹⁾	\$ 42.36	\$ 44.14	\$ 61.64	\$ 94.68	\$ 107.41

⁽¹⁾ Shares and per share data have been adjusted for the periods shown to reflect the one-for-six reverse stock split effected on August 21, 2020 on a retroactive basis, as described in Note 1.

⁽²⁾ Based on daily weighted average balance of shares of the Company's common stock outstanding during the period.

⁽³⁾ Includes the impact of different share amounts used in calculating per share data as a result of calculating certain per share data based on weighted average shares outstanding during the period and certain per share data based on shares outstanding as of a period end or transaction date. Also includes the impact of shares of the Company's common stock issued under the Company's DRIP.

⁽⁴⁾ Total investment return is calculated assuming a purchase of common shares at the current market value on the first day and a sale at the current market value on the last day of the period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Company's DRIP. Total investment return does not reflect brokerage commissions.

⁽⁵⁾ The ratio of waived incentive fees to average net assets was 0.00%, 0.00%, 0.00%, 0.00%, and 0.17%, for the years ended December 31, 2023, 2022, 2021, 2020 and 2019, respectively.

⁽⁶⁾ Portfolio turnover rate is calculated using the lesser of year-to-date sales or year-to-date purchases over the average of the invested assets at fair value.

⁽⁷⁾ Based on daily weighted average balance of debt outstanding during the period.

⁽⁸⁾ Includes the impact of different share amounts used in calculating per share data as a result of calculating certain per share data based on weighted average shares outstanding during the period and certain per share data based on shares outstanding as of a period end or transaction date. Also includes the impact of shares of the Company's common stock issued under the Company's DRIP.

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 13. Senior Securities

The following is a schedule of the Company's senior securities for the years ended December 31, 2023, 2022, 2021, 2020 and 2019 (dollars in thousands, except share and per share data, unless otherwise noted):

	For the Years Ended December 31,				
	2023	2022	2021	2020	2019
Total Debt Outstanding:					
KeyBank Credit Facility	\$ 39,553	\$ 55,937	\$ —	\$ —	\$ —
ING Credit Facility	\$ —	\$ —	\$ —	\$ —	\$ —
SBA-guaranteed debentures	\$ —	\$ —	\$ —	\$ 91,000	\$ 150,000
2022 Notes	\$ —	\$ —	\$ 22,833	\$ 72,833	\$ 75,000
2022 Convertible Notes	\$ —	\$ —	\$ 52,088	\$ 52,088	\$ 52,088
2026 Notes	\$ 50,000	\$ 50,000	\$ 50,000	\$ —	\$ —
2032 Convertible Notes	\$ 15,000	\$ 15,000	\$ —	\$ —	\$ —
Asset coverage per unit⁽¹⁾:					
KeyBank Credit Facility	\$ 1,839	\$ 1,771	\$ 1,849	\$ 1,872	N/A
ING Credit Facility	N/A	N/A	N/A	N/A	\$ 2,165
SBA-guaranteed debentures	N/A	N/A	N/A	N/A	N/A
2022 Notes	N/A	N/A	\$ 1,849	\$ 1,872	\$ 2,165
2022 Convertible Notes	N/A	N/A	\$ 1,849	\$ 1,872	\$ 2,165
2026 Notes	\$ 1,839	\$ 1,771	\$ 1,849	N/A	N/A
2032 Convertible Notes	\$ 1,839	\$ 1,771	N/A	N/A	N/A
Involuntary liquidation preference per unit⁽²⁾:					
KeyBank Credit Facility	—	—	—	—	—
ING Credit Facility	—	—	—	—	—
SBA-guaranteed debentures	—	—	—	—	—
2022 Notes	—	—	—	—	—
2022 Convertible Notes	—	—	—	—	—
2026 Notes	—	—	—	—	—
2032 Convertible Notes	—	—	—	—	—
Average market value per unit⁽³⁾:					
KeyBank Credit Facility	N/A	N/A	N/A	N/A	N/A
ING Credit Facility	N/A	N/A	N/A	N/A	N/A
SBA-guaranteed debentures	N/A	N/A	N/A	N/A	N/A
2022 Notes	N/A	N/A	\$ 1,002	\$ 867	\$ 1,000
2022 Convertible Notes	N/A	N/A	\$ 1,002	\$ 856	\$ 994
2026 Notes	N/A	N/A	N/A	N/A	N/A
2032 Convertible Notes	N/A	N/A	N/A	N/A	N/A

⁽¹⁾ Asset coverage per unit is the ratio of the carrying value of our total consolidated assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness. We have excluded our SBA-guaranteed debentures from the asset coverage calculation pursuant to the exemptive relief granted by the SEC in June 2014 that permits us to exclude such debentures from the definition of senior securities in the 200% asset coverage ratio (150% after November 1, 2019) we are required to maintain under the 1940 Act. Asset coverage per unit is expressed in terms of dollar amounts per \$1,000 of indebtedness.

⁽²⁾ The amount to which such class of senior security would be entitled upon the involuntary liquidation of the issuer in preference to any security junior to it. The "—" indicates information that the SEC expressly does not require to be disclosed for certain types of senior securities.

⁽³⁾ Not applicable except for the 2022 Notes and the 2022 Convertible Notes which were publicly traded. The Average Market Value Per Unit is calculated by taking the daily average closing price during the period and dividing it by twenty-five dollars per share and multiplying the result by one thousand to determine a unit price per thousand consistent with Asset Coverage Per Unit.

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 14. Selected Quarterly Financial Data (Unaudited)

(Dollars in thousands, except per share data)	For the Quarter Ended			
	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Total investment income	\$ 4,415	\$ 5,162	\$ 5,344	\$ 5,256
Net investment income	581	1,154	1,039	1,073
Net (decrease) increase in net assets resulting from operations	(3,121)	(1,951)	3,240	(650)
Net investment income per share	0.22	0.43	0.38	0.40
Net (decrease) increase in net assets resulting from operations per share – basic	(1.15)	(0.73)	1.20	(0.24)
Net (decrease) increase in net assets resulting from operations per share – diluted	(1.15)	(0.73)	1.07	(0.24)
Net asset value per share at end of period	\$ 33.34	\$ 34.78	\$ 35.68	\$ 34.63

(Dollars in thousands, except per share data)	For the Quarter Ended			
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Total investment income	\$ 4,539	\$ 3,748	\$ 3,303	\$ 3,337
Net investment income (loss)	636	182	(929)	(1,051)
Net decrease in net assets resulting from operations	(3,171)	(2,961)	(5,034)	(858)
Net investment income (loss) per share	0.23	0.07	(0.34)	(0.39)
Net decrease in net assets resulting from operations per share – basic & diluted	(1.17)	(1.09)	(1.86)	(0.32)
Net asset value per share at end of period	\$ 35.04	\$ 36.21	\$ 37.31	\$ 39.16

Note 15. Subsequent Events

The Company has evaluated subsequent events through the date of filing of this Annual Report on Form 10-K, and determined that there have been no events that have occurred that would require adjustments to our disclosures in the consolidated financial statements, except as discussed below.

On March 11, 2024, the Company's Board of Directors authorized a new share repurchase program, whereby the Company may repurchase up to an aggregate of \$5.0 million of its outstanding common shares in the open market. Unless extended or discontinued by the Company's Board of Directors, the repurchase program will terminate on March 31, 2025. The repurchase program may be extended, modified or discontinued at any time for any reason without prior notice. The repurchase program does not obligate the Company to acquire any specific number of shares, and all repurchases will be made in accordance with SEC Rule 10b-18 and accomplished through a Rule 10b5-1 plan, which sets certain restrictions on the method, timing, price and volume of share repurchases.

On March 11, 2024, the Company's Board of Directors approved a distribution of \$0.32 per share payable on April 2, 2024 to stockholders of record as of March 25, 2024.

On March 11, 2024, Brandon Satoren was appointed by the Board as Chief Financial Officer of the Company, effective April 1, 2024. Mr. Satoren currently serves as the Chief Accounting Officer, Secretary and Treasurer of the Company, and will remain in those roles. Mr. Satoren serves as the Chief Accounting Officer, Secretary, and Treasurer of other registered investment companies within the broader BC Partners Credit platform, and has over 14 years of experience in the asset management industry.

The Company does not pay cash compensation or provide other benefits directly to Mr. Satoren or to any of its other executive officers. Mr. Satoren is an employee of BC Partners Advisors LP, the indirect sole owner of the Administrator, which is compensated for the services it provides to the Company pursuant to the terms of the Administration Agreement. Pursuant to the Administration Agreement, the Company makes payments equal to an amount that reimburses the Administrator for its costs and expenses in performing its obligations and providing personnel and facilities (including rent, office equipment and utilities) for the Company's use under the Administration Agreement, including an allocable portion of the compensation paid to Mr. Satoren.

Mr. Satoren: (i) was not appointed as the Company's Chief Financial Officer pursuant to any arrangement or understanding with any other person; (ii) does not have a family relationship with any of the Company's directors or other executive officers; and (iii) there are no transactions in which Mr. Satoren has an interest requiring disclosure under Item 404(a) of Regulation S-K.

On March 11, 2024, the Board received and accepted the resignation of Jason T. Roos from his position as the Chief Financial Officer of the Company, effective March 31, 2024. Mr. Roos' resignation is not related or due to any disagreement with the Company on any matter relating to the Company's operations, policies or practices. Mr. Roos will serve in an advisory role at BC Partners Advisors LP for an extended period of time.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of December 31, 2023 (the end of the period covered by this report), we, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the 1934 Act). Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that, due to a material weakness in the Company's internal control over financial reporting, our disclosure controls and procedures were not effective to provide reasonable assurance that information required to be disclosed in periodic SEC filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Specifically, in March 2024, we identified a material weakness in our internal controls over financial reporting related to our failure to satisfy the requirements to maintain our special tax status as a RIC for the years ended December 31, 2020, December 31, 2021 and December 31, 2022. Notably, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of achieving the desired control objectives.

Notwithstanding the material weakness, management believes that our consolidated financial statements included in this Annual Report on Form 10-K are presented fairly, in all material respects, for the years ended December 31, 2023, 2022 and 2021. We have begun the process of, and are focused on, further enhancing effective internal control measures to improve our internal control over financial reporting and to remediate the identified material weakness.

Management is undertaking certain corrective actions to remediate the control deficiencies identified above, including:

- Management will incorporate additional controls over the data used regarding the calculation of the gross income test for purposes of evaluating the Company's qualification as a RIC.

We believe our planned actions to enhance our processes and controls will address this material weakness, but these actions are subject to ongoing management evaluation, and we will need a period of execution to demonstrate remediation. We are committed to the continuous improvement of our internal control over financial reporting and will continue to diligently review our internal control over financial reporting.

Report of Management on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the 1934 Act Rule 13a-15(f), and for performing an assessment of the effectiveness of internal control over financial reporting as of December 31, 2023. Our internal control system is a process designed to provide reasonable assurance to our management and the Board regarding the preparation and fair presentation of published financial statements.

The Company's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions recorded necessary to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles. Our policies and procedures also provide reasonable assurance that receipts and expenditures of the Company are being made only in accordance with authorizations of management and the directors of the Company, and provide reasonable assurance regarding prevention or timely detection of acquisitions or dispositions of our assets that could have a material effect on its financial statements.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management performed an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2023 based upon the criteria in the 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on management's assessment, management determined that the Company's internal control over financial reporting was not effective as of December 31, 2023, and that we did not maintain effective internal control over financial reporting due to the material weakness described herein.

As described above, a material weakness was identified in our internal control over financial reporting. As a result of the material weakness, we performed additional analysis as deemed necessary to ensure that our consolidated financial statements included in this Annual Report on Form 10-K did not result in any material misstatements for the periods presented. If the material weakness is not remediated, there is a possibility it could lead to a material misstatement of account balances or disclosures. Accordingly, management has concluded that these control deficiencies constitute a material weakness.

The Company believes that the planned actions to enhance its processes and controls, certain of which have already begun, will address its material weakness, but these actions are subject to ongoing management evaluation, and the Company will need a period of execution to demonstrate remediation. The Company is committed to the continuous improvement of its internal control over financial reporting and will continue to diligently review its internal control over financial reporting.

As a non-accelerated filer, the Company is not currently required to obtain an audit of the effectiveness of internal control over financial reporting from its independent registered public accounting firm as of December 31, 2023.

Changes in Internal Controls Over Financial Reporting

Except for the remediation efforts disclosed above, there have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during our most recently completed fiscal quarter, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

Not Applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this item will be contained in the Company's definitive Proxy Statement for its 2024 Annual Stockholder Meeting, to be filed with the SEC within 120 days after December 31, 2023, and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item will be contained in the Company's definitive Proxy Statement for its 2024 Annual Stockholder Meeting, to be filed with the SEC within 120 days after December 31, 2023, and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item will be contained in the Company's definitive Proxy Statement for its 2024 Annual Stockholder Meeting, to be filed with the SEC within 120 days after December 31, 2023, and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item will be contained in the Company's definitive Proxy Statement for its 2024 Annual Stockholder Meeting, to be filed with the SEC within 120 days after December 31, 2023, and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item will be contained in the Company's definitive Proxy Statement for its 2024 Annual Stockholder Meeting, to be filed with the SEC within 120 days after December 31, 2023, and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND CONSOLIDATED FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this Annual Report on Form 10-K:

(1) Consolidated Financial Statements – Consolidated Financial statements are included in Item 8. See the Index to the Consolidated Financial Statements on page F-1 of this Annual Report on Form 10-K.

(2) Consolidated Financial Statement Schedules – None. We have omitted consolidated financial statement schedules because they are not required or are not applicable, or the required information is shown in the consolidated financial statements or notes to the consolidated financial statements included in this Annual Report on Form 10-K.

(3) Exhibits – The following is a list of all exhibits filed as part of this Annual Report on Form 10-K, including those incorporated by reference.

The following exhibits are filed as part of this report or hereby incorporated by reference to exhibits previously filed with the SEC (and are numbered in accordance with Item 601 of Regulation S-K):

Exhibit Number	Description of Document
3.1	Articles of Amendment and Restatement⁽¹⁾
3.2	Articles of Amendment⁽⁶⁾
3.3	Certificate of Limited Partnership of CapitalSouth Partners Fund II Limited Partnership⁽²⁾
3.4	Certificate of Limited Partnership of CapitalSouth Fund III, L.P. (f/k/a CapitalSouth Partners SBIC Fund III, L.P.)⁽²⁾
3.5	Bylaws⁽¹⁾
3.6	Form of Amended and Restated Limited Partnership Agreement of CapitalSouth Partners Fund II Limited Partnership⁽³⁾
3.7	Form of Amended and Restated Agreement of Limited Partnership of CapitalSouth Fund III, L.P. (f/k/a CapitalSouth Partners SBIC Fund III, L.P.)⁽³⁾
4.1	Form of Common Stock Certificate⁽¹⁾
4.2	Form of Base Indenture⁽⁴⁾
4.3	Form of Fourth Supplemental Indenture relating to the 5.25% notes due 2026, by and between the Registrant and U.S. Bank National Association, as trustee, including the form of Global Note⁽⁸⁾
4.4	Description of Securities⁽⁹⁾
10.1	Form of Dividend Reinvestment Plan⁽¹⁾
10.2	Form of Investment Advisory Agreement by and between Registrant and Mount Logan Management, LLC⁽⁵⁾
10.3	Form of Custodian Agreement⁽¹⁾
10.4	Form of Administration Agreement by and between Registrant and BC Partners Management LLC⁽⁵⁾
10.5	Form of Indemnification Agreement by and between Registrant and each of its directors⁽¹⁾
10.6	Third Amendment to Revolving Credit Facility, dated as of October 20, 2022, among Capitala Business Lending, LLC, as the borrower, Mount Logan Management, LLC, as the collateral manager, the lenders from time to time parties thereto, KeyBank National Association, as the administrative agent, and U.S. Bank National Association, as the custodian⁽⁷⁾
10.7	Note Purchase Agreement, dated as of April 1, 2022, by and among Logan Ridge Finance Corporation and the Purchasers (as defined therein)⁽⁸⁾
14.1	Code of Ethics (filed herewith)
21.1	List of Subsidiaries (filed herewith)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of Chief Executive Officer 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.2	Certification of Chief Financial Officer 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
97.1	Clawback Policy (filed herewith)
101.INS	Inline XBRL Instance Document (filed herewith)
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents (filed herewith)
104	Cover Page Interactive Data File (embedded within the Inline XBRL document) (filed herewith)

- (1) Previously filed in connection with the Pre-Effective Amendment No. 1 to Logan Ridge Finance Corporation's registration statement on Form N-2 (File No. 333-188956) filed on September 9, 2013.
- (2) Previously filed in connection with Pre-Effective Amendment No. 2 to Logan Ridge Finance Corporation's registration statement on Form N-2 (File No. 333-188956) filed on September 16, 2013.
- (3) Previously filed in connection with Pre-Effective Amendment No. 5 to Logan Ridge Finance Corporation's registration statement on Form N-2 (File No. 333-188956) filed on September 24, 2013.
- (4) Previously filed in connection with Pre-Effective Amendment No. 2 to Logan Ridge Finance Corporation's registration statement on Form N-2 (File No. 333-193374) filed on May 21, 2014.
- (5) Previously filed in connection with Logan Ridge Finance Corporation's report on Form 8-K filed on July 1, 2021.
- (6) Previously filed in connection with Logan Ridge Finance Corporation's report on Form 8-K filed on August 4, 2020.
- (7) Previously filed in connection with Logan Ridge Finance Corporation's report on Form 8-K filed on October 21, 2022.
- (8) Previously filed in connection with Logan Ridge Finance Corporation's report on Form 8-K on April 6, 2022.

(9) Previously filed in connection with Logan Ridge Finance Corporation's report on Form 10-K filed on March 2, 2020.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 26, 2024

Logan Ridge Finance Corporation

By /s/ Ted Goldthorpe

Ted Goldthorpe
Chief Executive Officer and President
(Principal Executive Officer)
Logan Ridge Finance Corporation

Date: March 26, 2024

By /s/ Jason Roos

Jason Roos
Chief Financial Officer
(Principal Financial Officer)
Logan Ridge Finance Corporation

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Ted Goldthorpe</u> Ted Goldthorpe	Chief Executive Officer and President and Chairman of the Board of Directors (Principal Executive Officer)	March 26, 2024
<u>/s/ Jason Roos</u> Jason Roos	Chief Financial Officer (Principal Financial Officer)	March 26, 2024
<u>/s/ Alexander Duka</u> Alexander Duka	Director	March 26, 2024
<u>/s/ George Grunebaum</u> George Grunebaum	Director	March 26, 2024
<u>/s/ Robert Warshauer</u> Robert Warshauer	Director	March 26, 2024
<u>/s/ Jennifer Chou</u> Jennifer Chou	Director	March 26, 2024



LOGAN RIDGE
FINANCE

***Corporate Governance:
PTMN/LRFC Code of Ethics***

STATEMENT OF PURPOSE AND APPLICABILITY

Portman Ridge Finance Corporation and Logan Ridge Finance Corporation (each, the "Company") are regulated as a business development company under the [Investment Company Act](#) of 1940 (the "Act") and subject to [Rule 17j-1 under the Act \("Rule 17j-1"\)](#). It is the Company's policy that no Affiliated Person shall, in connection the purchase or sale, directly or indirectly, by such Affiliated Person of any Security Held or to be Acquired by the Company:

- (1) To employ any device, scheme or artifice to defraud the Company;
- (2) To make any untrue statement of a material fact to the Company or omit to state a material fact necessary in order to make the statements made to the Company, in light of the circumstances under which they are made, not misleading;
- (3) To engage in an act, practice, or course of business that operates or would operate as a fraud or deceit on the Company; or
- (4) To engage in any manipulative practice with respect to the Company.

In accordance with the Rule, the Company has adopted this Code of Ethics containing provisions it deems reasonably necessary to prevent those of its Affiliated Persons who are Access Persons from engaging in any of such prohibited acts.

DEFINITIONS

- A. "Access Person" means any officer, partner, member or Advisory Person of the Company. A board director shall be presumed to be an Access Person of the Company unless the Designated Officer determines, after consideration of the relevant facts and circumstances, that the director should not be considered an Access Person hereunder.
- B. "Advisory Person of the Company" means:
 - i) any director, officer, member or employee of the Company (or of any company in a Control relationship to the Company), who in connection with his or her regular functions or duties makes, participates in, or obtains information regarding the purchase or sale of Covered Securities by the Company, or whose functions relate to the making of any recommendation with respect to such purchases or sales; and
 - ii) any natural person in a Control relationship to the Company who obtains information concerning recommendations made to the Company with regard to the purchase or sale of any Covered Security by the Company.
- C. "Affiliated Person" of another person means:
 - i) any person directly or indirectly owning, controlling, or holding with power to vote, 5% or more of the outstanding voting securities of such other person;
 - ii) any person 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other person;
 - iii) any person directly or indirectly controlling, controlled by, or under common control with, such other person;
 - iv) any officer, director, partner, copartner, or employee of such other person;

- v) if such other person is an investment company, any investment adviser thereof or any member of an advisory board thereof; and
 - vi) if such other person is an unincorporated investment company not having a board of directors, the depositor thereof.
- D. "Beneficial Ownership" means beneficial ownership determined pursuant to Rule [16a-1\(a\)\(2\)](#) under the Securities Exchange Act of 1934 (the "1934 Act"). Beneficial ownership includes securities held by members of a person's immediate family (spouse, children, stepchildren, grandchildren, parents, stepparents, grandparents, siblings, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law) that share the same household with such person. The definition of "Beneficial Ownership" is complex, and if you have any questions as to whether you may have Beneficial Ownership with respect to any securities please contact the CCO.
- E. "Control" means the power to exercise a controlling influence over the management or policies of a company, unless such power is solely the result of an official position with such company. Any person who owns beneficially, either directly or through one or more controlled companies, more than 25% of the voting securities of a company shall be presumed to control such company. Any person who does not so own more than 25% of the voting securities of any company shall be presumed not to control such company. A natural person shall be presumed not to be a controlled person. Any such presumption may be rebutted by evidence in accordance with [Section 2\(a\)\(9\)](#) of the Act.
- F. "Covered Security" means a Security, except that such term does not include:
- i) direct obligations of the Government of the United States;
 - ii) bankers' acceptances, bank certificates of deposit, commercial paper and high quality short-term debt instruments, including repurchase agreements; or
 - iii) shares issued by open-end investment companies registered under the Act
- G. "Designated Officer" means the person designated from time to time by the Company to be its Chief Compliance Officer; provided, that the Company may from time to time designate another person to act on behalf of the Designated Officer during periods when the Designated Officer is absent or disabled, and during such periods the term "Designated Officer" shall mean such other officer.
- H. "Disinterested Director" means a director of the Company who is not an "interested person" of the Company within the meaning of [Section 2\(a\)\(19\)](#) of the Act.
- I. "Federal Securities Laws" means, in addition to the Act, the [Investment Advisers Act of 1940](#), the [Securities Act of 1933](#), the [Securities Exchange Act of 1934](#), Title V of the Gramm-Leach-Bliley Act, all rules adopted by the Securities and Exchange Commission (the "SEC") under the foregoing statutes, those provisions of the Bank Secrecy Act that apply to investment companies and investment advisers, and any rules adopted under such provisions by the SEC or the Department of the Treasury.
- J. "Initial Public Offering" means an offering of securities registered under the [Securities Act of 1933](#) (the "1933 Act"), the issuer of which, immediately before the registration, was not subject to the reporting requirements of [Sections 13](#) or [15\(d\)](#) of the 1934 Act.
- K. "Investment Personnel" means:
- i) any employee of the Company (or of any company in a Control relationship to the Company), who in connection with his or her regular functions or duties makes or

participates in making recommendations regarding the purchase or sale of securities by the Company; and

- ii) any natural person who Controls the Company and obtains information concerning recommendations made to the Company with regard to the purchase or sale of securities by the Company.
- L. "Limited Offering" means an offering that is exempt from registration under the 1933 Act pursuant to [Section 4\(2\) or Section 4\(6\)](#), thereof or pursuant to [Rule 504](#), [Rule 505](#), or [Rule 506](#) thereunder.
- M. "purchase or sale of a Covered Security" includes, among other things, the writing of an option to purchase or sell a Covered Security.
- N. "Security" means any note, stock, treasury stock, security future, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, any put, call, straddle, option, or privilege on any security (including a certificate of deposit) or on any group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or, in general, any interest or instrument commonly known as a "security", or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.
- O. "Security Held or to be Acquired by the Company" means:
 - i) any Covered Security which, within the most recent 15 days: (A) is or has been held by the Company; or (B) is being or has been considered by the Company for purchase by the Company; and
 - ii) any option to purchase or sell, and any security convertible into or exchangeable for, a Covered Security described in clause (i) above.
- P. "Third Party Account" means an account in which a Covered Security is held for the benefit of any individual or entity other than the Company with respect to which an Access Person exercises investment discretion or provides investment advice.

STANDARDS OF CONDUCT

General Standards.

- 1) No Access Person shall, in breach of any fiduciary duty he or she owes to the Company and its stockholders:
 - a) engage, directly or indirectly, in any business investment in a manner detrimental to the Company; or
 - b) use confidential information gained by reason of his or her employment by or affiliation with the Company in a manner detrimental to the Company.
- 2) At the time that an Access Person recommends or authorizes the purchase or sale of a Covered Security by the Company, he or she shall disclose to the Designated Officer:

- a) any Beneficial Ownership in such Covered Security that he or she has or proposes to acquire;
 - b) any interest he or she has or proposes to acquire in any Third Party Account in which such Covered Security is held; and
 - c) any interest in or relationship with the issuer of such Covered Security that he or she has or proposes to acquire.
- 3) Each Access Person must conduct his or her personal securities transactions in a manner that is consistent with this Code of Ethics and that will avoid an abuse of his or her position of trust and responsibility within the Company.
 - 4) No Access Person shall engage in any act, practice, or course of business that is in breach of the fiduciary duty of care, loyalty, honesty and good faith that he or she owes to the Company.
 - 5) No Access Person shall, in connection with the purchase or sale, directly or indirectly, of any Security Held or to be Acquired by the Company, engage in any act, practice or course of business in violation of the Federal Securities Laws. Without limiting the generality of the foregoing, note that “Insider Trading”, which is the misuse of material non-public information concerning an issuer, relates not only to the Company but to *any* company. Reference is made to the Company *Insider Trading Policy – Trading of Company Shares* for a general discussion of the issue. To that end, No Access Person shall (a) disclose material non-public information received or developed by the Company concerning *any* issuer to any other person; disclose material non-public information otherwise received to any person; and effect any transaction in any security or commodity on the basis of material non-public information, regardless of whether such information was received or developed by the Company in connection with its business or otherwise.

Prohibited Transactions.

- 1) *General Prohibition.* Unless an Access Person shall have obtained prior approval from the Designated Officer, no Access Person shall purchase or sell (or otherwise acquire or dispose of) direct or indirect Beneficial Ownership of any Covered Security if, at the time of such transaction, such Access Person knows or should have known such Covered Security is a Security Held or to be Acquired by the Company.

If an Access Person becomes aware that the Company is considering the purchase or sale of a Covered Security, the Access Person must promptly notify the Designated Officer of:

- a) any interest that he or she has in any outstanding Covered Security of the same issuer; and
 - b) any other interest in or relationship with the issuer that he or she has or proposes to acquire.
- 2) *Insider Trading.* No Access Person may buy or sell securities (including but not limited to the Company’s stock) while in possession of material non-public information (“inside information”). In addition, no Access Person may disclose material non-public

information to outsiders, including family members and others (tipping), who then trade in the securities or the securities the Company or of another company on the basis of that information.

Rule 10b5-1 under the 1934 Act may permit pre-planned trading in securities about which an individual or entity possesses inside information. By documenting a 10b5-1 plan prior to the receipt of inside information, the Company or its Access Persons may be able to show that trades were not made based on the inside information. A 10b5-1 plan must be established in good faith prior to the receipt of inside information, must define specific trading parameters that will be followed consistently, and must be implemented by a third party. Neither the Company nor any Access Person may establish or trade on a 10b5-1 plan without written pre-approval from the CCO.

- 3) *Gifts*. No Access Person may accept any gift, favor, or service from any person with whom he or she transacts business on behalf of the Company, if to do so would conflict with the Company's best interests or would impair the ability of such person to be completely disinterested when required, in the course of business, to make judgments and/or recommendations on behalf of the Company. See the BC Partners Gift and Entertainment Policy.
- 4) *Initial Public Offerings and Limited Offerings*. Investment Personnel must obtain approval from the Designated Officer before directly or indirectly acquiring Beneficial Ownership in any Securities in an Initial Public Offering or Limited Offering. If the Designated Officer is the person whose acquisition requires such approval, he or she may obtain such approval from the President of the Company.

PROCEDURES TO IMPLEMENT CODE OF ETHICS

The following reporting, review and record keeping procedures have been established to assist in the avoidance of a violation of this Code of Ethics and to assist the Company in preventing, detecting, and imposing sanctions for violations of this Code of Ethics. Questions regarding these procedures should be directed to the Designated Officer.

Reports to be Filed by Access Persons.

- 1) Except as noted below in the *Exceptions from Reporting Requirements* section, each Access Person of the Company must complete, sign and file with the Designated Officer:
 - a) *Initial Holdings Report*. Not later than 10 days after he or she becomes an Access Person of the Company: an Initial Report of Covered Security Holdings shall be provided to the CCO, the information provided must be current as of a date no more than 45 days prior to the date on which he or she becomes an Access Person.
 - b) *Quarterly Transaction Reports*. Not later than 30 days after the end of each calendar quarter: a Quarterly Report of Covered Security Transactions must be submitted to the CCO through the online compliance platform.
 - c) *Annual Holdings Reports*. Not later than 30 days after the end of each fiscal year of the Company: an Annual Report of Covered Security Holdings, hedge funds

and private placement positions must be submitted to the CCO through the online compliance platform, the information provided must be current as of a date no more than 45 days prior to the date on which the report is submitted.

- 2) *Account Statements*. Unless otherwise permitted by the Designated Officer, each Access Person (other than Disinterested Directors) must direct each broker, dealer, or bank at which he or she maintains an account in which securities are or were held for the direct or indirect benefit of such Access Person, to provide to the Designated Officer duplicate account statements for each such account. Alternatively, copies of such reports can be presented to the Designated Officer so long as there is a signed certification by the Access Person that such reports are true, current, complete and inclusive of their Covered Security Holdings and Transactions.
- 3) *Disclaimer of Beneficial Ownership*. Any Access Person may at any time or from time to time deliver to the Designated Officer a statement that his or her filing of any report hereunder or the delivery on his or her behalf of any duplicate account statement required hereunder shall not be construed as an admission by such Access Person that he or she has any direct or indirect Beneficial Ownership in the Covered Security to which such report or such duplicate account statement relates.
- 4) *Review of Reports*. The Designated Officer shall review the reports filed, and account statements delivered, under this Code of Ethics to determine, if possible, whether any transactions disclosed therein constitute a violation of this Code of Ethics. Before making any determination that a violation has been committed by any Access Person, the Designated Officer shall afford the Access Person an opportunity to supply additional explanatory material.

Exceptions From Reporting Requirements.

- 1) A person need not make a report under the *Reports to be Filed by Access Persons* Section with respect to a Covered Security held in, or transactions effected for, any account over which the Access Person has no direct or indirect influence or control.
- 2) A Disinterested Director who would be required to make a report solely by reason of being a director of the Company need not make:
 - a) an initial holding report (Initial Holdings Report) or any annual holdings reports (Annual Holdings Report); and
 - b) a quarterly transaction report (Quarterly Transaction Reports) unless he or she knew or, in the ordinary course of fulfilling his or her duties as a director, should have known that during the 15-day period immediately before or after the director's transaction in a Covered Security, the Company purchased or sold, or the Company considered purchasing or selling, the Covered Security.

- 3) An Access Person need not make a quarterly transaction report if the report would duplicate information contained in account statements (or broker trade confirmations) received by the Designated Officer in the time period required, if all of the information required is contained in the broker trade confirmations or account statements, or in the records of the Company.
- 4) An Access Person need not make a quarterly transaction report with respect to transactions effected pursuant to a program (such as a dividend reinvestment plan) in which periodic purchases (or sales) are made automatically in (or from) investment accounts in accordance with a predetermined schedule and allocation.

Obligation to Report Violations.

Every Access Person who becomes aware of a violation of this Code of Ethics must report it to the Designated Officer, who shall report it to appropriate management personnel of the Company. The Designated Officer and the management personnel to whom a violation is reported shall treat the report confidentially to the extent permitted by law, promptly investigate the matter, and take such disciplinary action as they consider appropriate under the circumstances. Any form of retaliation against a person who reports a violation is prohibited and constitutes a violation of this Code of Ethics. The Board of Directors of the Company must be notified, in a timely manner, of remedial action taken with respect to violations of the Code of Ethics. The Company has established an Ethics Hotline, as detailed in the Company's Whistleblower Policy.

Company Reports.

No less often than annually, the Company must furnish to the Company's Board of Directors, and the Board of Directors must consider, a written report that:

- 1) describes any issues arising under this Code of Ethics or the related procedures since the last report to the Board of Directors, including but not limited to, information about material violations of this Code of Ethics or related procedures and sanctions imposed in response to the material violations; and
- 2) certifies that the Company has adopted procedures reasonably necessary to prevent Access Persons from violating this Code of Ethics.

Records.

The Company shall maintain records with respect to this Code of Ethics in the manner and to the extent set forth below, which records may be maintained digitally under the conditions described in Rule 31a-2(f)(1) under the Act, and shall be available for examination by the SEC or any representative of the SEC at any time and from time to time for reasonable periodic, special, or other examination:

- 1) A copy of this Code of Ethics and any other code of ethics of the Company that is, or at

- any time within the past five years has been, in effect shall be maintained in an easily accessible place;
- 2) A record of any violation of this Code of Ethics, and of any action taken as a result of such violation shall be preserved in an easily accessible place for at least five years after the end of the fiscal year in which the violation occurs;
 - 3) A copy of each report made by an Access Person as required by the Rule or pursuant to this Code of Ethics, including any information provided in lieu of the reports under paragraph (d)(2)(v) of the Rule, shall be maintained for at least five years after the end of the fiscal year in which it is made or the information is provided, the first two years in an easily accessible place;
 - 4) A record of all persons within the past five years who are or were required to make reports pursuant to paragraph (d) of the Rule or this Code of Ethics, or who are or were responsible for reviewing those reports, shall be maintained in an easily accessible place; and
 - 5) A record of any decision, and the reasons supporting the decision, to approve the acquisition by investment personnel of securities in an Initial Public Offering or in a Limited Offering shall be maintained for at least five years after the end of the fiscal year in which such acquisition is approved.

Confidentiality.

All reports, duplicate account statements and other information filed or delivered to the Designated Officer or furnished to any other person pursuant to this Code of Ethics shall be treated as confidential, but are subject to review as provided herein, by the Company's advisers, and by representatives of the SEC.

SANCTIONS

Upon determination that a violation of this Code of Ethics has occurred, the appropriate management personnel of the Company may impose such sanctions as they deem appropriate, including, among other things, a letter of censure or suspension or termination of the employment of the violator. Violations of this Code of Ethics and any sanctions imposed with respect thereto shall be reported in a timely manner to the Board of Directors of the Company.

ACKNOWLEDGEMENT OF RECEIPT AND ANNUAL CERTIFICATION OF COMPLIANCE

Upon becoming an Access Person, annually thereafter, and whenever this Code of Ethics is amended, each Access Person shall sign and deliver to the Designated Officer an acknowledgement of receipt and certification of compliance with this Code of Ethics and any amendments thereto in the form attached hereto as Exhibit A.

EXHIBIT A: ACKNOWLEDGEMENT AND CERTIFICATION

I acknowledge receipt of the Code of Ethics of [Portman Ridge Finance Corporation][Logan Ridge Finance Corporation] dated July 1, 2021, as amended. I have read and understand the Code of Ethics and agree to be governed by it at all times. Further, if I have been subject to the Code of Ethics during the preceding year, I certify that I have complied with the requirements of the Code of Ethics and have disclosed or reported all personal securities transactions required to be disclosed or reported pursuant to the requirements of the Code of Ethics.

(signature)

(please print name)

(date)

List of Subsidiaries

CapitalSouth Partners Fund II Limited Partnership (North Carolina)
CapitalSouth Partners F-II, LLC (North Carolina)
CapitalSouth Fund III, L.P. (Delaware)
CapitalSouth F-III, LLC (North Carolina)
CPTA Master Blocker, Inc. (Georgia)
Capitala Business Lending, LLC (Delaware)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13A-14 UNDER THE EXCHANGE ACT OF 1934, AS ADOPTED
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ted Goldthorpe, certify that:

1. I have reviewed this annual report on Form 10-K of Logan Ridge Finance Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Securities Exchange Act of 1934, as amended (the "Exchange Act") Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 26, 2024

/s/ Ted Goldthorpe

Ted Goldthorpe
Chief Executive Officer and President
(Principal Executive Officer)
Logan Ridge Finance Corporation

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13A-14 UNDER THE EXCHANGE ACT OF 1934, AS ADOPTED
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jason Roos, certify that:

1. I have reviewed this annual report on Form 10-K of Logan Ridge Finance Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Securities Exchange Act of 1934, as amended (the "Exchange Act") Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 26, 2024

/s/ Jason Roos

Jason Roos
Chief Financial Officer
(Principal Financial Officer)
Logan Ridge Finance Corporation

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ted Goldthorpe, the Chief Executive Officer and President, in connection with the Annual Report of Logan Ridge Finance Corporation (the "Company"), on Form 10-K for the year ended December 31, 2023, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Annual Report"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Annual Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 26, 2024

/s/ Ted Goldthorpe

Ted Goldthorpe

Chief Executive Officer and President

(Principal Executive Officer)

Logan Ridge Finance Corporation

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jason Roos, the Chief Financial Officer, in connection with the Annual Report of Logan Ridge Finance Corporation (the "Company"), on Form 10-K for the year ended December 31, 2023, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Annual Report"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Annual Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 26, 2024

/s/ Jason Roos

Jason Roos

Chief Financial Officer

(Principal Financial Officer)

Logan Ridge Finance Corporation

**PORTMAN RIDGE FINANCE CORPORATION
LOGAN RIDGE FINANCE CORPORATION**

CLAWBACK POLICY

The Board of Directors (the “**Board**”) of each of Portman Ridge Finance Corporation and Logan Ridge Finance Corporation (each, the “**Company**”) has adopted this Clawback Policy (the “**Policy**”) to comply with Section 10D of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), Rule 10D-1 promulgated under the Exchange Act (“**Rule 10D-1**”) and Rule 5608 of the corporate governance rules of The Nasdaq Stock Market (the “**Listing Standards**”). This Policy provides for the recovery of Incentive-Based Compensation (as defined below) received by Covered Executives (as defined below), if any, in the event of an Accounting Restatement (as defined below) and shall be interpreted to be consistent with, Section 10D of the Exchange Act, Rule 10D-1 and the Listing Standards.

The Company, as an externally-managed business development company regulated under the Investment Company Act of 1940, as amended, currently neither pays nor has any plans to pay or otherwise award Incentive-Based Compensation to Covered Executives, but nevertheless has designed and implemented this Policy to comply with Section 10D of the Exchange Act, Rule 10D-1 and the Listing Standards require the Company to adopt this Policy regardless of whether Incentive-Based Compensation is paid or otherwise awarded by the Company to Covered Executives.

1. Administration

Except as specifically set forth herein, this Policy shall be administered by the Board or, if designated by the Board, a committee thereof (the Board or such committee charged with administration of this Policy, the “**Policy Administrator**”). The Policy Administrator is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy. Any determinations made by the Policy Administrator shall be final and binding on all affected individuals and need not be uniform with respect to each individual covered by the Policy. In the administration of this Policy, the Policy Administrator is authorized and directed to consult with the full Board or such other committees of the Board, such as the Audit Committee, the Compensation Committee or such other committee as may be necessary or appropriate as to matters within the scope of such other committee’s responsibility and authority. Subject to any limitation of applicable law, the Policy Administrator may authorize and empower any officer or employee of the Company to take any and all actions necessary or appropriate to carry out the purpose and intent of this Policy (other than with respect to any recovery under this Policy involving such officer or employee).

2. Definitions

As used in this Policy, the following definitions shall apply:

- o “**Accounting Restatement**” means an accounting restatement of the Company’s financial statements due to the Company’s material noncompliance with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.
- o “**Applicable Period**” means the three completed fiscal years immediately preceding the date on which the Company is required to prepare an Accounting Restatement, as well as any transition period (that results from a change in the Company’s fiscal year) within or immediately following those three completed fiscal years (except that a transition period between the last day of the Company’s previous fiscal year-end and the first day of its new fiscal year that comprises a period of nine to twelve months shall be deemed to be a completed fiscal year). The “date on which the Company is required to prepare an Accounting Restatement” is the earlier to occur of (a) the date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if action by the Board or a committee thereof is not required, concludes or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement or (b) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement, in each case regardless of if or when the restated financial statements are filed.
- o “**Covered Executives**” means the Company’s current and former president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the Company and any officer within the meaning of 17 C.F.R. 229.401(b). An executive officer of a subsidiary of the Company is deemed a Covered Executive if the executive officer performs policy making functions for the Company. “Policy-making function” for purposes of this definition is not intended to include policy-making functions that are not significant to the Company. The definition of Covered Executives shall be interpreted in accordance with the definition of “Executive Officer” set forth in Rule 10D-1 and the Listing Standards. For the avoidance of doubt, “Covered Executives” does not include the Company’s investment adviser (the “**Adviser**”) or any of the Adviser’s directors, partners, officers or employees, solely in their capacity as such.
- o “**Erroneously Awarded Compensation**” has the meaning set forth in Section 6 of this Policy.
- o A “**Financial Reporting Measure**” means any measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measure that is derived wholly or in part from such measure. For the avoidance of doubt, Financial Reporting Measures include but are not limited to the following (and any measure derived from the following): Company stock price; total shareholder return (“**TSR**”); net asset value, net investment income; net income; net realized or unrealized gains; profitability; financial ratios; earnings before interest, taxes, depreciation and amortization; funds from operations and adjusted funds from operations; liquidity measures; return measures (e.g., return on investments, return on assets); earnings measures (e.g., earnings per share); and any of such financial reporting measures relative to a peer group, where the Company’s financial reporting measure is subject to an Accounting Restatement. A Financial Reporting Measure need not be presented within the Company’s financial statements or included in a filing with the Securities and Exchange Commission.
- o “**Incentive-Based Compensation**” means any compensation that is granted by the Company, or earned and/or vested based wholly or in part upon the attainment of a Financial Reporting Measure. For purposes of this Policy, Incentive-Based Compensation is deemed “received” in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of such Incentive-Based Compensation occurs after the end of that period. For the avoidance of doubt, Incentive-Based Compensation does not include (i) awards that are granted, earned and vested exclusively upon completion of a specified employment period, without any performance condition, and (ii) bonus awards that are discretionary or based on subjective goals or goals unrelated to Financial Reporting Measures. Notwithstanding the foregoing, compensation amounts shall

not be considered “Incentive-Based Compensation” for purposes of the Policy unless the Company’s fiscal period during which the applicable Financial Reporting Measure specified in the award is attained (even if the payment or grant of the Incentive-Based Compensation occurs after the end of that period) occurs (1) while the Company has a class of securities listed on a national securities exchange or a national securities association and (2) on or after October 2, 2023, the effective date of the Listing Standards.

3. Scope; Covered Executives; Incentive-Based Compensation

The Company currently neither pays nor has any plans to pay or otherwise award Incentive-Based Compensation to Covered Executives. No Incentive-Based Compensation shall be paid or otherwise awarded to Covered Executives without the Board’s prior approval.

4. Board Review

This Policy will be presented to the Board for review and approval at such times as the Board in its discretion determines is necessary and appropriate. The Board may amend, modify, supplement, rescind or replace all or any portion of this Policy at any time and from time to time in its discretion, and shall amend this Policy as it deems necessary to comply with applicable law or any rules or standards adopted by a national securities exchange on which the Company’s securities are listed.

5. Required Recovery of Erroneously Awarded Compensation in the Event of an Accounting Restatement

In the event that the Company is required to prepare an Accounting Restatement, the Company shall recover, on a reasonably prompt basis, the amount of any Erroneously Awarded Compensation received by any Covered Executive from the Company, as calculated pursuant to Section 6 of this Policy, during the Applicable Period. Recovery under this Policy with respect to a Covered Executive shall not require the finding of any misconduct by such Covered Executive or such Covered Executive being found responsible for the accounting error leading to an Accounting Restatement.

6. Erroneously Awarded Compensation: Amount Subject to Recovery

The amount of *Erroneously Awarded Compensation* subject to recovery under this Policy, as determined by the Company, is the amount of Incentive-Based Compensation received by the Covered Executive that exceeds the amount of Incentive-Based Compensation that otherwise would have been received by the Covered Executive had it been determined based on applicable restated Financial Reporting Measure.

Erroneously Awarded Compensation shall be computed without regard to any taxes paid by the Covered Executive in respect of the Erroneously Awarded Compensation.

With respect to any compensation plans or programs that take into account Incentive-Based Compensation, the amount of Erroneously Awarded Compensation subject to recovery hereunder includes, but is not limited to, the amount contributed to any notional account based on Erroneously Awarded Compensation and any earnings accrued to date on that notional amount.

For Incentive-Based Compensation based on the Company’s stock price or TSR: (a) the Company shall determine the amount of Erroneously Awarded Compensation based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or TSR upon which the Incentive-Based Compensation was received; and (b) the Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to The Nasdaq Stock Market (“*NASDAQ*”).

7. Method of Recovery

The Policy Administrator shall determine, in its sole discretion, the timing and method for promptly recovering Erroneously Awarded Compensation hereunder, which may include without limitation (a) seeking reimbursement of all or part of any cash or equity-based award, (b) cancelling prior cash or equity-based awards, whether vested or unvested or paid or unpaid, (c) cancelling or offsetting against any planned future cash or equity-based awards, (d) forfeiture of deferred compensation, subject to compliance with Section 409A of the Internal Revenue Code and the regulations promulgated thereunder and (e) any other method authorized by applicable law or contract.

Subject to compliance with any applicable law, the Company may effect recovery under this Policy from any amount otherwise payable to the Covered Executive, including amounts payable to such individual under any otherwise applicable Company plan or program, including base salary, bonuses, other compensation and/or compensation previously deferred by the Covered Executive.

The Company is authorized and directed pursuant to this Policy to recover Erroneously Awarded Compensation on a reasonably prompt basis in compliance with this Policy unless the Policy Administrator (including a majority of the Board’s directors who have been determined by the Board to be “independent” for Board or Policy Administrator membership, as applicable, under the rules of the NASDAQ, as of any determination date, if the Policy Administrator is not composed solely of “independent” directors) has determined that such recovery would be impracticable for one of the following reasons, and subject to the following procedural and disclosure requirements:

- o The direct expense paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on the expense of enforcement, the Company must make, or cause to be made, a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to recover and provide that documentation to the NASDAQ;
- o Recovery would violate home country law where that law was adopted prior to November 28, 2022. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of home country law, the Company must obtain an opinion of home country counsel, acceptable to the NASDAQ, that recovery would result in such a violation, and must provide such opinion to the NASDAQ; or
- o Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, if any, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

8. No Indemnification of Covered Executives

Notwithstanding the terms of any indemnification or insurance policy or any contractual arrangement with any Covered Executive that may be interpreted to the contrary, the Company shall not indemnify any Covered Executives against losses caused by the recovery of any Erroneously Awarded Compensation. In addition, the Company is not permitted to pay or reimburse a Covered Executive for premiums on an insurance policy purchased by such Covered Executive to protect them from such recovery. Other than as expressly stated herein, this Policy does not otherwise limit a Covered Executive's insurance coverage (including any insurance coverage acquired by the Company) or a Covered Executive's right to indemnification from the Company, including, in each case, for actions relating to any Accounting Restatement.

9. Policy Administrator Indemnification

Any directors and officers of the Company, and any other personnel who assist in the administration of this Policy, including, but not limited to employees of the Adviser and BC Partners Management LLC, shall not be personally liable for any action, determination or interpretation made with respect to this Policy and shall be fully indemnified by the Company to the fullest extent under applicable law and Company policy with respect to any such action, determination or interpretation. The foregoing sentence shall not limit any other rights to indemnification of the members of the Board under applicable law or Company policy.

10. Effective Date; Retroactive Application

This Policy shall be effective as of December 1, 2023 (the *Effective Date*). The terms of this Policy shall apply to any Incentive-Based Compensation that is received by Covered Executives from the Company on or after the Effective Date, even if such Incentive-Based Compensation was approved, awarded, granted or paid to Covered Executives prior to the Effective Date. Without limiting the generality of Section 7 of this Policy, and subject to applicable law, the Company may effect recovery under this Policy from any amount of compensation approved, awarded, granted, payable or paid to the Covered Executive prior to, on or after the Effective Date.

11. Other Recovery Rights; Company Claims

Any right of recovery under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company under applicable law or pursuant to the terms of any similar policy in any employment agreement, equity award agreement or similar agreement and any other legal remedies available to the Company.

Nothing contained in this Policy limits any claims, damages or other legal remedies the Company or any of its affiliates may have against a Covered Executive arising out of, or resulting from, any actions or omissions by the Covered Executive.

12. Exhibit Filing Requirement

A copy of this Policy and any amendments thereto shall be filed as an exhibit to the Company's annual report on Form 10-K to the extent required by law.

Adopted: November 7, 2023

