

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, 2021

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

Commission File Number	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	I.R.S. Employer Identification Number
814-01022	Logan Ridge Finance Corporation	90-0945675

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

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 5.75% Convertible Notes due 2022 6.00% Notes due 2022	LRFC CPTAG CPTAL	NASDAQ Global Select Market NASDAQ Capital Market 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. ☐

Yes ☐ No ☒

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 \$66.6 million based on the number of shares held by non-affiliates of the registrant as of June 30, 2021, 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 7, 2022 was 2,711,068.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant’s Proxy Statement for the Annual Meeting of Stockholders to be held in 2021 are incorporated by reference in Part III of this Form 10-K.

TABLE OF CONTENTS

	PAGE
PART I	
Item 1.	1
Item 1A.	21
Item 1B.	42
Item 2.	42
Item 3.	42
Item 4.	42
PART II	
Item 5.	43
Item 6.	46
Item 7.	47
Item 7A.	60
Item 8.	F-1
Item 9.	61
Item 9A.	61
Item 9B.	61
Item 9C.	61
PART III	
Item 10.	62
Item 11.	62
Item 12.	62
Item 13.	62
Item 14.	62
PART IV	
Item 15.	63
Item 16.	65
Signatures	66

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 Advisor” 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, and intend to comply with the requirements to continue to qualify annually, as a regulated investment company (“RIC”) under subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”).

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. As of December 31, 2021, 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.

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 Advisor 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 Advisor 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, the Investment Advisor 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.

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 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 financial condition and results of operations depend on our ability to effectively manage and deploy capital.
- We depend upon Mount Logan Management LLC'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 Mount Logan Management LLC to maintain or develop strong referral relationships, or the failure of these relationships to generate investment opportunities, could adversely affect our business.
- Any failure on our part 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, and the calculation of our base management fee, which is based upon our gross assets, may have the effect of encouraging our Investment Advisor to utilize leverage when it may not be advisable to do so.
- A disruption in the capital markets and the credit markets could impair our ability to raise capital and negatively affect our business.
- 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.
- Mount Logan Management LLC 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.
- Our business is 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.
- Events outside of our control, including public health crises, could negatively affect our portfolio companies and our results of our operations.

Risks Related to our Investments

- Our investments are very risky and highly speculative.
- 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 you could lose all or part of your 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.
- Our failure to make follow-on investments in our portfolio companies could 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.
- Our portfolio may lack diversification among portfolio companies, which may subject us to a risk of significant loss if one or more of these companies defaults on its obligations under any of its debt instruments.
- 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.
- Defaults by our portfolio companies will harm 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.
- Changes relating to the LIBOR calculation process may adversely affect the value of our portfolio of LIBOR-indexed, floating-rate debt securities.
- 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 may involve an above average 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.
- If the current period of capital market disruption and instability continues for an extended period of time, 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.
- You may not receive distributions, or our distributions may decline or may not grow over time, and you will experience dilution in your ownership percentage if you opt out of our dividend reinvestment plan.
- We will have broad discretion over the use of proceeds of any successful offering of securities.
- The net asset value per share of our common stock may be diluted if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock.
- Your interest in Logan Ridge 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 ADVISOR

We are managed by the Investment Advisor, 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 approximately \$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, a credit platform, and a real estate platform. 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 Advisor 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 Advisor 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 Advisor’s allocation procedures.

On October 23, 2018, the SEC issued an order granting an application for exemptive relief to an affiliate of our Investment Advisor that allows BDCs managed by the Investment Advisor, 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 Advisor or its affiliates, including BCP Special Opportunities Fund I LP, BC Partners Lending Corporation and any future funds that are advised by the Investment Advisor 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 Advisor’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 Advisor’s investment team.

The Investment Advisor’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 many 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 Advisor’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, 2021, 73.6% 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, 2021, 8.5% of the fair value 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, 22.6% of our debt investments consisted of second lien loans as of December 31, 2021.

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, 2021, our weighted average PIK yield was 0.1%. As of December 31, 2021, the weighted average annualized cash yield on our debt portfolio was 9.4%. 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 Advisor'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 ("BCP 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). In screening potential investments, our Investment Advisor's investment team utilizes the same value-oriented investment philosophy they employed in their

work with the Legacy Funds and commits resources to managing downside exposure. 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 Advisor'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 from the investment committee.

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 Advisor 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 Advisor 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 Advisor, 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 until July 1, 2023, a period of two years from the date it first became effective and will remain in effect from year-to-year thereafter 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"). Subject to the overall supervision of the Board, the Investment Advisor 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 Advisor:

- 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 Advisor'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 Advisor 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 Advisor's services under the Investment Advisory Agreement or otherwise as Investment Advisor for the Company.

Pursuant to the Investment Advisory Agreement, the Company has agreed to pay the Investment Advisor 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 Advisor 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 Advisor 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 Advisor (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 Advisor).

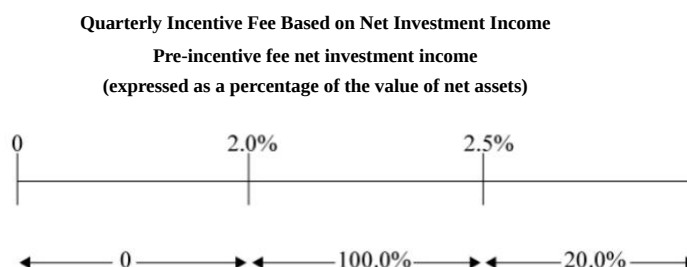
The second part of the incentive fee will be determined and payable in arrears as of the end of each calendar year, commencing on December 31, 2021, and will equal 20.0% of the Company’s realized capital gains, if any, on a cumulative basis with respect to each of the investments in the Company’s portfolio 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 shall be excluded from the calculations of the capital gains fee. In the event that the Investment Advisory Agreement shall terminate as of a date that is not a calendar year end, the termination date shall 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 Advisor that would, when taken together with all other incentive fees paid to the Investment Advisor 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, 2021 and December 31, 2020, the Company had incentive fees payable to the Investment Advisor of zero and \$3.7 million related to fees earned in prior years but deferred under the incentive fee deferral mechanism.

The Investment Advisor 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 advisor, Capitala Investment Advisors, LLC, in the aggregate over such two-year period under the prior advisory agreement.

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 Advisor 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⁾ = 2.0%

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.) = 2.9%

Hurdle rate⁽¹⁾ = 2.0%

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)) = 2.2%

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

= 100% × (2.2% – 2.0%)

= 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⁾ = 2.0%

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 – 2.5%))

Catch-up = 2.5% – 2.0%

= 0.5%

Incentive fee = (100% × 0.5%) + (20% × (2.80% – 2.5%))

= 0.5% + (20%× 0.3%)

= 0.5% + 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 8.0% 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 Advisor with an incentive fee of 20% 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 2.5% 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%)
- Year 3: None

\$5 million (20% 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%) 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% 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% 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% 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%). 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 Advisor, 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 Advisor is registered as an investment adviser under the Advisers Act. Subject to the overall supervision of our Board, our Prior Investment Advisor 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 Advisor:

- 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 Advisor’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 Advisor 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 Advisor 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 Advisor with 20% 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% 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 Advisor (once the hurdle was reached and the catch-up was achieved, 20% of all pre-incentive fee investment income thereafter was allocated to the Prior Investment Advisor).

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% 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 Advisor that would, when taken together with all other prior incentive fees paid to the Prior Investment Advisor during the most recent 12 full calendar month period ending on or prior to the date such payment was 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 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 Advisor voluntarily agreed to waive all or such portion of the quarterly incentive fees earned by the Prior Investment Advisor 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 Advisor 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 Advisor 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 Advisor 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 Advisor. 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 Advisor, 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 until July 1, 2023, a period of two years from the date it first became effective and will remain in effect from year-to-year thereafter 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 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 — Mount Logan Management LLC 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 Advisor 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 Advisor's services under the Investment Advisory Agreement or otherwise as an investment adviser of Logan Ridge.

Organization of the Investment Advisor

The Investment Advisor is a Delaware limited liability company. The principal executive offices of the Investment Advisor 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 Advisor. As a result, the Prior Investment Advisor 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 Advisor, 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 Advisor pursuant to which the Prior Investment Advisor 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 Advisor 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 Advisor, 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 Advisor. The Investment Advisor 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 Advisor.

Under the Investment Advisory Agreement, fees payable to the Investment Advisor 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:

Securities for which market quotations are readily available on an exchange shall be valued at such price as of the closing price on the day of valuation. We may also obtain quotes with respect to certain of our investments from pricing services or brokers or dealers in order to value assets. When doing so, we determine whether the quote obtained is sufficient according to U.S. GAAP to determine the fair value of the security. If determined adequate, we use the quote obtained.

Securities for which reliable market quotations are not readily available or for which the pricing source does not provide a valuation or methodology or provides a valuation or methodology that, in the judgment of our Investment Advisor or the Board, does not represent fair value, which we expect will represent a substantial majority of the investments in our portfolio, shall be valued as follows: (i) each portfolio company or investment is initially valued by the investment professionals responsible for the portfolio investment; (ii) preliminary valuation conclusions are documented and discussed with our senior management; (iii) independent third-party valuation firms engaged by, or on behalf of, the Board will conduct independent appraisals, review management's preliminary valuations and prepare separate preliminary valuation conclusions on a selected basis such that each portfolio investment shall be independently reviewed at least annually (investments will not be selected for such review, however, if they (a) have a value as of the previous quarter of less than 1.0% of our gross assets as of the previous quarter, or (b) have a value as of the current quarter of less than 1.0% of our gross assets as of the previous quarter, after taking into account any repayment of principal during the current quarter); and (iv) the Board will discuss valuations and determine the fair value of each investment in our portfolio in good faith based on the input of the Investment Advisor and, where appropriate, the respective third-party valuation firms.

The recommendation of fair value will generally be based on the following factors, as relevant:

- the nature and realizable value of any collateral;
- the portfolio company's ability to make payments;
- the portfolio company's earnings and discounted cash flow;
- the markets in which the issuer does business; and
- comparisons to publicly traded securities.

Securities for which market quotations are not readily available or for which a pricing source is not sufficient may include, but are not limited to, the following:

- private placements and restricted securities that do not have an active trading market;
- securities whose trading has been suspended or for which market quotes are no longer available;
- debt securities that have recently gone into default and for which there is no current market;
- securities whose prices are stale;
- securities affected by significant events; and
- securities that the Investment Advisor believes were priced incorrectly.

Determination of fair value involves subjective judgments and estimates not susceptible to substantiation by auditing procedures. Accordingly, under current auditing standards, the notes to our financial statements will refer to the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, on our financial statements.

In making the good faith determination of the value of these securities, we start with the cost basis of the security, which includes the amortized original issue discount and PIK interest or dividends, if any. We prepare the valuations of our investments in portfolio companies using the most recent portfolio company financial statements and forecasts. We also consult updates that we receive from senior management members at portfolio companies, whether solicited for valuation purposes, or received in the ordinary course of our portfolio monitoring or due diligence process. These updates include information such as industry trends, new product development or service offerings and other operational or strategic issues.

For debt securities that are not publicly traded or for which there is no market, we begin with our investment rating of the security as described above. Using this investment rating, we seek to determine the value of the security as if we intended to sell the security in a current sale. The factors that may be taken into account in arriving at fair value include the following, as applicable: the portfolio company's ability to service its interest and principal payment obligations, its estimated earnings

and projected discounted cash flows, the nature and realizable value of any collateral, the financial environment in which the portfolio company operates, comparisons to securities of similar publicly traded companies, statistical ratios compared to lending standards and to other similarly situated securities, and other relevant factors.

As part of the valuation process, the audit committee reviews the preliminary evaluations prepared by the independent valuation firm engaged by the Board, as well as management's valuation recommendations. Management and the independent valuation firm respond to the preliminary evaluation to reflect comments provided by the audit committee. The audit committee reviews the final valuation report and management's valuation recommendations and makes a recommendation to the Board based on its analysis of the methodologies employed and the various weights that should be accorded to each portion of the valuation as well as factors that the independent valuation firm and management may not have considered in their evaluation process. The Board then evaluates the audit committee recommendations and undertakes a similar analysis to determine the fair value of each investment in the portfolio in good faith.

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 differ significantly from the values that would have been used had a ready market existed for such investments, and the differences could be material. Additionally, 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 differ from the valuations assigned at any time. For a discussion of the risks inherent in determining the fair value of securities for which readily available market values do not exist, see "Risk Factors."

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 Advisor, 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 in a timely manner an amount at least equal to the sum of (1) 98% of our net ordinary income for each 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 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 loans of certain 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 or securities (the "90% Income Test"); and
- diversify our holdings so that at the end of each quarter of the taxable year:
 - 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
 - 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").

Qualified earnings may exclude such income as management fees received in connection with Fund III or other potential outside managed funds and certain other fees.

In accordance with certain applicable Treasury regulations and other guidance issued by the Internal Revenue Service ("IRS"), a 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 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.

In addition, we will be partially dependent on Fund III for cash distributions to enable us to meet the RIC distribution requirements. Fund III may be limited by the SBIA, and SBA regulations governing SBICs, from making certain distributions to us that may be necessary to maintain our tax treatment as a RIC. We may have to request a waiver of the SBA's restrictions for Fund III to make certain distributions to maintain our RIC tax treatment. We cannot assure you that the SBA will grant such waiver. If Fund III is unable to obtain a waiver, compliance with the SBA regulations may cause us to fail to qualify for tax treatment as a RIC, which would result in us becoming subject to corporate-level U.S. federal income tax.

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. We do not currently intend to engage in these types of transactions.

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. In addition, under recently proposed regulations, income required to be included as a result of such an election would not be qualifying income for purposes of the 90% Income Test unless we receive a distribution of such income from the passive foreign investment company in the same taxable year to which the inclusion relates.

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 and 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.

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 requirements for senior securities were 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 October 23, 2018, the SEC issued an order granting an application for exemptive relief to an affiliate of our Investment Advisor that allows BDCs managed by the Investment Advisor, 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 Advisor or its affiliates and any future funds that are advised by the Investment Advisor 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 from a single counterparty, we would 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 Advisor 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 Advisor 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 Advisor 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 Advisor. The proxy voting policies and procedures of the Investment Advisor are set forth below. The guidelines will be reviewed periodically by the Investment Advisor 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 Advisor.

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, 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 Advisor 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.

SMALL BUSINESS INVESTMENT COMPANY REGULATIONS

The Company, through its wholly owned subsidiaries Fund II and Fund III, historically used debenture leverage provided through the SBA to fund 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 of September 30, 2021, there were no SBA-guaranteed debentures outstanding.

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 executive offices 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. Before you invest in our securities, you should be aware of various risks, including those described below and elsewhere in this Annual Report on Form 10-K. You should carefully consider these risk factors, together with all of the other information included in this Annual Report on Form 10-K, 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 presently known to us or not presently deemed material by us may also impair our operations and performance. If any of the following events occur, our business, financial condition, results of operations and cash flows could be materially and adversely affected. In such case, our net asset value and the trading price of our securities could decline, and you may lose all or part of your investment. The risk factors described below are the principal risk factors associated with an investment in us as well as those factors generally associated with an investment company with investment objectives, investment policies, capital structure, or trading markets similar to ours.

Risks Relating to Our Business and Structure

Our investment portfolio is recorded at fair value, with our Board having final responsibility for overseeing, reviewing and approving, in good faith, its estimate of fair value and, as a result, there may 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 us, with our Board having final responsibility for overseeing, reviewing and approving, in good faith, our estimate of fair value. 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 based on input from management, a third-party independent valuation firm and our audit committee, and with the oversight, review and approval of our Board.

The determination of fair value and, consequently, the amount of unrealized gains and losses in our portfolio, are to a certain degree, subjective and dependent on a valuation process approved by 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. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, they may fluctuate over short periods of time and may be based on estimates. Our fair value determinations may differ materially from the values that would have been used if a ready market for these securities existed. Due to this uncertainty, our fair value determinations may cause our net asset value on a given date to materially understate or overstate the value that we may ultimately realize on 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.

Our financial condition and results of operations depend on our ability to effectively manage and deploy capital.

Our ability to achieve our investment objective depends on our ability to effectively manage and deploy capital, which depends, in turn, on our Investment Advisor's ability to identify, evaluate and monitor, and our ability to finance and invest in, companies that meet our investment criteria.

Accomplishing our investment objective on a cost-effective basis is largely a function of our Investment Advisor's handling of the investment process, its ability to provide competent, attentive and efficient services and our access to investments offering acceptable terms. In addition to monitoring the performance of our existing investments, our Investment Advisor'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 "— 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.

We depend upon Mount Logan Management LLC'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 Mount Logan's investment personnel, who serve as the members of the investment committee of the Investment Advisor. Our success depends on the continued service of these individuals and the other senior investment professionals available to the Investment Advisor. 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 Advisor, 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 Advisor'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 Advisor will continue indefinitely as our investment adviser.

The members of the Investment Advisor'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.

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 with similar investment strategies, private equity funds with similar investment strategies, venture lending funds, finance companies with venture lending units and banks focused on venture lending. 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.

Any inability of Mount Logan Management LLC 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 Advisor 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 Advisor 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 Advisor 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.

Our success depends on the ability of Mount Logan Management LLC to attract and retain qualified personnel in a competitive environment.

Our growth requires that the Investment Advisor retain and attract new investment and administrative personnel in a competitive market. Its ability to attract and retain personnel with the requisite credentials, experience and skills depends on several factors including, but not limited to, its ability to offer competitive wages, benefits and professional growth opportunities. Many of the entities with which the Investment Advisor competes for experienced personnel, including investment funds (such as private equity funds, credit funds and mezzanine funds) and traditional financial services companies, have greater resources than the Investment Advisor has. We cannot assure you that a reduction in revenue to the Investment Advisor, 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.

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

The members of the Investment Advisor'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 Advisor'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 Advisor and reimburse the Investment Advisor 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 Advisor will have interests that differ from those of our stockholders, giving rise to a conflict. The Investment Advisor 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 Advisor 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 Advisor 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 Advisor 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 Advisor'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 October 23, 2018, the SEC issued an order granting an application for exemptive relief to an affiliate of our Investment Advisor that allows BDCs managed by the Investment Advisor, 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 Advisor or its affiliates and any future funds that are advised by the Investment Advisor 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.

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.

There may be conflicts of interest related to obligations that our new Investment Advisor’s senior management and investment team has to other clients.

We are now advised by Mount Logan Management LLC, our Investment Advisor. We rely, in part, on the Investment Advisor to assist with identifying and executing upon investment opportunities and on our Board to review and approve the terms of our participation in co-investment transactions with the Investment Advisor and its affiliates. The Investment Advisor 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 Advisor, 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 Advisor and its affiliates in a manner that the Investment Advisor deems necessary and appropriate.

An affiliate of the Investment Advisor 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 investment committee and other investment professionals of Mount Logan Management LLC 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 Advisor’s investment committee and other investment professionals of the Investment Advisor may serve as directors of, or in a similar capacity to, portfolio companies in which we invest. In the event that material nonpublic 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.

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 Board determines the fair value of these loans and securities in good faith 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 Advisor 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 ultimate determination of fair value is made by our Board, including our interested directors, and not by such third-party valuation firm. The participation of the Investment Advisor’s investment professionals in our valuation process could result in conflicts of interest as the Investment Advisor’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.

The terms of the Investment Advisory Agreement with Mount Logan Management LLC and the Administration Agreement with our Administrator were not negotiated on an arm’s length basis and may not be as favorable to us as if they had been negotiated with an unaffiliated third-party, including an incentive fee structure that may induce Mount Logan Management LLC to pursue speculative investments, and to use leverage when it may be unwise to do so.

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

The incentive fee payable by us to the Investment Advisor may create an incentive for the Investment Advisor to pursue investments on our behalf that are riskier or more speculative than would be the case in the absence of such compensation arrangement. The incentive fee payable to our Investment Advisor is calculated based on a percentage of our return on invested capital. This may encourage our Investment Advisor to use leverage to increase the return on our investments. Under certain circumstances, the use of leverage may increase the likelihood of default, which would impair the value of our common stock. In addition, our Investment Advisor receives the incentive fee based, in part, upon net capital gains realized on our investments. Unlike that portion of the incentive fee based on income, there is no hurdle rate applicable to the portion of the incentive fee based on net capital gains. As a result, the Investment Advisor may have a tendency to invest more capital in investments that are likely to result in capital gains as compared to income-producing securities. Such a practice could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns.

Although we currently do not anticipate doing so, we may invest, to the extent permitted by law, in the securities and instruments of other investment companies, including private funds, and, to the extent we so invest, will bear our ratable share of any such investment company’s expenses, including management and performance fees. We also remain obligated to pay management and incentive fees to our Investment Advisor with respect to the assets invested in the securities and instruments of other investment companies. With respect to each of these investments, each of our stockholders will bear his or her share of the management and our Investment Advisor’s incentive fee as well as indirectly bearing the management and performance fees and other expenses of any investment companies in which we invest.

Mount Logan Management LLC's liability is limited under the Investment Advisory Agreement, and we have agreed to indemnify Mount Logan Management LLC against certain liabilities, which may lead Mount Logan Management LLC 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 Advisor 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 Advisor's advice or recommendations. Under the Investment Advisory Agreement, the Investment Advisor, its officers, members and personnel, and any person controlling or controlled by the Investment Advisor 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 Advisor owes to us under the Investment Advisory Agreement. In addition, as part of the Investment Advisory Agreement, we have agreed to indemnify the Investment Advisor 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 Advisor to act in a riskier manner when acting on our behalf than it would when acting for its own account.

A general increase in interest rates will likely have the effect of making it easier for our Investment Advisor 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 Advisor 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 Advisor. In addition, in view of the catch-up provision applicable to income incentive fees under the Investment Advisory Agreement, our Investment Advisor 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 Advisor's income incentive fee resulting from such a general increase in interest rates.

PIK interest payments we receive will increase our assets under management and, as a result, will increase the amount of base management fees and incentive fees payable by us to Mount Logan Management LLC.

Certain of our debt investments contain provisions providing for the payment of contractual PIK interest. Because PIK interest results in an increase in the size of the loan balance of the underlying loan, the receipt by us of PIK interest will have the effect of increasing our assets under management. As a result, because the base management fee that we pay to the Investment Advisor is based on the value of our gross assets, the receipt by us of PIK interest will result in an increase in the amount of the base management fee payable by us. In addition, any such increase in a loan balance due to the receipt of PIK interest will cause such loan to accrue interest on the higher loan balance, which will result in an increase in our pre-incentive fee net investment income and, as a result, an increase in incentive fees that are payable by us to the Investment Advisor.

Mount Logan Management LLC 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 Advisor 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 Advisor 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 Advisor 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.

Mount Logan Management LLC 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 Advisor 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 Advisor because these other entities may have investment objectives and strategies that differ from ours.

Any failure on our part to maintain our status as a BDC would reduce our operating flexibility.

We have elected to be regulated as a BDC under the 1940 Act. The 1940 Act imposes numerous constraints on the operations of BDCs. For example, BDCs are required to invest at least 70% of their gross assets in specified types of securities, primarily in private companies or thinly traded U.S. public companies, cash, cash equivalents, U.S. government securities and other high quality debt investments that mature in one year or less. Furthermore, any failure to comply with the requirements imposed on BDCs by the 1940 Act could cause the SEC to bring an enforcement action against us and/or expose us to claims of private litigants. In addition, upon approval of a majority of our stockholders, we may elect to withdraw our status as a BDC. If we decide to withdraw our election, or if we otherwise fail to qualify, or maintain our qualification, as a BDC, we may be subject to the substantially greater regulation under the 1940 Act as a closed-end investment company. Compliance with such regulations would significantly decrease our operating flexibility and could 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, 2021, we had \$50.0 million of 5.25% fixed rate notes due October 30, 2026 (the "2026 Notes"), \$22.8 million of 6.0% fixed rate notes due May 31, 2022 (the "2022 Notes") outstanding, and \$52.1 million of 5.75% fixed rate convertible notes due May 31, 2022 (the "2022 Convertible 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.

We borrow money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us, and the calculation of our base management fee, which is based upon our gross assets, may have the effect of encouraging our Investment Advisor to utilize leverage when it may not be advisable to do so.

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. In addition to the 2026 Notes, the 2022 Notes, the 2022 Convertible 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. If the value of our assets decreases, leverage would cause net asset value to decline more sharply than it otherwise would have had we not been 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 also negatively affect our ability to make distributions on our common stock. 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. Moreover, as the management fee payable to our Investment Advisor will be payable based on our gross assets, including those assets acquired through the use of leverage, our Investment Advisor will have a financial incentive to incur leverage that may not be consistent with our stockholders' interests. In addition, our common stockholders will bear the burden of any increase in our expenses as a result of leverage, including any increase in the management fee payable to our Investment Advisor.

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	-29.2%	-17.8%	-6.5%	4.8%	16.1%

(1) Assumes \$242.2 million in total assets, \$124.9 million in debt outstanding and \$107.0 million in net assets as of December 31, 2021. Assumes an average cost of funds of 5.6% which includes the stated interest rate. Actual interest payments may be different.

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 Advisor 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 disruption in the capital markets and the credit markets could impair our ability to raise capital and negatively affect our business.

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.

In the past, the capital markets and the credit markets have experienced periods of extreme volatility and disruption, including the disruption caused by the COVID-19 pandemic, and accordingly, there has been and may continue to be uncertainty in the financial markets in general. 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.

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, \$22.8 million and \$52.1 million, respectively, of the 2026 Notes, 2022 Notes and 2022 Convertible Notes outstanding as of December 31, 2021. In addition, as of December 31, 2021, we had zero outstanding under the KeyBank Credit Facility that provides for borrowings of up to \$25.0 million on a revolving basis and may be increased up to \$100.0 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.

You should also 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 Advisor with respect to our pre-incentive fee net investment income.

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, for example as a result of the COVID-19 pandemic, it may be difficult for us to obtain desired financing to finance the growth of our investments on acceptable economic terms, or at all.

So far, the COVID-19 pandemic has resulted in, among other things, increased draws by borrowers on revolving lines of credit and increased requests by borrowers for amendments, modifications and waivers of their credit agreements to avoid default or change payment terms, increased defaults by such borrowers and/or increased difficulty in obtaining refinancing at the maturity dates of their loans. In addition, the duration and effectiveness of responsive measures implemented by governments and central banks cannot be predicted. The commencement, continuation, or cessation of government and central bank policies and economic stimulus programs, 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.

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 is showing signs of acceleration in the U.S. and globally. Inflation is likely to continue in the near to medium-term, particularly in the U.S., with the possibility that monetary policy may 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.

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.

Certain historical data regarding our business, results of operations, financial condition and liquidity does not reflect the impact of the COVID-19 pandemic and related containment measures and therefore does not purport to be representative of our future performance.

The information included in this Annual Report on Form 10-K and our other reports filed with the SEC includes information regarding our business, results of operations, financial condition and liquidity as of dates and for periods before and during the impact of the COVID-19 pandemic and related containment measures (including quarantines and governmental orders requiring the closure of certain businesses, limiting travel, requiring that individuals stay at home or shelter in place and closing borders). Therefore certain historical information does not reflect the adverse impacts of the COVID-19 pandemic and the related containment measures. Accordingly, investors are cautioned not to unduly rely on such historical information regarding our business, results of operations, financial condition or liquidity, as that data does not reflect the adverse impact of the COVID-19 pandemic and therefore does not purport to be representative of the future results of operations, financial condition, liquidity or other financial or operating results of us, or our business.

Global economic, political and market conditions may adversely affect our business, results of operations and financial condition, including our revenue growth and profitability.

We and our portfolio companies are subject to regulation by laws at the U.S. federal, state and local levels. These laws and regulations, as well as their interpretation, could change from time to time, including as the result of interpretive guidance or other directives from the U.S. President and others in the executive branch, and new laws, regulations and interpretations could also come into effect. Any such new or changed laws or regulations could have a material adverse effect on our business, and political uncertainty could increase regulatory uncertainty in the near term.

The effects of legislative and regulatory proposals directed at the financial services industry or affecting taxation, could negatively impact the operations, cash flows or financial condition of us and our portfolio companies, impose additional costs on us or our portfolio companies, intensify the regulatory supervision of us or our portfolio companies or otherwise adversely affect our business or the business of our portfolio companies. In addition, if we do not comply with applicable laws and regulations, we could lose any licenses that we then hold for the conduct of business and could be subject to civil fines and criminal penalties.

Over the last several years, there also has been an increase in 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 will 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 credit extension could negatively impact our operations, cash flows or financial condition, impose additional costs on us, intensify the regulatory supervision of us or otherwise adversely affect our business, financial condition and results of operations.

On May 24, 2018, the Economic Growth, Regulatory Relief, and Consumer Protection Act was signed into law, which increased from \$50 billion to \$250 billion the asset threshold for designation of “systemically important financial institutions” or “SIFIs” subject to enhanced prudential standards set by the Federal Reserve Board, staggering application of this change based on the size and risk of the covered bank holding company. On May 30, 2018, the Federal Reserve Board voted to consider changes to the Volcker Rule that would loosen compliance requirements for all banks. The effect of this change and any further rules or regulations are and could be complex and far-reaching, and the change and any future laws or regulations or changes thereto could negatively impact our operations, cash flows or financial condition, impose additional costs on us, intensify the regulatory supervision of us or otherwise adversely affect our business, financial condition and results of operations.

Although we cannot predict the impact, if any, of these changes to our business, they could adversely affect our business, financial condition, operating results and cash flows. Until we know what policy changes are made and how those changes impact business and the business of our competitors over the long term, we will not know if, overall, it will benefit from them or be negatively affected by them.

In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt, which created concerns about the ability of certain nations to continue to service their sovereign debt obligations. Risks resulting from such debt crisis, including any austerity measures taken in exchange for bailout of certain nations, and any future debt crisis in Europe or any similar crisis elsewhere could have a detrimental impact on the global economic recovery, sovereign and non-sovereign debt in certain countries and the financial condition of financial institutions generally.

On January 31, 2020, the United Kingdom (the “UK”) ended its membership in the European Union (“Brexit”). On May 1, 2021, the E.U.-U.K. Trade and Cooperation Agreement, or the TCA, became effective. The TCA provides the United Kingdom and EU members with preferential access to each other’s markets, without tariffs or quotas on imported products between the jurisdictions, provided that certain rules of origin requirements are complied with. However, economic relations between the United Kingdom and the EU will now be on more restricted terms than existed prior to Brexit. The long-term effects of Brexit are expected to depend on, among other things, any agreements the UK has made, or makes to retain access to EU markets. Brexit could adversely affect European or worldwide economic or market conditions and 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 UK 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.

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.

As a result of the November 2020 elections in the United States, the Democratic Party gained control of both the Presidency and the Senate from the Republican Party. Therefore, changes in federal policy, including tax policies, and at regulatory agencies are expected to 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.

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 signed into law by President Biden in December 2021, 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.

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, distributions, dispositions or liquidity events affecting a portfolio company 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.

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

Our Board has the authority to modify or waive our 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 stock. 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.

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 beginning with our taxable year ended August 31, 2014, 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-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.

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 net 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 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.

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.

Due to the COVID-19 pandemic or other 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 preserve cash and maintain flexibility.

Due to the COVID-19 pandemic or other disruptions in the economy, we may not be able to increase our dividends and may reduce or defer our dividends and choose to incur US federal excise tax in order 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., net 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 net capital gains 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, 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 2021 until as late as December 31, 2022. 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 the COVID-19 pandemic or other disruptions in the economy, we anticipate that 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, we anticipate that we will not be able to make distributions due to the impact of the COVID-19 pandemic on our net investment income. 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 stock, in which case you may be required to pay tax in excess of the cash you receive.”

If the current period of capital market disruption and instability continues for an extended period of time, 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 adversely affected by the impact of one or more of the risk factors described in this annual report or incorporated herein by reference, including the COVID-19 pandemic described above. For example, if the temporary closure of many corporate offices, retail stores, and manufacturing facilities and factories in the jurisdictions,

including the United States, affected by the COVID-19 pandemic were to continue for an extended period of time, it could result in reduced cash flows to us from our existing portfolio companies, which could reduce cash available for distribution to our stockholders. If we violate certain covenants under our existing or future credit facilities or other leverage, we may be limited in our ability to make distributions. 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 distribution requirement applicable to RICs. Accordingly, we may have to sell some portfolio investments at times it would not consider advantageous, raise additional debt or equity capital or reduce new investments to meet these distribution requirements.

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

For U.S. federal income tax purposes, we include in our taxable income certain amounts that we have not yet received in cash, such as PIK interest or original issue discount, which may arise if we receive warrants in connection with the origination of a loan or possibly in other circumstances. Such original issue discount or increases in loan balances as a result of contractual PIK arrangements are included in our taxable income before we receive any corresponding cash payments. We also may be required to include in our taxable income certain other amounts that we will not receive in cash.

Since, in certain cases, we may recognize taxable income before or without receiving corresponding cash payments, we may have difficulty meeting the annual distribution requirement necessary to maintain our RIC tax treatment under the Code. Accordingly, to satisfy our RIC distribution requirements, 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. If we are not able to obtain cash from other sources, we may fail to qualify as a RIC for tax treatment under the Code and thus become subject to corporate-level U.S. federal income tax.

Mount Logan Management LLC 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 Advisor 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 Advisor 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.

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. Department of Treasury regulations and published guidance issued by the Internal Revenue Service, 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 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 the lesser of (a) the portion of the distribution such shareholder has elected to receive in cash or (b) an amount equal to his or her entire distribution times the percentage limitation on cash available for distribution. 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 and 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.

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.

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 will be subject to applicable local, state and federal laws and regulations. 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 in order to avail ourselves of new or different opportunities. Such changes could result in material differences to the strategies and plans set forth herein and may result in our investment focus shifting from the areas of expertise of our Investment Advisor's investment team to other types of investments in which the investment team may have less expertise or little or no experience. Thus, such changes, if they occur, could have a material adverse effect on our results of operations and the value of your investment.

Over the last several years, there has been an increase in 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 will be subject to new regulation. While it cannot be known at this time whether these regulations will be implemented or what form they will take, increased regulation of non-bank credit extension could negatively impact our operations, cash flows or financial condition, impose additional costs on us, intensify the regulatory supervision of us or otherwise adversely affect our business.

Our business is 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.

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 Advisor. Certain of these systems are provided to the Investment Advisor 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 Advisor and our portfolio companies are subject to risks associated with "phishing" and other cyber-attacks.

Our business and the business of our portfolio companies relies upon secure information technology systems for data processing, storage and reporting. 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 Advisor'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. 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 Advisor'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 Advisor'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 that seek to exploit the COVID-19 pandemic. Accordingly, the risks associated with cyber-attacks are heightened under current conditions.

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 nonpublic personal information related to stockholders (and their beneficial owners) and material nonpublic 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 Advisor's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to stockholders, material nonpublic 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.

We and our service providers are currently impacted by quarantines and similar measures being enacted by governments in response to the global COVID-19 pandemic, which are obstructing the regular functioning of business workforces (including requiring employees to work from external locations and their homes). Policies of extended periods of remote working, whether by us or by our service providers, could strain technology resources, introduce operational risks and otherwise heighten the risks described above. Remote working environments may be less secure and more susceptible to hacking attacks, including phishing and social engineering attempts that seek to exploit the COVID-19 pandemic. Accordingly, the risks described above are heightened under current conditions.

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

Economic sanction laws in the United States and other jurisdictions may prohibit us or 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.

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 or the conflict between Russia and Ukraine, 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 Russian invasion of Ukraine may have a material adverse impact on us and our portfolio companies.

Commencing in 2021, Russian President Vladimir Putin ordered the Russian military to begin massing thousands of military personnel and equipment near its border with Ukraine and in Crimea, representing the largest mobilization since the illegal annexation of Crimea in 2014. President Putin has initiated troop movements into the eastern portion of Ukraine and continues to threaten an all-out invasion of Ukraine. On February 22, 2022, the United States and several European nations announced sanctions against Russia in response to Russia's actions. On February 24, 2022, President Putin commenced a full-scale invasion of Russia's pre-positioned forces into Ukraine, which could 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 and the varying involvement of the United States and other NATO countries could preclude prediction as to their ultimate adverse 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.

Events outside of our control, including public health crises, could negatively affect our portfolio companies and our results of our operations.

Periods of market volatility have occurred and could continue to occur in response to pandemics or other events outside of our control. These types of events have adversely affected and could continue to adversely affect operating results for us and for our portfolio companies. For example, the COVID-19 pandemic has had a prolonged and negative impact on the global economy. The COVID-19 pandemic has led to and for an unknown period of time will continue to lead to disruptions in local, regional, national and global markets and economies affected thereby, including a recession and a steep increase in unemployment in the United States.

With respect to the U.S. credit markets (in particular for middle market loans), the COVID-19 pandemic has resulted in the following, among other things: (i) government imposition of various forms of shelter-in-place orders and the closing of “non-essential” businesses, resulting in significant disruption to the businesses of many middle-market loan borrowers including supply chains, demand and practical aspects of their operations, as well as in lay-offs of employees, and, while these effects are hoped to be temporary, some effects could be persistent or even permanent; (ii) increased draws by borrowers on revolving lines of credit; (iii) increased requests by borrowers for amendments and waivers of their credit agreements to avoid default, increased defaults by such borrowers and/or increased difficulty in obtaining refinancing at the maturity dates of their loans; (iv) volatility and disruption of these markets including greater volatility in pricing and spreads and difficulty in valuing loans during periods of increased volatility, and liquidity issues; and (v) rapidly evolving proposals and/or actions by state and federal governments to address problems being experienced by the markets and by businesses and the economy in general which will not necessarily adequately address the problems facing the loan market and middle market businesses.

Travelers from the United States are restricted from visiting many countries including countries in Europe, Asia, Africa and South America. These continued travel restrictions may prolong the global economic downturn. In addition, although the Federal Food and Drug Administration authorized vaccines beginning in December 2020, and a significant portion of the U.S. population have been vaccinated, it remains unclear when or if “herd immunity” will be achieved in the United States or internationally. Even after the COVID-19 pandemic subsides, the U.S. economy and most other major global economies may continue to 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.

The COVID-19 pandemic has had, and any future outbreaks of COVID-19 or other infectious diseases could have, an adverse impact on the markets and the economy in general, which could have a material adverse impact on, among other things, the ability of lenders to originate loans, the volume and type of loans originated, and the volume and type of amendments and waivers granted to borrowers and remedial actions taken in the event of a borrower default, each of which could negatively impact the amount and quality of loans available for investment by us and returns to us, among other things. The long term impacts of COVID-19 remain uncertain, even at this stage, and these potential impacts, while uncertain, could adversely affect our and our portfolio companies’ operating results.

We cannot be certain as to the ultimate duration or magnitude of the economic impact of the COVID-19 pandemic in the markets in which we and our portfolio companies operate, including with respect to travel restrictions, business closures, mitigation efforts (whether voluntary, suggested, or mandated by law) and corresponding declines in economic activity that may negatively impact the U.S. economy and the markets for the various types of goods and services provided by U.S. middle market companies. Depending on the duration, magnitude and severity of these conditions and their related economic and market impacts, certain portfolio companies may suffer declines in earnings and could experience financial distress, which could cause them to default on their financial obligations to us and their other lenders.

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 the COVID-19 pandemic and the resulting measures taken in response thereto. These potential impacts, while uncertain, could adversely affect our and our portfolio companies’ operating results.

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 (“OID”) 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 OID 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:

- OID instruments may have higher yields, which reflect the payment deferral and credit risk associated with these instruments;
- OID accruals may create uncertainty about the source of our distributions to stockholders;
- OID and PIK instruments may have unreliable valuations because their continuing accruals require continuing judgments about the collectability of the deferred payments and the value of the collateral; and
- OID and PIK instruments may represent a higher credit risk than coupon loans.

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.

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 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.

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 Logan Ridge 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.

Risks Related to Our Investments

Our investments are very risky and highly speculative.

We invest primarily in first lien loans, second lien loans, subordinated debt investments and select equity investments issued by leveraged companies, each of which carries with it a significant degree of risk.

First Lien Loans. 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 the portfolio company to raise additional capital, and, in some circumstances, our lien 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. Our first lien loans may also include unitranche loans. Unitranche loans combine characteristics of traditional first lien senior secured loans as well as second lien and subordinated loans. Unitranche loans will expose us to the risks associated with second lien and subordinated loans to the extent we invest in the “last out” tranche. These first lien loans and bonds may include payment-in-kind (“PIK”) interest, which represents contractual interest accrued and added to the principal that generally becomes due at maturity.

Second Lien Loans. Our second lien loans have a second priority security interest in all or substantially all of the assets of the borrower. As such, other creditors may rank senior to us in the event of an insolvency, which could likely in many cases result in a substantial or complete loss on such investment in the case of such insolvency. This may result in an above average amount of risk and loss of principal.

Equity Investments. When we invest in loans, we may acquire equity securities as well. In addition, we may invest directly in the equity securities of portfolio companies.

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. The portfolio currently has several significant equity positions. Distributions, dispositions, or liquidity events of these investments may affect our results of operations and cause us to have to pay a special dividend relating to the realized gains from such investment in order to minimize to the greatest extent possible our U.S. federal income or excise tax liability.

In addition, investing in lower middle-market and traditional middle-market companies involves a number of significant risks, including:

- these 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 our investment;
- they 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 general economic downturns;
- they 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 our portfolio company and, in turn, on us;
- they generally have less predictable operating results, may from time to time be parties to litigation, 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;
- they 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; and
- our executive officers, directors and our Investment Advisor may, in the ordinary course of business, be named as defendants in litigation arising from our investments in the portfolio companies.

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 portfolio consists primarily of debt and equity investments in smaller privately owned venture capital-backed companies. Investing in venture capital-backed companies involves a number of significant risks. Typically, the debt in which we will 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. Compared to larger publicly owned companies, these venture capital-backed companies may be in a weaker financial position and experience wider variations in their operating results, which may make them more vulnerable to economic downturns. Typically, these companies need more capital to compete; however, their access to capital is limited and their cost of capital is often higher than that of their competitors. Our portfolio companies often face intense competition from larger companies with greater financial, technical and marketing resources and their success typically depends on the managerial talents and efforts of an individual or a small group of persons. Therefore, any loss of its key employees could affect a portfolio company's ability to compete effectively and harm its financial condition. 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.

Generally, little public information exists about these companies, and we are required to rely on the ability of our Investment Advisor's investment team to obtain adequate information to evaluate the potential returns from investing in these 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. Also, privately held companies frequently have less diverse product lines and smaller market presence than larger competitors. These factors could adversely affect our investment returns as compared to companies investing primarily in the securities of public companies.

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, 2021, all debt instruments in our portfolio, on a fair value basis, 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 Logan Ridge from immediately obtaining full recovery on the loan and prevent or delay the reinvestment of the loan proceeds in other, more profitable investments.

Our investments in leveraged portfolio companies may be risky, and you could lose all or part of your 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.

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.

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.

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.

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.

Even though we may have structured most of our investments as secured loans, if one of our portfolio companies were to go bankrupt, depending on the facts and circumstances, and based upon principles of equitable subordination as defined by existing case law, a bankruptcy court could subordinate all or a portion of our claim to that of other creditors and transfer any lien securing such subordinated claim to the bankruptcy estate. The principles of equitable subordination defined by case law have generally indicated that a claim may be subordinated only if its holder is guilty of misconduct or where the senior loan is re-characterized as an equity investment and the senior lender has actually provided significant managerial assistance to the bankrupt debtor. 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. It is possible that we could become subject to a lender's liability claim, including as a result of actions taken in rendering significant managerial assistance or actions to compel and collect payments from the borrower outside the ordinary course of business. Such risk of equitable subordination may be potentially heightened with respect to various portfolio investments that we may be deemed to control. See also "— Because we will not hold controlling equity interests in most of our portfolio companies, we may not be in a position to exercise control over our portfolio companies or to prevent decisions by management of our portfolio companies that could decrease the value of our investments."

We are currently operating in a period of capital markets disruption and economic uncertainty.

The U.S. capital markets have experienced extreme volatility and disruption in connection with the COVID-19 pandemic. Many countries reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, created significant disruption in supply chains and economic activity. The impact of COVID-19 initially led to significant volatility and declines in the global public equity markets, and it is uncertain whether such volatility will continue to occur. The potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess.

Disruptions in the capital markets caused by the COVID-19 pandemic 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.

In addition, due to the COVID-19 pandemic in the United States, certain personnel of our investment adviser are currently working remotely, which may introduce additional operational risk to us. Staff members of certain of our other service providers may also work remotely during the COVID-19 pandemic. An extended period of remote working could lead to service limitations or failures that could impact us or our performance.

Further, current market conditions resulting from the COVID-19 pandemic 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.

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.

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.

Our failure to make follow-on investments in our portfolio companies could impair the value of our portfolio.

Following an initial investment in a portfolio company, 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. We may elect not to make follow-on investments or otherwise lack sufficient funds to make those investments. We will have the discretion to make any follow-on investments, subject to the availability of capital resources. The failure to make follow-on investments may, in some circumstances, jeopardize the continued viability of a portfolio company and our initial investment, or may result in a missed opportunity for us to increase our participation in a successful operation. 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 Advisor are also invested.

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. 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 Advisor 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 Advisor 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 October 23, 2018, the SEC issued an order granting an application for exemptive relief to an affiliate of our Investment Advisor that allows BDCs managed by the Investment Advisor, 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 Advisor or its affiliates and any future funds that are advised by the Investment Advisor 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 the Logan Ridge’s stockholders and is consistent with the 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.

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 Advisor 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 Advisor were required to approve a restructuring of an investment in the portfolio and the affiliate of our Investment Advisor was deemed to be our affiliate, such a restructuring transaction may constitute a prohibited joint transaction under the 1940 Act.

Our portfolio may lack diversification among portfolio companies, which may subject us to a risk of significant loss if one or more of these companies defaults on its obligations under any of its debt instruments.

Our portfolio may be concentrated in a limited number of portfolio companies. Beyond the asset diversification requirements associated with our RIC tax treatment under the Code, we do not have fixed guidelines for diversification, and our investments may be concentrated in relatively few companies. As our portfolio is less diversified than the portfolios of some larger funds, we are 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.

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. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company.

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. 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.

Because we will not hold controlling equity interests in most of our portfolio companies, we may not be in a position to exercise control over our portfolio companies or to prevent decisions by management of our portfolio companies that could decrease the value of our investments.

We currently hold a controlling equity position in one portfolio company. Although we may do so in the future, we expect that we will not hold controlling equity positions in most of our portfolio companies. 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.

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.

Defaults by our portfolio companies will harm 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 our 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 with a defaulting portfolio company. 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.

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.

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 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.

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.

We may not realize gains from our equity investments.

Certain investments that we may make include warrants or other equity securities. 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. In addition, we may from time to time make non-control, equity investments in portfolio companies. 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.

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 November 2020, the SEC adopted new rules regarding the ability of a BDC (or a registered investment company) to use derivatives and other transactions that create future payment or delivery obligations. BDCs that use derivatives would be subject to a value-at-risk leverage limit, certain other derivatives risk management program and testing requirements and requirements related to board reporting. These new requirements would apply unless the BDC qualified as a "limited derivatives user," as defined in the SEC's adopted rules. A BDC that enters into reverse repurchase agreements or similar financing transactions would need to aggregate the amount of indebtedness associated with the reverse repurchase agreements or similar financing transactions could either (i) comply with the asset coverage requirements of the Section 18 of the 1940 Act when engaging in reverse repurchase agreements or (ii) choose to treat such agreements as derivative transactions under the adopted rule. Under the adopted rule, a BDC may enter into an unfunded commitment agreement that is not a derivatives transaction, such as an agreement to provide financing to a portfolio company, if the BDC has 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 it becomes due. If the BDC cannot meet this test, it is required to treat unfunded commitments as a derivatives transaction subject to the requirements of the rule. Collectively, these requirements may limit our ability to use derivatives and/or enter into certain other financial contracts.

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

If we engage in hedging transactions, we may expose ourselves to risks associated with such transactions. We may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates and market interest rates. 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.

Changes relating to the LIBOR calculation process may adversely affect the value of our portfolio of LIBOR-indexed, floating-rate debt securities.

LIBOR, the London Interbank Offered Rate, is the basic rate of interest used in lending transactions between banks on the London interbank market and is widely used as a reference for setting the interest rate on loans globally. We typically use LIBOR as a reference rate in floating-rate loans we extend to portfolio companies such that the interest due to us pursuant to a term loan extended to a portfolio company is calculated using LIBOR. The terms of our debt investments generally include minimum interest rate floors which are calculated based on LIBOR. In the recent past, concerns have been publicized that some of the member banks surveyed by the British Bankers' Association ("BBA") in connection with the calculation of LIBOR across a range of maturities and currencies may have been under-reporting or otherwise manipulating the inter-bank lending rate applicable to them in order to profit on their derivative positions or to avoid an appearance of capital insufficiency or adverse reputational or other consequences that may have resulted from reporting inter-bank lending rates higher than those they actually submitted. A number of BBA member banks entered into settlements with their regulators and law enforcement agencies with respect to alleged manipulation of LIBOR, and investigations by regulators and governmental authorities in various jurisdictions are ongoing.

On July 27, 2017, the U.K. Financial Conduct Authority (the "FCA"), which regulates LIBOR, announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. In addition, on March 25, 2020, the FCA stated that although the central assumption that firms cannot rely on LIBOR being published after the end of 2021 has not changed.

In the United States, the Federal Reserve Board and the Federal Reserve Bank of New York, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S. dollar LIBOR with a new index calculated by short-term repurchase agreements, backed by Treasury securities called the Secured Overnight Financing Rate ("SOFR"). The Federal Reserve Bank of New York began publishing SOFR in April 2018. Whether or not SOFR attains market traction as a LIBOR replacement remains a question and the future of LIBOR at this time is uncertain.

On November 30, 2020, LIBOR's administrator, the ICE Benchmark Administration Limited, or the IBA, announced a consultation beginning in early December 2020 on its intention to cease the publication of the one-week and two-month U.S. dollar LIBOR settings immediately following the LIBOR publication on December 31, 2021, and the remaining U.S. dollar LIBOR settings, including one-month LIBOR, immediately following the LIBOR publication on June 30, 2023.

On March 5, 2021, the FCA released an announcement confirming that such LIBOR settings would cease to be provided by any administrator or no longer be representative as of the dates specified in the IBA proposal, and confirmed that the FCA does not expect any LIBOR settings will become unrepresentative before such dates. The IBA closed the consultation for feedback at the end of January 2021. Concurrent with the IBA's proposal, the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation released a statement that (i) encouraged banks to cease entering into new contracts that use U.S. dollar LIBOR as a reference rate as soon as practicable and in any event by December 31, 2021, (ii) indicated that new contracts entered into before December 31, 2021 should either utilize a reference rate other than U.S. dollar LIBOR or have robust fallback language that includes a clearly defined alternative reference rate after U.S. dollar LIBOR's discontinuation and (iii) explained that extending the publication of certain U.S. dollar LIBOR tenors until June 30, 2023 would allow most legacy U.S. dollar LIBOR contracts to mature before LIBOR experiences disruptions. On March 8, 2021, the Alternative Reference Rates Committee confirmed that in its opinion the March 5, 2021 announcements by the IBA and the FCA on the future cessation and loss of the representativeness of the LIBOR benchmark rates constitutes a "benchmark transition event" with respect to all U.S. dollar LIBOR settings. A "benchmark transition event" may cause, or allow for, certain contracts to replace LIBOR with an alternative reference rate and such replacement could have a material and adverse impact on the CLO market, the leveraged loan market and/or us.

On July 29, 2021, the Alternative Reference Rates Committee formally announced that it recommends the Chicago Mercantile Exchange's forward-looking SOFR term rates for use in business loans, including securities backed by such assets. However, forward-looking SOFR term rates will not be representative of three-month LIBOR, and there is no requirement that the Chicago Mercantile Exchange continue to publish forward-looking SOFR term rates, in which case we, our lenders, and our portfolio company borrowers may be required to use other measurements of SOFR, as applicable.

As such, if LIBOR in its current form does not survive and a replacement rate is not widely agreed upon or if a replacement rate is significantly different from LIBOR, it could cause a disruption in the credit markets generally. Such a disruption could also negatively impact the market value and/or transferability of our portfolio company investments. Furthermore, disruptions related to loans and/or other debt financing securitizations (CLOs) in the marketplace could have a material adverse effect on the ability of the Investment Advisor or its affiliates to enter into loans in the future in accordance with our investment strategy and have a material adverse effect on us. We could also be materially and adversely impacted to the extent our Investment Advisor or its affiliates are unable to successfully implement an acceptable replacement rate in leverage utilized by us or if there is a prolonged period of mismatch on the interest rates on the interest rates payable on our leverage and our portfolio investments as a result of the continued publication of LIBOR. Further, if LIBOR does not survive and a replacement rate is not widely agreed upon, the mismatch on the interest rates payable by any leverage incurred by us and the interest rate payable on the portfolio company investments could result in a decrease in our net investment income and distributions we are able to pay to our stockholders.

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.

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 our 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.

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.

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.

Risks Relating to our Securities

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, or perceived changes, in the value of our portfolio investments;
- departures of the Investment Advisor's key personnel;
- operating performance of companies comparable to us; or
- general economic conditions and trends and other external factors.

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, unsupportable, 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.

Investing in our common stock may involve an above average degree of risk.

The investments we make may result in a higher amount of risk, volatility, or loss of principal than alternative investment options. These 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.

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.

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.

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.

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 the 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.

Your interest in Logan Ridge 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 Logan Ridge 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.

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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our executive offices 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. 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 7, 2022 was \$24.25 per share. As of March 7, 2022, there were 29 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⁾⁽⁴⁾	Sales Price ⁽⁴⁾		Premium or (Discount) of High Sales Price to NAV ⁽²⁾	Premium or (Discount) of High Sales Price to NAV ⁽²⁾	Declared Distributions Per Share ⁽³⁾⁽⁴⁾
		High	Low			
December 31, 2022						
First Quarter (through March 7, 2022)	*	\$ 26.48	\$ 22.95	*	*	\$ —
December 31, 2021						
Fourth Quarter	\$ 39.48	\$ 26.50	\$ 20.95	(32.9)%	(46.9)%	\$ —
Third Quarter	\$ 40.67	\$ 28.90	\$ 24.50	(28.9)%	(39.8)%	\$ —
Second Quarter	\$ 41.96	\$ 26.77	\$ 15.22	(36.2)%	(63.7)%	\$ —
First Quarter	\$ 44.74	\$ 17.24	\$ 14.04	(61.5)%	(68.6)%	\$ —
December 31, 2020						
Fourth Quarter	\$ 40.19	\$ 15.28	\$ 8.40	(62.0)%	(79.1)%	\$ —
Third Quarter	\$ 39.99	\$ 18.96	\$ 9.20	(52.6)%	(77.0)%	\$ —
Second Quarter	\$ 38.75	\$ 26.66	\$ 13.08	(31.2)%	(66.2)%	\$ —
First Quarter	\$ 37.61	\$ 55.20	\$ 15.60	46.8%	(58.5)%	\$ 1.50

(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.

(4) Amount per share has 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 to our consolidated financial statements included in this Annual Report on Form 10-K.

* 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 7, 2022, shares of our common stock traded at a discount of approximately 61% of the NAV attributable to those shares as of December 31, 2021. It is not possible to predict whether the shares offered hereby 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 net 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, we must distribute an amount at least equal to the sum of 98% of our net ordinary income (during the calendar year) plus 98.2% of our net capital gain income (during each 12-month period ending on October 31) plus any net 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 to avoid a U.S. federal excise 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. The Company's Board determined not to declare a distribution for any quarter in 2021 due to the impact of the COVID-19 pandemic on the Company's expected net investment income.

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.

On April 30, 2020, July 30, 2020, and October 29, 2020, the Company’s Board determined not to declare a distribution for the second quarter, third quarter, or fourth quarter, respectively, of 2020, due to the impact of the COVID-19 pandemic on the Company’s expected net investment income. As noted, the Board further determined not to declare any distributions for any quarter in 2021. Accordingly, the following tables summarize our distributions declared from January 1, 2019 through January 2, 2020, the last date on which distributions were declared:

Date Declared	Record Date	Payment Date	Amount Per Share ⁽¹⁾
January 2, 2020	January 24, 2020	January 30, 2020	\$ 0.50
January 2, 2020	February 20, 2020	February 27, 2020	0.50
January 2, 2020	March 23, 2020	March 30, 2020	0.50
Total Distributions Declared and Distributed for 2020			\$ 1.50

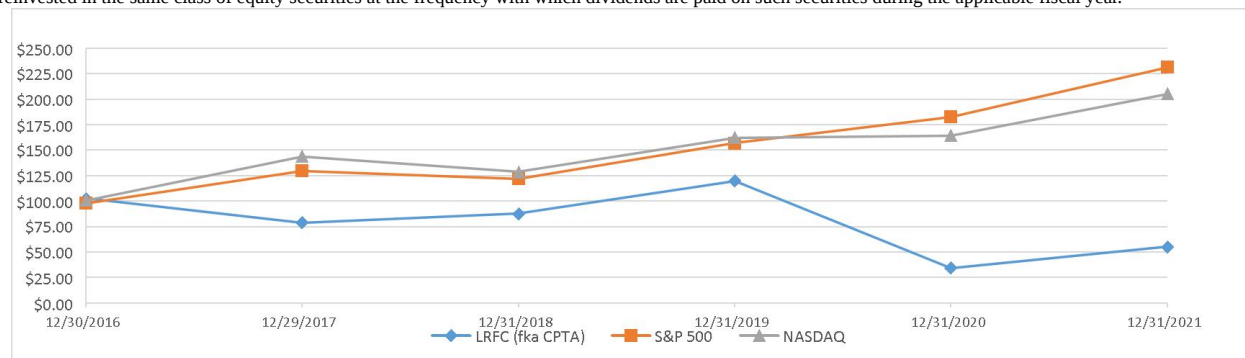
Date Declared	Record Date	Payment Date	Amount Per Share ⁽¹⁾
January 2, 2019	January 24, 2019	January 30, 2019	\$ 0.50
January 2, 2019	February 20, 2019	February 27, 2019	0.50
January 2, 2019	March 21, 2019	March 28, 2019	0.50
April 1, 2019	April 22, 2019	April 29, 2019	0.50
April 1, 2019	May 23, 2019	May 30, 2019	0.50
April 1, 2019	June 20, 2019	June 27, 2019	0.50
July 1, 2019	July 23, 2019	July 30, 2019	0.50
July 1, 2019	August 22, 2019	August 29, 2019	0.50
July 1, 2019	September 20, 2019	September 27, 2019	0.50
October 1, 2019	October 22, 2019	October 29, 2019	0.50
October 1, 2019	November 22, 2019	November 29, 2019	0.50
October 1, 2019	December 23, 2019	December 30, 2019	0.50
Total Distributions Declared and Distributed for 2019			\$ 6.00

(1) Amount per share has 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 to our consolidated financial statements included in this Annual Report on Form 10-K.

Tax characteristics of all distributions paid are reported to stockholders on Form 1099 after the end of the calendar year. There were no distributions for the year ended December 31, 2021. For the year ended December 31, 2020, we estimate that total distributions of \$4.1 million were comprised of approximately \$0.7 million from ordinary income and \$3.4 million from return of capital. For the year ended December 31, 2019, total distributions of \$16.1 million were comprised of approximately \$13.4 million from ordinary income and \$2.7 million from return of capital.

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, 2016 through December 31, 2021. The graph assumes that on December 31, 2016, 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	4.32% ⁽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	6.87% ⁽⁶⁾
Other expenses	4.39% ⁽⁷⁾
Total stockholder transaction expenses (as a percentage of offering price)	15.58%⁽⁸⁾

- (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, 2021. 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, 2021 and includes accrued capital gains incentive fee. As of December 31, 2021, 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, 2021. 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) In addition to the 2026 Notes, 2022 Notes, and 2022 Convertible Notes, we may borrow funds from time to time to make investments to the extent we determine that additional capital would allow us to take advantage of additional investment opportunities or if the economic situation is otherwise conducive to doing so. The costs associated with any borrowings are indirectly borne by our stockholders. As of December 31, 2021, we had \$50.0 million of 2026 Notes, \$22.8 million of 2022 Notes, and \$52.1 million of 2022 Convertible Notes outstanding. For purposes of this calculation, we have assumed that the December 31, 2021 amounts of 2026 Notes, 2022 Notes and 2022 Convertible Notes remain outstanding, and have computed interest expense using an assumed interest rate of 5.25% for the 2026 Notes, 6.00% for the 2022 Notes, and 5.75% for the 2022 Convertible Notes, which were the rates payable as of December 31, 2021. We have also assumed borrowings of zero under the KeyBank Credit Facility.
- (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, 2021.
- (8) 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	\$ 156	\$ 420	\$ 631	\$ 991

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	\$ 166	\$ 442	\$ 658	\$ 1,013

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

During the year ended December 31, 2021, we did not sell any unregistered equity securities.

ISSUER PURCHASES OF EQUITY SECURITIES

None.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data of the Company as of and for the year ended December 31, 2021 are derived from our consolidated financial statements that have been audited by Deloitte & Touche LLP, our independent registered public accounting firm. The selected consolidated financial data of the Company as of and for the years ended 2020, 2019, 2018, and 2017 are derived from our consolidated financial statements that have been audited by Ernst & Young LLP, our prior independent registered public accounting firm. This consolidated financial data should be read in conjunction with our consolidated financial statements and related notes thereto included elsewhere in this Form 10-K and with Management's Discussion and Analysis of Financial Condition and Results of Operations which follows (dollars in thousands except share and per share data):

	As of and for the years ended December 31,				
	2021	2020	2019	2018	2017
Consolidated statements of operations data:					
Total investment income	\$ 16,754	\$ 26,446	\$ 44,035	\$ 47,293	\$ 51,089
Total expenses, net of fee waivers	20,347	26,388	30,992	31,271	35,565
Net investment (loss) income	(3,593)	58	13,043	16,022	15,524
Net realized loss from investments	(7,967)	(24,049)	(19,756)	(34,804)	(24,189)
Net unrealized appreciation (depreciation) on investments and written call options	10,667	(11,611)	(20,306)	840	2,970
Tax (provision) benefit	—	—	(628)	1,916	(1,289)
Net realized (loss) gain on extinguishment of debt	(1,025)	155	—	—	—
Net decrease in net assets resulting from operations	\$ (1,918)	\$ (35,447)	\$ (27,647)	\$ (16,026)	\$ (6,984)
Per share data⁽²⁾:					
Net investment (loss) income	\$ (1.33)	\$ 0.02	\$ 4.86	\$ 6.01	\$ 5.86
Net decrease in net assets resulting from operations	\$ (0.71)	\$ (13.08)	\$ (10.29)	\$ (6.01)	\$ (2.63)
Distributions declared	\$ —	\$ 1.50	\$ 6.00	\$ 6.00	\$ 8.52
Net asset value per share	\$ 39.48	\$ 40.19	\$ 54.84	\$ 71.26	\$ 83.46
Consolidated statements of assets and liabilities data:					
Total assets	\$ 242,217	\$ 327,997	\$ 427,337	\$ 493,165	\$ 534,595
Total net assets	\$ 107,029	\$ 108,947	\$ 148,113	\$ 190,644	\$ 221,887
Other data:					
Total return ⁽¹⁾	59.54 %	(71.10) %	37.75 %	12.14 %	(35.68) %
Number of portfolio company investments at year-end	40	36	43	44	47
Total portfolio investments for the year	\$ 89,432	\$ 21,070	\$ 77,831	\$ 107,802	\$ 82,750
Investment repayments for the year	\$ 169,616	\$ 75,761	\$ 128,122	\$ 123,517	\$ 115,810

- (1) 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 dividend reinvestment plan. Total investment return does not reflect brokerage commissions.
- (2) Amount per share has 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 to our consolidated financial statements included in this Annual Report on Form 10-K.

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

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes and other financial information appearing elsewhere in this Annual Report on Form 10-K.

Except as otherwise specified, references to “we,” “us,” “our,” “Logan Ridge,” or the “Company”, refer to Logan Ridge Finance Corporation.

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 and the impact of the COVID-19 pandemic thereon;
- our business prospects and the prospects of our portfolio companies, including our and their ability to achieve our respective objectives as a result of the current COVID-19 pandemic;
- 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 and the impact of the COVID-19 pandemic thereon.

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, due to the COVID-19 pandemic or otherwise, 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 and the impact of the COVID-19 pandemic thereon;
- 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.

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 Advisor”), 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 \$4.5 million and \$30.0 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 “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 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 requirements for senior securities was changed from 200% to 150%, effective November 1, 2019. As of December 31, 2021, our asset coverage ratio was 184.9%. 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”) for U.S.

federal income tax purposes, we must distribute at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, for the taxable year.

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, 2021, 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.

Reverse Stock Split

On July 30, 2020, the Company’s board of directors (the “Board”) approved a one-for-six reverse stock split of shares of the Company’s 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.

Retroactive Adjustments for Reverse Stock Split

The share amount and per share amount of our 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.

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 Advisor 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 Advisor 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, the Investment Advisor 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.

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, 2021 and 2020, and for the years ended December 31, 2021, 2020, and 2019 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. The Company did not consolidate its interest in Capitala Senior Loan Fund II, LLC ("CSLF II") during the periods it was in existence because the investment was not considered a substantially wholly owned investment company subsidiary. Further, CSLF II was a joint venture for which shared power existed relating to the decisions that most significantly impact the economic performance of the entity. See Note 4 to the consolidated financial statements for a description of the Company's investment in CSLF II.

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 Advisor, our allocable portion of overhead and other expenses incurred by our Administrator in performing its obligations under an administration agreement between us and the Administrator (the "Administration Agreement") and other operating expenses as detailed below. Our investment advisory fee will compensate our Investment Advisor 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.

Critical Accounting Policies and Use of 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

The Company applies fair value accounting to all of its financial instruments in accordance with the 1940 Act and ASC Topic 820—*Fair Value Measurements and Disclosures* (“ASC 820”). ASC 820 defines fair value, establishes a framework used to measure fair value and requires disclosures for fair value measurements. In accordance with ASC 820, the Company has categorized its financial instruments carried at fair value, based on the priority of the valuation technique, into a three-level fair value hierarchy as discussed in Note 4 to our consolidated financial statements.

In determining fair value, the Board uses various valuation approaches, and engages a third-party independent valuation firm, which provides positive assurance on the investments it reviews. In accordance with U.S. GAAP, a fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Board. Unobservable inputs reflect the Board’s assumptions about the inputs market participants would use in pricing the asset or liability developed based upon the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 — Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 — Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a market for the securities existed. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company’s own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. We use prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

In estimating the fair value of portfolio investments, the Company starts with the cost basis of the investment, which includes original issue discount and payment-in-kind (“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 value.

As a practical expedient, the Company used net asset value (“NAV”) as the fair value for its equity investment in CSLF II. CSLF II recorded its underlying investments at fair value on a quarterly basis in accordance with the 1940 Act and ASC 820.

Valuation Techniques

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.

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 has been 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. The Legacy Funds are disregarded entities for tax purposes prior to and post the Formation Transactions.

The Company has elected to be treated for U.S. federal income tax purposes and intends to comply with the requirement to qualify annually as a RIC under subchapter M of the Code and, among other things, intends to make the requisite distributions to its stockholders which will relieve the Company from U.S. federal income taxes.

In order to qualify 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 at least 98.0% of its ordinary income in any calendar year and 98.2% of its capital gain net income for each one-year period ending on October 31.

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, 2021, 2020, 2019, and 2018 remain subject to examination by U.S. federal, state, and local tax authorities. No interest expense or penalties have been assessed for the years ended December 31, 2021, 2020, and 2019. If the Company was 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's Taxable Subsidiaries record 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 Taxable Subsidiaries. As of December 31, 2021 and 2020, the Company recorded a net deferred tax asset of zero. For the years ended December 31, 2021, 2020 and 2019, the Company recorded a deferred tax benefit (provision) of zero, zero, and \$(0.6) million, respectively. As of December 31, 2021 and 2020, the valuation allowance on the Company's deferred tax asset was \$9.9 million and \$4.6 million, respectively. During the years ended December 31, 2021, 2020, and 2019, the Company recognized an increase in the valuation allowance of \$5.3 million, \$1.4 million, and \$2.8 million, respectively.

In accordance with certain applicable U.S. treasury regulations and private letter rulings issued by the Internal Revenue Service, a 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 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 will 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.

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 U.S. federal income 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, 2021 and 2020, 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.

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.

The Company has concluded that it was not necessary to record a liability for any such tax positions as of December 31, 2021 or 2020. 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, 2021, our portfolio consisted of investments in 40 portfolio companies with a fair value of approximately \$198.2 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, 2021, 8.5% of the fair value of our first lien loans consisted of last-out loans. As of December 31, 2020, 14.5% 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, 2021, we made approximately \$89.4 million of investments and had approximately \$169.6 million in repayments and sales of investments resulting in net repayments and sales of approximately \$80.2 million for the year. During the year ended December 31, 2020, we made approximately \$21.1 million of investments and had approximately \$75.8 million in repayments and sales resulting in net repayments and sales of approximately \$54.7 million for the year.

As of December 31, 2021, our debt investment portfolio, which represented 67.4% of the fair value of our total portfolio, had a weighted average annualized yield of approximately 9.3%. As of December 31, 2021, 22.8% of the fair value of our debt investment portfolio was bearing a fixed rate of interest. As of December 31, 2020, our debt investment portfolio, which represented 75.2% of the fair value of our total portfolio, had a weighted average annualized yield of approximately 10.0%. As of December 31, 2020, 48.9% 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, 2021, the Board approved the fair value of our investment portfolio of approximately \$198.2 million in good faith in accordance with our valuation procedures. The Board approved the fair value of our investment portfolio as of December 31, 2021 with input from third-party valuation firms and the Investment Advisor based on information known or knowable as of the valuation date, including trailing and forward-looking data. The COVID-19 pandemic is an unprecedented circumstance that materially impacts the fair value of our investments. As a result, the fair value of our portfolio investments may be further negatively impacted after December 31, 2021 by circumstances and events that are not yet known.

The COVID-19 pandemic may also impact our portfolio companies’ ability to pay their respective contractual obligations, including principal and interest due to us, and some portfolio companies may require interest or amortization deferrals in order to fulfill short-term liquidity needs in response to the COVID-19 pandemic. We are working with each of our portfolio companies to help them access short-term liquidity through interest deferrals, funding on unused lines of credit, and other sources of liquidity.

As of December 31, 2021, we had debt investments in two portfolio companies on non-accrual status with an aggregate amortized cost of \$12.7 million and an aggregate fair value of \$7.6 million, which represented 6.7% and 3.8% of the investment portfolio, respectively. As of December 31, 2020, we had debt investments in four portfolio companies on non-accrual status with an aggregate amortized cost of \$37.5 million and an aggregate fair value of \$20.8 million, which represented 13.5% and 7.6% of the investment portfolio, respectively.

The following table summarizes the amortized cost and the fair value of investments as of December 31, 2021 (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	\$ 103,667	54.4 %	\$ 98,251	49.6 %
Second Lien Debt	30,048	15.8 %	30,190	15.2 %
Subordinated Debt	5,050	2.6 %	5,050	2.6 %
Equity and Warrants	51,717	27.2 %	64,698	32.6 %
Total	<u>\$ 190,482</u>	<u>100.0 %</u>	<u>\$ 198,189</u>	<u>100.0 %</u>

The following table summarizes the amortized cost and the fair value of investments as of December 31, 2020 (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	\$ 185,107	66.7 %	\$ 167,418	60.9 %
Second Lien Debt	39,026	14.0 %	39,209	14.3 %
Equity and Warrants	53,519	19.3 %	68,065	24.8 %
Total	<u>\$ 277,652</u>	<u>100.0 %</u>	<u>\$ 274,692</u>	<u>100.0 %</u>

The following table shows the portfolio composition by industry grouping at fair value as of December 31, 2021 and 2020 (dollars in thousands):

	December 31, 2021		December 31, 2020	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Business Services	\$ 32,819	16.6 %	\$ 36,794	13.4 %
Healthcare	28,852	14.6 %	23,899	8.7 %
Information Technology	24,066	12.1 %	11,154	4.1 %
Financials	17,162	8.7 %	—	— %
Industrials	14,640	7.4 %	—	— %
Consumer Discretionary	11,017	5.6 %	—	— %
Entertainment	8,894	4.5 %	10,241	3.7 %
Electronic Machine Repair	8,465	4.3 %	8,759	3.2 %
QSR Franchisor	8,007	4.0 %	4,707	1.7 %
Financial Services	7,430	3.7 %	15,721	5.7 %
Healthcare Management	7,002	3.5 %	10,673	3.9 %
Online Merchandise Retailer	5,951	3.0 %	2,253	0.8 %
Textile Equipment Manufacturer	5,050	2.5 %	11,868	4.3 %
Medical Device Distributor	4,961	2.5 %	5,019	1.8 %
Advertising & Marketing Services	4,579	2.3 %	4,212	1.5 %
Home Repair Parts Manufacturer	3,062	1.5 %	2,461	0.9 %
Automobile Part Manufacturer	2,722	1.4 %	14,935	5.5 %
Testing Laboratories	1,113	0.6 %	6,449	2.4 %
General Industrial	645	0.3 %	670	0.3 %
Consumer Products	623	0.3 %	15,649	5.7 %
Data Processing & Digital Marketing	509	0.3 %	490	0.2 %
Oil & Gas Engineering and Consulting Services	333	0.2 %	1,418	0.5 %
Household Product Manufacturer	287	0.1 %	758	0.3 %
Sales & Marketing Services	—	— %	20,947	7.6 %
Security System Services	—	— %	14,727	5.4 %
IT Consulting	—	— %	13,199	4.8 %
Multi-platform media and consumer products	—	— %	13,000	4.7 %
Government Services	—	— %	11,381	4.1 %
Wireless Deployment Services	—	— %	6,948	2.5 %
Data Services	—	— %	3,856	1.4 %
Footwear Retail	—	— %	2,011	0.7 %
Oil & Gas Services	—	— %	493	0.2 %
Total	<u>\$ 198,189</u>	<u>100.0 %</u>	<u>\$ 274,692</u>	<u>100.0 %</u>

All investments made by the Company as of December 31, 2021 and 2020 were made in portfolio companies located in the U.S.

Capitala Senior Loan Fund II, LLC

On December 20, 2018, the Company and Trinity Universal Insurance Company (“Trinity”), a subsidiary of Kemper Corporation, entered into a limited liability company agreement (the “LLC Agreement”) to co-manage CSLF II. The purpose and design of the joint venture was to invest primarily in senior secured first-out loans. The Company and Trinity committed to provide \$25.0 million of equity to CSLF II, with the Company providing \$20.0 million and Trinity providing \$5.0 million. The Company and Trinity each appointed two members to CSLF II’s four-person board of directors and investment committee. All material decisions with respect to CSLF II, including those involving its investment portfolio, required approval of a member on the board of directors and investment committee of at least one member representing the Company and Trinity, respectively.

In May 2020, the Company and Trinity elected to wind-down operations of CSLF II. On June 1, 2020, CSLF II sold its existing assets with the Company and Trinity each purchasing approximately 50% of CSLF II's debt investments at their par value. On June 12, 2020, CSLF II declared final distributions and returned all remaining capital of \$13.1 million and \$3.3 million to the Company and Trinity, respectively. For the year ended December 31, 2020, the Company did not receive a dividend income distribution from its equity interest in CSLF II.

As of December 31, 2019, \$13.6 million and \$3.4 million in equity capital had been contributed by the Company and Trinity, respectively. As of December 31, 2019, the Company and Trinity had \$6.4 million and \$1.6 million of unfunded equity capital commitments outstanding, respectively. The Company's equity investment in CSLF II was not redeemable. On June 12, 2020, the capital commitments for the Company and Trinity were terminated.

On September 3, 2019, CSLF II entered into a senior secured revolving credit facility (the "CSLF II Credit Facility") with KeyBank Specialty Finance Lending, an affiliate of KeyCorp. The CSLF II Credit Facility provided for borrowings up to \$60.0 million, subject to certain borrowing base restrictions. Borrowings under the CSLF II Credit Facility bore interest at a rate of one-month LIBOR + 2.25%. Prior to the termination of the CSLF II Credit Facility, CSLF II incurred unused fees of .35% when utilization of the CSLF II Credit Facility exceeded 50% and .65% when utilization of the CSLF II Credit Facility was less than 50%. On June 5, 2020, CSLF II terminated the CSLF II Credit Facility and repaid all amounts outstanding.

For the year ended December 31, 2020, CSLF II incurred interest and financing expenses of \$1.1 million.

On September 3, 2019, the Company and Trinity committed to provide \$25.0 million of subordinated debt (the "Subordinated Notes") to CSLF II, with the Company providing \$5.0 million and Trinity providing \$20.0 million. The Subordinated Notes were scheduled to mature on September 3, 2024, however, the Subordinated Notes were terminated on June 12, 2020.

For the year ended December 31, 2020, CSLF II did not incur any interest and financing expenses related to the Subordinated Notes.

Below are the statements of operations for CSLF II (dollars in thousands):

	For the Year Ended December 31, 2020
INVESTMENT INCOME	
Interest income	\$ 650
Fee income	5
Total investment income	\$ 655
EXPENSES	
Interest and financing expenses	\$ 1,135
General and administrative expenses	164
Total expenses	\$ 1,299
NET INVESTMENT LOSS	\$ (644)
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ (644)

RESULTS OF OPERATIONS

Set forth below are the results of operations for the years ended December 31, 2021 and 2020. For information regarding results of operations for the year ended December 31, 2019, see the Company's Form 10-K for the fiscal year ended December 31, 2020, 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 8, 2021, which is incorporated by reference herein.

Our operating results for the years ended December 31, 2021 and 2020 were as follows (dollars in thousands):

	For the Years Ended December 31,	
	2021	2020
Total investment income	\$ 16,754	\$ 26,446
Total expenses, net of incentive fee waiver	20,347	26,388
Net investment (loss) income	(3,593)	58
Net realized loss on investments	(7,967)	(24,049)
Net unrealized appreciation (depreciation) on investments	10,667	(11,611)
Net realized (loss) gain on extinguishment of debt	(1,025)	155
Net decrease in net assets resulting from operations	\$ (1,918)	\$ (35,447)

Investment income

The composition of our investment income for the years ended December 31, 2021 and 2020 was as follows (dollars in thousands):

	For the Years Ended December 31,	
	2021	2020
Interest income	\$ 14,821	\$ 23,668
Other income	567	779
Payment-in-kind interest and dividend income	456	1,923
Dividend income	906	25
Interest income from cash and cash equivalents	4	51
Total investment income	\$ 16,754	\$ 26,446

The income reported as interest income, PIK interest, and PIK dividend income is generally based on the stated rates as disclosed in our consolidated schedules of investments. Accretion of discounts received for purchased loans are included in interest income as an adjustment to yield. As a general rule, our interest income, PIK interest, and PIK dividend 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, 2021, total investment income decreased by \$9.7 million, or 36.6%, compared to the year ended December 31, 2020.

The decrease from the prior year was driven primarily by a decrease in interest income, from \$23.7 million for the year ended December 31, 2020 to \$14.8 million for the year ended December 31, 2021. The decline in interest income is primarily due to lower average outstanding debt investments for the year ended December 31, 2021 compared to the year ended December 31, 2020.

PIK income declined from \$1.9 million for the year ended December 31, 2020 to \$0.5 million for the year ended December 31, 2021. The decrease in PIK income was due to a decline in investments with a contractual PIK rate.

Dividend income increased from \$25.0 thousand for the year ended December 31, 2020 to \$0.9 million for the year ended December 31, 2021 due to several one-time dividends received from portfolio companies during the year ended December 31, 2021.

For the year ended December 31, 2021, we generated \$0.6 million of other income, of which \$0.5 million was from origination fees received from new deployments and \$0.1 million was from other fees. Comparatively, for the year ended December 31, 2020, we generated \$0.8 million of other income, of which \$0.2 million was from origination fees received from new deployments and \$0.6 million was from other fees.

Operating expenses

The composition of our expenses for the years ended December 31, 2021 and 2020 was as follows (dollars in thousands):

	For the Years Ended December 31,			
	2021		2020	
Interest and financing expenses	\$	10,569	\$	15,144
Base management fee		4,846		6,428
Directors' fees		410		325
Administrative service fees		1,039		1,400
General and administrative expenses		3,483		3,091
Total expenses	\$	20,347	\$	26,388

For the year ended December 31, 2021, operating expenses decreased by \$6.0 million, or 22.9%, compared to the year ended December 31, 2020. Interest and financing expenses declined from \$15.1 million for the year ended December 31, 2020 to \$10.6 million for the year ended December 31, 2021 due primarily to lower average debt outstanding during the period during the year ended December 31, 2021. Our base management fee declined from \$6.4 million for the year ended December 31, 2020 to \$4.8 million for the year ended December 31, 2021 due to lower average assets under management. No incentive fees were earned during the years ended December 31, 2021 and 2020. Administrative services fees decreased to \$1.0 million for the year ended December 31, 2021 from \$1.4 million for the year ended December 31, 2020. General and administrative expenses increased from \$3.1 million for the year ended December 31, 2020 to \$3.5 million for the year ended December 31, 2021.

Net realized losses on sales of investments

During the years ended December 31, 2021 and 2020, we recognized \$8.0 million and \$24.0 million of net realized losses on our portfolio investments, respectively. The change in realized 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, 2021 and 2020, we had \$10.7 million and \$(11.6) 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, 2021 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, 2021 and 2020, we recorded a net decrease in net assets resulting from operations of \$1.9 million and \$35.4 million, respectively. Based on the weighted average shares of common stock outstanding for the years ended December 31, 2021 and 2020, our per share net decrease in net assets resulting from operations was \$0.71 and \$13.08, respectively. Per share data has been adjusted for the periods shown to reflect the one-for-six reverse stock split effected on August 21, 2020 on a retroactive basis.

For the years ended December 31, 2020 and 2019

The comparison of the fiscal years ended December 31, 2020 and 2019 can be found in our annual report on Form 10-K for the fiscal year ended December 31, 2020 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

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, 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 Company's 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. Under the KeyBank Credit Facility, the Lenders have agreed to extend credit to CBL in an aggregate principal amount of up to \$25.0 million as of October 30, 2020. CBL may, on any business day prior to October 28, 2022, request an increase in the aggregate principal amount from \$25.0 million to \$100.0 million in accordance with the terms and in the manner described in the KeyBank Credit Facility. 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 October 28, 2022, unless there is an earlier termination or event of default. The KeyBank Credit Facility matures on October 28, 2023, unless there is an earlier termination or event of default. Borrowings under the KeyBank Credit Facility bear interest at one-month LIBOR plus 3.5%. As of December 31, 2021, the Company had zero outstanding and \$25.0 million available under the KeyBank Credit Facility.

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 connection with the offering, the Company entered into a Registration Rights Agreement, dated as of October 29, 2021 (the "Registration Rights Agreement"), with the purchasers of the 2026 Notes. Pursuant to the Registration Rights Agreement, the Company is obligated to file with the Securities and Exchange Commission a registration statement relating to an offer to exchange the 2026 Notes for new notes issued by the Company that are registered under the Securities Act and otherwise have terms substantially identical to those of the 2026 Notes, and to use its commercially reasonable efforts to cause such registration statement to be declared effective.

2022 Notes

On May 16, 2017, we 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, we issued an additional \$5.0 million in aggregate principal amount of the 2022 Notes pursuant to a partial exercise of the underwriters' overallotment option. The 2022 Notes will mature on May 31, 2022 and may be redeemed in whole or in part at any time or from time to time at our 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 is payable quarterly. The 2022 Notes are listed on the NASDAQ Global Select Market under the trading symbol "CPTAL" with a par value of \$25.00 per share.

On November 1, 2021, the Company notified the Trustee for the Company's 2022 Notes, of the Company's election to redeem the \$50.0 million aggregate principal amount of the 2022 Notes outstanding. The redemption was completed on December 6, 2021. As a result of the payoff, the Company recorded an extinguishment loss of \$0.2 million during the year ended December 31, 2021.

As of December 31, 2021, the Company had approximately \$22.8 million in aggregate principal amount of 2022 Notes outstanding.

2022 Convertible Notes

On May 26, 2017, we 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, we issued an additional \$2.1 million in aggregate principal amount of the 2022 Convertible Notes pursuant to a partial exercise of the underwriters' overallotment option. Interest on the 2022 Convertible Notes is payable quarterly. The 2022 Convertible Notes are listed on the NASDAQ Capital Market under the trading symbol "CPTAG" with a par value of \$25.00 per share. As of December 31, 2021, the Company had approximately \$52.1 million in aggregate principal amount of 2022 Convertible Notes outstanding.

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 will terminate upon the earlier of (i) July 30, 2021 or (ii) the repurchase of an aggregate of \$10.0 million worth of 2022 Notes and/or 2022 Convertible Notes. The Company did not repurchase any of the 2022 Notes or 2022 Convertible Notes during the year ended December 31, 2021. During the year ended December 31, 2020, the Company purchased approximately \$2.2 million of outstanding principal of the 2022 Notes under the Bond Repurchase Program, resulting in a net realized gain of \$0.2 million. During the year ended December 31, 2021, the Company did not purchase any of the 2022 Convertible Notes.

SBA-guaranteed debentures

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, 2021, there were no SBA-guaranteed debentures 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 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 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 requirements for senior securities was changed from 200% to 150%, effective November 1, 2019. As of December 31, 2021, our asset coverage ratio was 184.9%. 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.

As of December 31, 2021, we had \$39.1 million in cash and cash equivalents, and our net assets totaled \$107.0 million.

Contractual Obligations

We have entered into two contracts under which we have material future commitments: the Investment Advisory Agreement, pursuant to which the Investment Advisor 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, 2021 are as follows (dollars in millions):

	Contractual Obligations Payments Due by Period				
	Less Than 1 Year	1 – 3 Years	3 – 5 Years	More Than 5 Years	Total
2022 Notes	\$ 22.8	\$ —	\$ —	\$ —	\$ 22.8
2022 Convertible Notes	52.1	—	—	—	52.1
2026 Notes	—	—	50.0	—	50.0
Total Contractual Obligations	<u>\$ 74.9</u>	<u>\$ —</u>	<u>\$ 50.0</u>	<u>\$ —</u>	<u>\$ 124.9</u>

Senior Securities

Information about the Company's senior securities as of December 31, 2021, 2020, 2019, 2018, 2017, 2016, 2015, 2014 and 2013, and information about Fund II's and Fund III's senior securities as of December 31, 2012 and 2011 are shown in the following table.

Class and Year	Total Amount Outstanding ⁽¹⁾	Assets Coverage Per Unit ⁽²⁾⁽⁷⁾	Involuntary Liquidation Preference per Unit ⁽³⁾	Average Market Value per Unit ⁽⁴⁾
KeyBank Credit Facility⁽⁵⁾				
2021	\$ —	\$ 1,849	—	N/A
2020	—	1,900	—	N/A
ING Credit Facility⁽⁶⁾				
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
2026 Notes				
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
2013	202,200	2,300	—	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
Fund II SBA-guaranteed debentures				
2012	\$ 52,200	\$ 2,000	—	N/A
2011	52,200	1,600	—	N/A
Fund III SBA-guaranteed debentures				
2012	\$ 125,000	\$ 1,700	—	N/A
2011	90,000	1,700	—	N/A

- (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) As of December 31, 2021, there was no outstanding balance on the KeyBank Credit Facility.
- (6) On June 19, 2020, the Company unilaterally terminated the ING Credit Facility.
- (7) 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 net 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, we must distribute an amount at least equal to the sum of 98% of our net ordinary income (during the calendar year) plus 98.2% of our net capital gain income (during each 12-month period ending on October 31) plus any net 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 to avoid a U.S. federal excise 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. The Company's Board determined not to declare a distribution for any quarter in 2021 due to the impact of the COVID-19 pandemic on the Company's expected net investment income.

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.

On April 30, 2020, July 30, 2020, and October 29, 2020, the Company's Board determined not to declare a distribution for the second quarter, third quarter, or fourth quarter, respectively, of 2020, due to the impact of the COVID-19 pandemic on the Company's expected net investment income. As noted, the Board further determined not to declare any distributions for any quarter in 2021. Accordingly, the following tables summarize our distributions declared from January 1, 2019 through January 2, 2020, the last date on which distributions were declared:

Date Declared	Record Date	Payment Date	Amount Per Share⁽¹⁾
January 2, 2020	January 24, 2020	January 30, 2020	\$ 0.50
January 2, 2020	February 20, 2020	February 27, 2020	0.50
January 2, 2020	March 23, 2020	March 30, 2020	0.50
Total Distributions Declared and Distributed for 2020			<u>\$ 1.50</u>

Date Declared	Record Date	Payment Date	Amount Per Share⁽¹⁾
January 2, 2019	January 24, 2019	January 30, 2019	\$ 0.50
January 2, 2019	February 20, 2019	February 27, 2019	0.50
January 2, 2019	March 21, 2019	March 28, 2019	0.50
April 1, 2019	April 22, 2019	April 29, 2019	0.50
April 1, 2019	May 23, 2019	May 30, 2019	0.50
April 1, 2019	June 20, 2019	June 27, 2019	0.50
July 1, 2019	July 23, 2019	July 30, 2019	0.50
July 1, 2019	August 22, 2019	August 29, 2019	0.50
July 1, 2019	September 20, 2019	September 27, 2019	0.50
October 1, 2019	October 22, 2019	October 29, 2019	0.50
October 1, 2019	November 22, 2019	November 29, 2019	0.50
October 1, 2019	December 23, 2019	December 30, 2019	0.50
Total Distributions Declared and Distributed for 2019			<u>\$ 6.00</u>

(1) Amount per share has 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 to our consolidated financial statements included in this Annual Report on Form 10-K.

Tax characteristics of all distributions paid are reported to stockholders on Form 1099 after the end of the calendar year. There were no distributions for the year ended December 31, 2021. For the year ended December 31, 2020, we estimate that total distributions of \$4.1 million were comprised of approximately \$0.7 million from ordinary income and \$3.4 million from return of capital. For the year ended December 31, 2019, total distributions of \$16.1 million were comprised of approximately \$13.4 million from ordinary income and \$2.7 million from return of capital.

Related Parties

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

Under the Investment Advisory Agreement, fees payable to the Investment Advisor 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 October 23, 2018, the SEC issued an order granting an application for exemptive relief to an affiliate of our Investment Advisor that allows BDCs managed by the Investment Advisor, 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 Advisor or its affiliates and any future funds that are advised by the Investment Advisor 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, 2021, the Company had outstanding unfunded commitments related to debt investments in existing portfolio companies of \$9.0 million to Accordion Partners LLC, \$0.7 million to Bradshaw International, Inc., \$3.1 million to Critical Nursing Staffing, LLC, \$3.5 million to J5 Infrastructure Partners, LLC, \$0.9 million to Keg Logistics LLC, \$1.9 million to Premiere Imaging, LLC, \$2.5 million to Marble Point Credit Management LLC, and \$3.5 million to Wealth Enhancement Group, LLC. As of December 31, 2020, the Company had outstanding unfunded commitments related to debt investments in existing portfolio companies of \$4.3 million to Rapid Fire Protection, Inc., \$3.5 million to J5 Infrastructure Partners, LLC, \$1.0 million to Freedom Electronics, LLC, and \$1.0 million to U.S. BioTek Laboratories, LLC.

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.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET 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. For the year ended December 31, 2021, we did not engage in hedging activities.

As of December 31, 2021, we held 33 securities bearing a variable rate of interest. Our variable rate investments represent approximately 77.2% of the fair value of total debt investments. As of December 31, 2021, 100.0% of variable rate securities were yielding interest at a rate equal to the established interest rate floor. As of December 31, 2021, we had zero outstanding on our KeyBank Credit Facility, which has a variable rate of interest at one-month LIBOR + 3.5%. Our KeyBank Credit Facility is subject to an interest rate floor such that the minimum interest rate is 4.25%. As of December 31, 2021, all of our other interest paying liabilities, consisting of \$22.8 million in 2022 Notes, \$52.1 million in 2022 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. In addition, U.S. and global capital markets and credit markets have experienced a higher level of stress due to the COVID-19 pandemic in the recent past, which has resulted in an increase in the level of volatility across such markets and a general decline in value of the securities that we hold. 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 connection with the COVID-19 pandemic, the U.S. Federal Reserve and other central banks have reduced certain interest rates and LIBOR has decreased. However, these central banks have also indicated an intent to raise interest rates in the coming months. 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, 2021 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	\$ 1,755	\$ —	\$ 1,755
Up 200 basis points	909	—	909
Up 100 basis points	269	—	269
Down 100 basis points	—	—	—
Down 200 basis points	—	—	—
Down 300 basis points	—	—	—

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
<u>Report of Former Independent Registered Public Accounting Firm (PCAOB ID No 42)</u>	F-4
Audited Financial Statements:	
<u>Consolidated Statements of Assets and Liabilities as of December 31, 2021 and 2020</u>	F-6
<u>Consolidated Statements of Operations for the years ended December 31, 2021, 2020, and 2019</u>	F-7
<u>Consolidated Statements of Changes in Net Assets for the years ended December 31, 2021, 2020, and 2019</u>	F-8
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020, and 2019</u>	F-9
<u>Consolidated Schedules of Investments as of December 31, 2021 and 2020</u>	F-10
<u>Notes to Consolidated Financial Statements</u>	F-15

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the 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 schedule of investments, as of December 31, 2021, the related consolidated statements of operations, changes in net assets, cash flows, and financial highlights for the year ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations, changes in net assets, cash flows, and financial highlights for the year ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. 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 audit 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 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 audit 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 audit 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 management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of investments owned as of December 31, 2021, 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 Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements 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. The fair value of the Company's Level 3 investments was approximately \$198,189,000 as of December 31, 2021.

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. This required a high degree of auditor judgement and extensive audit effort, including in many instances, the need to involve fair value specialists who possess significant valuation experience, to evaluate the appropriateness of the valuation techniques and the significant unobservable inputs, when performing procedures to audit management's estimate of fair value of Level 3 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 of controls over management'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. For a selected sample of Level 3 investments, we performed these procedures with the assistance of our fair value specialists.
3. 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, where applicable.

/s/ Deloitte & Touche LLP
New York, New York
March 14, 2022

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Logan Ridge Finance Corporation (formerly known as Capitala Finance Corp.)

Opinion on the Financial Statements

We have audited the accompanying consolidated statement of assets and liabilities of Logan Ridge Finance Corporation (formerly known as Capitala Finance Corp.) (the “Company”), including the consolidated schedule of investments, as of December 31, 2020, and the related consolidated statements of operations, changes in net assets and cash flows for each of the two years in the period ended December 31, 2020, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020, and the results of its operations, changes in its net assets, and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements 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 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 the Company’s 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 consolidated 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 consolidated financial statements. Our procedures included confirmation of securities owned as of December 31, 2020 by correspondence with the custodian and directly with management or designees of the underlying investee, as applicable. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements 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 the critical audit matter does not alter in any way our opinion on the consolidated 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.

Description of the matter

Valuation of investments using significant unobservable inputs

At December 31, 2020, the fair value of the Company’s investments categorized as Level 3 investments in the fair value hierarchy totaled \$274,199 thousand. Management determines the fair value of the Company’s Level 3 investments by applying the investment valuation methodologies outlined in Notes 2 and 4 to the consolidated financial statements, which describe the use of significant unobservable inputs, and assumptions about the inputs that management believes market participants would use based on the best information available. These inputs and assumptions include required rates of return, EBITDA and revenue multiples, and adjusted EBITDA and revenue, which are significant to the valuation of these investments.

Auditing the fair value of the Company’s Level 3 investments involved complex judgment due to the significant assumptions that drive the unobservable inputs used by the Company in determining the fair value of the investments and could have a significant effect on the fair value measurements of such investments.

To test the Company’s fair value of Level 3 investments, our audit procedures included, among others, evaluating the valuation methodologies and significant unobservable inputs and assumptions used by management in determining the Company’s fair value of Level 3 investments. We tested the clerical accuracy of the calculations used in each Level 3 investment valuation, and we reviewed the information applicable to each Level 3 investment that was considered by the Board of Directors in relation to the Company’s determination of fair value. We searched for and evaluated information that corroborated or contradicted the Company’s significant inputs and assumptions. To evaluate the significant unobservable inputs used in the Level 3 investment valuations, we assessed whether these inputs were developed in a manner consistent with the Company’s valuation policies. Additionally, we tested the significant unobservable inputs for a sample of investments by performing certain procedures, which included but were not limited to, comparison of rates of return, and EBITDA and revenue multiples to information available from third-party market research providers, and comparison of adjusted EBITDA and revenue to agreements and/or underlying source documents. For a sample of the Company’s Level 3 investments and with the assistance of our internal valuation specialists, we independently developed fair value estimate ranges for comparison to management’s estimates. We developed our independent fair value estimates by using portfolio company financial information, which we compared to underlying source documents, and available market information from third-party sources, such as market spreads, market multiples, and leverage. We also evaluated subsequent events and other available information for consideration of whether the information corroborated or contradicted the Company’s year-end investment valuations.

/s/ Ernst & Young LLP

We have served as the Company’s auditor from 2013 to 2021.

Charlotte, North Carolina
March 8, 2021

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

	As of December 31,	
	2021	2020
ASSETS		
Investments at fair value:		
Non-control/non-affiliate investments (amortized cost of \$131,829 and \$187,744, respectively)	\$ 129,991	\$ 172,848
Affiliate investments (amortized cost of \$49,803 and \$80,961, respectively)	61,359	93,425
Control investments (amortized cost of \$8,850 and \$8,947, respectively)	6,839	8,419
Total investments at fair value (amortized cost of \$190,482 and \$277,652, respectively)	198,189	274,692
Cash and cash equivalents	39,056	49,942
Interest and dividend receivable	929	2,286
Prepaid expenses	3,358	1,077
Receivable for unsettled trades	685	—
Total assets	<u>\$ 242,217</u>	<u>\$ 327,997</u>
LIABILITIES		
SBA-guaranteed debentures (net of deferred financing costs of zero and \$485, respectively)	\$ —	\$ 90,515
2022 Notes (net of deferred financing costs of \$46 and \$846, respectively)	22,787	71,987
2022 Convertible Notes (net of deferred financing costs of \$167 and \$552, respectively)	51,921	51,536
2026 Notes (net of deferred financing costs and original issue discount of \$1,552 and \$0, respectively)	48,448	—
KeyBank Credit Facility (net of deferred financing costs of \$353 and \$546, respectively)	(353)	(546)
Management and incentive fees payable	1,065	3,842
Interest and financing fees payable	911	1,688
Trade settlement payable	9,265	—
Accounts payable and accrued expenses	1,144	28
Total liabilities	<u>\$ 135,188</u>	<u>\$ 219,050</u>
Commitments and contingencies (Note 2)		
NET ASSETS		
Common stock, par value \$0.01, 100,000,000 common shares authorized, 2,711,068 and 2,711,068 common shares issued and outstanding, respectively	\$ 27	\$ 27
Additional paid in capital	188,846	229,481
Total distributable loss	(81,844)	(120,561)
Total net assets	<u>\$ 107,029</u>	<u>\$ 108,947</u>
Total liabilities and net assets	<u>\$ 242,217</u>	<u>\$ 327,997</u>
Net asset value per share	\$ 39.48	\$ 40.19

(1) Authorized, issued and outstanding shares of Logan Ridge Finance Corporation's (the "Company") common stock and net asset value per share 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.

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,		
	2021	2020	2019
INVESTMENT INCOME			
Interest income:			
Non-control/non-affiliate investments	\$ 10,064	\$ 16,678	\$ 26,550
Affiliate investments	4,368	6,580	8,068
Control investments	389	410	1,488
Total interest and fee income	14,821	23,668	36,106
Payment-in-kind interest and dividend income:			
Non-control/non-affiliate investments	95	1,105	1,721
Affiliate investments	361	818	869
Control investments	—	—	372
Total payment-in-kind interest and dividend income	456	1,923	2,962
Dividend income:			
Non-control/non-affiliate investments	727	—	1,345
Affiliate investments	179	25	50
Control investments	—	—	1,904
Total dividend income	906	25	3,299
Other income:			
Non-control/non-affiliate investments	479	709	1,109
Affiliate investments	88	70	283
Control investments	—	—	78
Total other income	567	779	1,470
Interest income from cash and cash equivalents	4	51	198
Total investment income	16,754	26,446	44,035
EXPENSES			
Interest and financing expenses	10,569	15,144	17,121
Base management fee	4,846	6,428	7,967
Incentive fees	—	—	1,497
Directors expense	410	325	380
Administrative service fees	1,039	1,400	1,400
General and administrative expenses	3,483	3,091	2,915
Expenses before incentive fee waiver	20,347	26,388	31,280
Incentive fee waiver (See Note 6)	—	—	(288)
Total expenses	20,347	26,388	30,992
NET INVESTMENT (LOSS) INCOME	(3,593)	58	13,043
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS			
Net realized loss on investments:			
Non-control/non-affiliate investments	(10,442)	(25,016)	16,529
Affiliate investments	2,475	1,451	2,288
Control investments	—	(484)	(38,573)
Net realized loss on investments	(7,967)	(24,049)	(19,756)
Net change in unrealized appreciation (depreciation) on investments:			
Non-control/non-affiliate investments	13,058	(5,509)	(16,116)
Affiliate investments	(908)	(5,543)	(2,632)
Control investments	(1,483)	(559)	(1,558)
Net change in unrealized appreciation (depreciation) on investments	10,667	(11,611)	(20,306)
Total net realized and unrealized gain (loss) on investments	2,700	(35,660)	(40,062)
Tax provision	—	—	(628)
Total net realized and unrealized gain (loss) on investments, net of taxes	2,700	(35,660)	(40,690)
Net realized (loss) gain on extinguishment of debt	(1,025)	155	—
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ (1,918)	\$ (35,447)	\$ (27,647)
NET DECREASE IN NET ASSETS PER SHARE RESULTING FROM OPERATIONS – BASIC AND DILUTED ⁽¹⁾	\$ (0.71)	\$ (13.08)	\$ (10.29)
WEIGHTED AVERAGE COMMON STOCK OUTSTANDING – BASIC AND DILUTED ⁽¹⁾	2,711,068	2,709,169	2,686,287
DISTRIBUTIONS PAID PER SHARE ⁽²⁾	\$ —	\$ 1.50	\$ 6.00

(1) Basic and diluted shares of the Company's common stock 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) Dividends paid per share of the Company's common stock 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.

See accompanying notes to consolidated financial statements.

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

	Common Stock ⁽¹⁾		Additional Paid in Capital ⁽¹⁾	Total Distributable Loss	Total
	Number of Shares	Par Value			
For the Years Ended December 31, 2019, 2020 and 2021					
BALANCE, December 31, 2018	2,675,258	\$ 27	\$ 241,891	\$ (51,274)	\$ 190,644
Net investment income	—	—	—	13,043	13,043
Net realized loss on investments	—	—	—	(19,756)	(19,756)
Net change in unrealized depreciation on investments	—	—	—	(20,306)	(20,306)
Tax provision	—	—	—	(628)	(628)
Distributions to Shareholders:					
Stock issued under dividend reinvestment plan	25,370	—	1,226	—	1,226
Distributions declared	—	—	—	(16,110)	(16,110)
Return of capital	—	—	(2,659)	2,659	—
Tax reclassification of stockholders' equity	—	—	(2,437)	2,437	—
BALANCE, December 31, 2019	2,700,628	\$ 27	\$ 238,021	\$ (89,935)	\$ 148,113
Net investment income	—	—	—	58	58
Net realized loss on investments	—	—	—	(24,049)	(24,049)
Net change in unrealized depreciation on investments	—	—	—	(11,611)	(11,611)
Net realized gain on extinguishment of debt	—	—	—	155	155
Fractional shares settled in cash as part of one-for-six reverse stock split	(13)	—	—	—	—
Distributions to Shareholders:					
Stock issued under dividend reinvestment plan	10,453	—	334	—	334
Distributions declared	—	—	—	(4,053)	(4,053)
Return of capital	—	—	(3,398)	3,398	—
Tax reclassification of stockholders' equity	—	—	(5,476)	5,476	—
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

(1) Shares of the Company's common stock and shares issued under the Company's dividend reinvestment plan 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.

See accompanying notes to consolidated financial statements.

LOGAN RIDGE FINANCE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Years Ended December 31,		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net decrease in net assets resulting from operations	\$ (1,918)	\$ (35,447)	\$ (27,647)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by operating activities:			
Purchase of investments	(89,432)	(21,070)	(77,831)
Repayments and sales of investments	169,616	75,761	128,122
Net realized loss on investments	7,967	24,049	19,756
Net realized loss (gain) on extinguishment of debt	1,025	(155)	—
Net change in unrealized (appreciation) depreciation on investments	(10,667)	11,611	20,306
Payment-in-kind interest and dividends	(456)	(1,923)	(2,962)
Accretion of original issue discount on investments	(525)	(588)	(996)
Amortization of deferred financing fees and original issue discount	1,412	2,866	2,370
Tax provision (benefit)	—	—	628
Changes in assets and liabilities:			
Interest and dividend receivable	1,357	(541)	2,033
Prepaid expenses	(2,281)	(453)	(170)
Receivable for unsettled trades	(685)	—	—
Other assets	—	115	(32)
Management and incentive fees payable	(2,777)	129	1,226
Interest and financing fees payable	(777)	(751)	(624)
Payable for unsettled trades	9,265	—	—
Accounts payable and accrued expenses	1,116	(490)	418
NET CASH PROVIDED BY OPERATING ACTIVITIES	82,240	53,113	64,597
CASH FLOWS FROM FINANCING ACTIVITIES			
Paydowns on SBA-guaranteed debentures	(91,000)	(59,000)	(15,700)
Prepayment penalty on SBA-guaranteed debentures	(519)	—	—
Proceeds from issuance of 2026 Notes	49,000	—	—
Paydowns on 2022 Notes	(50,000)	(1,980)	—
Proceeds from KeyBank Credit Facility	25,000	—	—
Paydown on KeyBank Credit Facility	(25,000)	—	—
Proceeds from ING Credit Facility	—	—	16,500
Repayments on ING Credit Facility	—	—	(26,500)
Distributions paid to shareholders	—	(3,719)	(14,884)
Deferred financing fees paid	(607)	(793)	(987)
NET CASH USED IN FINANCING ACTIVITIES	(93,126)	(65,492)	(41,571)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,886)	(12,379)	23,026
CASH AND CASH EQUIVALENTS, beginning of period	49,942	62,321	39,295
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 39,056</u>	<u>\$ 49,942</u>	<u>\$ 62,321</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid for interest	\$ 10,604	\$ 12,806	\$ 13,784
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING TRANSACTIONS			
Distributions paid through dividend reinvestment plan share issuances	\$ —	\$ 334	\$ 1,226

See accompanying notes to consolidated financial statements.

LOGAN RIDGE FINANCE CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS
DECEMBER 31, 2021
(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 - 121.5%									
First Lien/Senior Secured Debt - 82.5%									
Accordian Partners LLC	Industrials	6.50%	L + 5.50%	1.00%	09/24/2027	\$ 13,965	\$ 13,736	\$ 13,719	(12)
Accordian Partners LLC (Revolver)	Industrials	—	L + 5.50%	1.00%	09/30/2026	5,000	(71)	(68)	(13)
Accurate Background, LLC	Information Technology	7.00%	L + 6.00%	1.00%	03/26/2027	2,999	2,740	2,760	
Alternative Biomedical Solutions, LLC	Healthcare	8.00%	—	—	12/18/2022	7,119	7,119	6,824	
American Clinical Solutions, LLC	Healthcare	7.00%	—	—	12/31/2022	3,500	3,500	3,468	
AP Core Holdings II, LLC	Information Technology	6.25%	L + 5.50%	0.75%	07/21/2027	1,234	1,217	1,236	
AP Core Holdings II, LLC	Information Technology	6.25%	L + 5.50%	0.75%	07/21/2027	1,250	1,232	1,254	
BigMouth, Inc.	Consumer Products	—	—	—	11/14/2021	1,513	758	623	(7)(25)
Bradshaw International, Inc.	Consumer Discretionary	6.75%	L + 5.75%	1.00%	10/21/2027	506	493	493	
Bradshaw International, Inc. (Revolver)	Consumer Discretionary	6.75%	L + 5.75%	1.00%	10/21/2026	200	177	177	(14)
Critical Nurse Staffing, LLC	Healthcare	7.00%	L + 6.00%	1.00%	10/30/2026	5,923	5,806	5,805	(15)
Critical Nurse Staffing, LLC (Revolver)	Healthcare	—	L + 6.00%	1.00%	10/30/2026	—	(17)	(17)	(16)
Freedom Electronics, LLC (First Out)	Electronic Machine Repair	7.00%	L + 5.00%	2.00%	12/20/2023	2,588	2,588	2,588	(26)
Freedom Electronics, LLC (Last Out)	Electronic Machine Repair	8.67%	—	—	12/20/2023	5,647	5,647	5,647	(10)(26)
HUMC Opco, LLC	Healthcare	9.00%	—	—	01/14/2022	4,673	4,673	4,619	(26)
J5 Infrastructure Partners, LLC (Revolver)	Wireless Deployment Services	—	L + 6.50%	1.80%	12/20/2024	—	—	—	(17)
JO ET Holdings Limited	Information Technology	14.00%	L + 6.00%, 7.00 PIK	1.00%	12/15/2026	1,000	980	980	
Jurassic Quest Holdings, LLC	Entertainment	9.50%	L + 7.50%	2.00%	05/01/2024	8,355	8,355	8,397	(26)
Keg Logistics LLC	Consumer Discretionary	7.00%	L + 6.00%	1.00%	11/23/2027	7,535	7,424	7,422	
Keg Logistics LLC (Revolver)	Consumer Discretionary	7.00%	L + 6.00%	1.00%	11/23/2027	—	(13)	(13)	(18)
Lucky Bucks, LLC	Consumer Discretionary	6.25%	L + 5.50%	0.75%	07/21/2027	3,000	2,944	2,939	
Marble Point Credit Management LLC	Financials	7.00%	L + 6.00%	1.00%	08/11/2028	5,801	5,651	5,656	
Marble Point Credit Management LLC (Revolver)	Financials	7.00%	L + 6.00%	1.00%	08/11/2028	—	(24)	(62)	(19)
Premier Imaging, LLC	Healthcare	7.00%	L + 6.00%	1.00%	12/29/2028	2,063	2,023	2,023	(20)
Rotolo Consultants, Inc.	Industrials	9.00%	L + 8.00%	1.00%	12/21/2026	1,000	990	990	
Sequoia Healthcare Management, LLC	Healthcare Management	12.80%	—	—	01/14/2022	11,935	11,935	7,002	(7)
Wealth Enhancement Group, LLC	Financials	6.75%	L + 5.75%	1.00%	10/02/2027	3,725	3,699	3,686	(21)
Wealth Enhancement Group, LLC (Revolver)	Financials	6.75%	L + 5.75%	1.00%	10/02/2027	168	166	164	(22)
Total First Lien/Senior Secured Debt							93,728	88,312	
Second Lien/Senior Secured Debt - 11.9%									
BLST Operating Company, LLC	Online Merchandise Retailer	10.00%	L + 8.50%	1.50%	08/28/2025	1,780	1,780	1,780	(8)(26)
Ivanti Software, Inc.	Information Technology	7.75%	L + 7.25%	0.50%	12/01/2028	7,000	6,965	7,018	(26)
Mandolin Technology Intermediate Holdings, Inc.	Information Technology	7.00%	L + 6.50%	0.50%	07/23/2029	4,000	3,971	3,980	
Total Second Lien/Senior Secured Debt							12,716	12,778	
Subordinated Debt - 4.7%									
Tubular Textile Machinery, Inc.	Textile Equipment Manufacturer	5.00%	—	—	10/29/2027	5,050	5,050	5,050	
Total Subordinated Debt							5,050	5,050	
Preferred Stock and Units - 2.5%									
Alternative Biomedical Solutions, LLC - Series A	Healthcare	—	—	—	—	13,811	1,275	542	
Alternative Biomedical Solutions, LLC - Series B	Healthcare	—	—	—	—	48,025	3,943	—	
Alternative Biomedical Solutions, LLC - Series C	Healthcare	—	—	—	—	78,900	—	—	
Jurassic Quest Holdings, LLC	Entertainment	—	—	—	—	467,784	480	497	(6)
MicroHoldco, LLC	General Industrial	—	—	—	—	740,237	749	645	
Taylor Precision Products, Inc. - Series C	Household Product Manufacturer	—	—	—	—	379	758	287	
U.S. BioTek Laboratories, LLC - Class A	Testing Laboratories	—	—	—	—	500	540	609	
U.S. BioTek Laboratories, LLC - Class D	Testing Laboratories	—	—	—	—	78	78	101	
Total Preferred Stock and Units							7,823	2,681	
Common Stock and Membership Units - 19.8%									
Alternative Biomedical Solutions, LLC	Healthcare	—	—	—	—	20,092	800	—	
Alternative Biomedical Solutions, LLC - Membership Unit Warrants	Healthcare	—	—	—	—	49,295	—	—	
American Clinical Solutions, LLC - Class A	Healthcare	—	—	—	—	6,030,384	3,198	5,587	(6)
BLST Operating Company, LLC - Class A	Online Merchandise Retailer	—	—	—	—	217,013	286	4,171	(6)
Burke America Parts Group, LLC	Home Repair Parts Manufacturer	—	—	—	—	14	5	3,062	(6)
Freedom Electronics, LLC	Electronic Machine Repair	—	—	—	—	181,818	182	230	
JMP CLO IV Ltd.	Financials	17.72%	—	—	07/17/2029	7,891	3,592	3,474	(24)(27)
JMP CLO V Ltd.	Financials	20.89%	—	—	07/17/2030	7,320	4,448	4,243	(24)(27)
U.S. BioTek Laboratories, LLC - Class C	Testing Laboratories	—	—	—	—	578	1	403	
Total Common Stock and Membership Units							12,512	21,170	
Total Investments in Non-Control, Non-Affiliate Portfolio Companies							131,829	129,991	

See accompanying notes to consolidated financial statements.

LOGAN RIDGE FINANCE CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS - CONTINUED
DECEMBER 31, 2021
(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 Affiliated Portfolio Companies - 57.3%[^]									
First Lien/Senior Secured Debt - 5.9%									
MMI Holdings, LLC	Medical Device Distributor	12.00%	—	—	01/31/2022	2,600	2,600	2,600	
RAM Payment, LLC (First Out)	Financial Services	6.50%	L + 5.00%	1.50%	01/04/2024	998	998	998	(26)
RAM Payment, LLC (Last Out)	Financial Services	9.86%	—	—	01/04/2024	2,706	2,706	2,706	(10)(26)
Total First Lien/Senior Secured Debt							<u>6,304</u>	<u>6,304</u>	
Second Lien/Senior Secured Debt - 16.3%									
Eastport Holdings, LLC	Business Services	13.50%	L + 13.00%	0.50%	04/30/2022	16,500	16,451	16,500	(26)
MMI Holdings, LLC	Medical Device Distributor	6.00%	—	—	01/31/2022	400	388	400	
Sierra Hamilton Holdings Corporation	Oil & Gas Engineering and Consulting Services	15.00%	—	—	09/12/2023				
						3	3	3	(9)
V12 Holdings, Inc.	Data Processing & Digital Marketing	—	—	—	—	509	490	509	(11)
Total Second Lien/Senior Secured Debt							<u>17,332</u>	<u>17,412</u>	
Preferred Stock and Units - 10.1%									
GA Communications, Inc. - Series A-1	Advertising & Marketing Services	—	—	—	—	1,998	3,477	4,394	
LJS Partners, LLC	QSR Franchisor	—	—	—	—	202,336	437	843	
MMI Holdings, LLC	Medical Device Distributor	6.00% PIK	—	—	—	1,000	1,786	1,898	(23)
RAM Payment, LLC	Financial Services	8.00% PIK	—	—	—	86,000	1,066	3,726	(23)
Total Preferred Stock and Units							<u>6,766</u>	<u>10,861</u>	
Common Stock and Membership Units - 25.0%									
Burgaflex Holdings, LLC - Class A	Automobile Part Manufacturer	—	—	—	—	1,253,198	1,504	1,193	
Burgaflex Holdings, LLC - Class B	Automobile Part Manufacturer	—	—	—	—	1,085,073	362	1,528	
Eastport Holdings, LLC	Business Services	—	—	—	—	—	3,263	16,319	
GA Communications, Inc. - Series B-1	Advertising & Marketing Services	—	—	—	—	200,000	2	185	
LJS Partners, LLC	QSR Franchisor	—	—	—	—	2,593,234	1,224	7,164	
MMI Holdings, LLC	Medical Device Distributor	—	—	—	—	45	—	63	
Nth Degree Investment Group, LLC	Business Services	—	—	—	—	6,088,000	6,088	—	
Sierra Hamilton Holdings Corporation	Oil & Gas Engineering and Consulting Services	—	—	—	—	15,068,000	6,958	330	
Total Common Stock and Membership Units							<u>19,401</u>	<u>26,782</u>	
Total Investments in Affiliated Portfolio Companies[^]							<u>49,803</u>	<u>61,359</u>	
Investments in Controlled Portfolio Companies - 6.4%^{^^}									
First Lien/Senior Secured Debt - 3.4%									
Vology, Inc.	Information Technology	10.50%	L + 8.50%	2.00%	03/31/2022	3,635	3,635	3,635	
Total First Lien/Senior Secured Debt							<u>3,635</u>	<u>3,635</u>	
Preferred Stock and Units - 3.0%									
Vology, Inc. - Class A	Information Technology	—	—	—	—	9,041,810	5,215	3,204	
Total Preferred Stock and Units							<u>5,215</u>	<u>3,204</u>	
Total Investments in Controlled Portfolio Companies^{^^}							<u>8,850</u>	<u>6,839</u>	
Total Investments - 185.2%							<u>\$ 190,482</u>	<u>\$ 198,189</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 larger of the floor of the reference to either LIBOR ("L") or alternate base rate (commonly known as the U.S. Prime Rate ("P")), 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 12 month, 6 month, 3 month, 2 month, or 1 month L rates. As of December 31, 2021, rates for the 12 month, 6 month, 3 month, 2 month and 1 month L are 0.58%, 0.34%, 0.21%, 0.15% and 0.10%, respectively. As of December 31, 2021, P was 3.25%. 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, 2021.

(++) 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) All investments valued by Logan Ridge Finance Corporation's (the "Company") board of directors.
- (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, 2021.
- (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 payable in cash. 9.0% of interest payable in cash or paid-in-kind at borrower's election.
- (9) 15.0% of 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 investment has a \$4.0 million unfunded commitment.
- (13) The investment has a \$5.0 million unfunded commitment.
- (14) The investment has a \$0.7 million unfunded commitment.
- (15) The investment has a \$2.0 million unfunded commitment.
- (16) The investment has a \$1.0 million unfunded commitment.
- (17) The investment has a \$3.5 million unfunded commitment.
- (18) The investment has a \$0.9 million unfunded commitment.
- (19) The investment has a \$2.5 million unfunded commitment.

See accompanying notes to consolidated financial statements.

LOGAN RIDGE FINANCE CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS - CONTINUED
DECEMBER 31, 2021
(in thousands, except for units/shares)

- (20) The investment has a \$1.9 million unfunded commitment.
- (21) The investment has a \$3.3 million unfunded commitment.
- (22) The investment has a \$0.3 million unfunded commitment.
- (23) The equity investment is income producing, based on rate disclosed.
- (24) 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, 2021, qualifying assets represent 96.2% of the Company's total assets and non-qualifying assets represent 3.2% of the Company's total assets.
- (25) The Company is in liquidation. The fair value represents Management's estimate of future expected proceeds on the term loan, which Management believes approximates the exit price. The Company received a cash payment of \$0.5 million during the fourth quarter of 2021, which reduced the cost basis of the term loan.
- (26) 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
- (27) CLO Subordinated Investments 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.

See accompanying notes to consolidated financial statements.

LOGAN RIDGE FINANCE CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS
DECEMBER 31, 2020
(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 - 158.7%									
First Lien/Senior Secured Debt - 117.0%									
3 Bridge Solutions, LLC	IT Consulting	13.00%	—	—	12/4/2022	\$ 12,083	\$ 12,083	\$ 12,083	
Alternative Biomedical Solutions, LLC	Healthcare	8.00%	—	—	12/18/2022	7,119	7,119	7,119	
American Clinical Solutions, LLC	Healthcare	7.00%	—	—	12/31/2022	3,500	3,500	3,474	
American Clinical Solutions, LLC	Healthcare	7.00%	—	—	6/30/2021	250	250	250	(6)
AmeriMark Direct, LLC	Consumer Products	14.00%	1.3% PIK	—	9/8/2021	14,705	14,649	14,649	
BigMouth, Inc.	Consumer Products	9.00%	L + 8.5%	0.50%	11/14/2021	1,866	1,268	1,000	(7)
Chicken Soup for the Soul, LLC	Multi-platform media and consumer products	10.00%	L + 8.5%	1.50%	2/22/2022	13,000	13,000	13,000	(6)
Chief Fire Intermediate, Inc.	Security System Services	8.60%	L + 7.0%	1.60%	11/8/2024	8,100	8,100	5,344	(7)
CIS Secure Computing, Inc.	Government Services	9.50%	L + 8.5%, 1.0% PIK	1.00%	9/14/2022	8,322	8,322	8,322	
Currency Capital, LLC	Financial Services	12.5%	L + 12.0%, 4.0% PIK	0.50%	7/20/2021	16,500	16,172	3,750	(6) (7) (10)
Freedom Electronics, LLC	Electronic Machine Repair	7.00%	L + 5.0%	2.00%	12/20/2023	2,691	2,691	2,691	
Freedom Electronics, LLC	Electronic Machine Repair	8.70%	—	—	12/20/2023	5,870	5,870	5,870	(11) (12)
HUMC Opco, LLC	Healthcare	9.00%	—	—	1/11/2021	5,000	5,000	5,000	(6)
J5 Infrastructure Partners, LLC	Wireless Deployment Services	8.30%	L + 6.5%	1.80%	12/20/2024	-	—	—	(13)
J5 Infrastructure Partners, LLC	Wireless Deployment Services	8.30%	L + 6.5%	1.80%	12/20/2024	6,948	6,948	6,948	
Jurassic Quest Holdings, LLC	Entertainment	9.50%	L + 7.5%	2.00%	5/1/2024	9,665	9,665	9,665	
Rapid Fire Protection, Inc.	Security System Services	5.50%	L + 3.8%	1.70%	11/22/2024	621	621	621	(15)
Rapid Fire Protection, Inc.	Security System Services	8.90%	—	—	11/22/2024	7,234	7,234	7,234	(11) (16)
Seitel, Inc.	Data Services	9.30%	L + 8.3%, 2.0% PIK	1.00%	3/15/2023	4,662	4,662	3,856	
Sequoia Healthcare Management, LLC	Healthcare Management	12.80%	—	—	1/11/2021	11,935	11,935	10,673	(6) (7)
U.S. BioTek Laboratories, LLC	Testing laboratories	7.00%	L + 5.0%	2.00%	12/14/2023	1,450	1,450	1,450	
U.S. BioTek Laboratories, LLC	Testing laboratories	9.30%	—	—	12/14/2023	4,511	4,511	4,511	(11) (12)
Total First Lien/Senior Secured Debt							145,050	127,510	
Second Lien/Senior Secured Debt - 19.6%									
BLST Operating Company, LLC	Online Merchandise Retailer	10.00%	L + 8.5%	1.50%	8/28/2025	1,953	1,953	1,953	(8)
Corporate Visions, Inc.	Sales & Marketing Services	11.00%	—	—	11/29/2021	19,425	19,425	19,425	(9)
Total Second Lien/Senior Secured Debt							21,378	21,378	
Preferred Stock and Units - 7.2%									
3 Bridge Solutions, LLC	IT Consulting	—	—	—	—	965	1,090	1,116	
Alternative Biomedical Solutions, LLC - Series A	Healthcare	—	—	—	—	13,275	1,275	1,327	
Alternative Biomedical Solutions, LLC - Series B	Healthcare	—	—	—	—	46,160	3,943	2,898	
Alternative Biomedical Solutions, LLC - Series C	Healthcare	—	—	—	—	78,900	—	—	
Chief Fire Intermediate, Inc. - Series C	Security System Services	—	—	—	—	34,740	913	—	
Currency Capital, LLC - Class A	Financial Services	—	—	—	—	2,000,000	2,000	—	(10)
Jurassic Quest Holdings, LLC	Entertainment	—	—	—	—	467,784	480	576	
MicroHoldco, LLC	General Industrial	—	—	—	—	838,042	838	670	
Taylor Precision Products, Inc. - Series C	Household Product Manufacturer	—	—	—	—	379	758	758	
U.S. BioTek Laboratories, LLC - Class A	Testing laboratories	—	—	—	—	500	540	401	
U.S. BioTek Laboratories, LLC - Class D	Testing laboratories	—	—	—	—	78	78	87	
Total Preferred Stock and Units							11,915	7,833	
Common Stock and Membership Units - 14.8%									
3 Bridge Solutions, LLC	IT Consulting	—	—	—	—	39,000	10	—	
Alternative Biomedical Solutions, LLC	Healthcare	—	—	—	—	20,092	800	—	
American Clinical Solutions, LLC - Class A	Healthcare	—	—	—	—	6,030,384	3,198	3,831	
BLST Operating Company, LLC - Class A	Online Merchandise Retailer	—	—	—	—	217,013	286	300	
Burke America Parts Group, LLC	Home Repair Parts Manufacturer	—	—	—	—	14	5	2,461	
Chief Fire Intermediate, Inc. - Class B	Security System Services	—	—	—	—	3,510	—	—	
CIS Secure Computing, Inc.	Government Services	—	—	—	—	46,163	1,000	3,059	
Corporate Visions, Inc.	Sales & Marketing Services	—	—	—	—	15,750	1,575	1,522	
Freedom Electronics, LLC	Electronic Machine Repair	—	—	—	—	181,818	182	198	
Rapid Fire Protection, Inc.	Security System Services	—	—	—	—	363	500	1,528	
U.S. BioTek Laboratories, LLC - Class C	Testing laboratories	—	—	—	—	578	1	—	
U.S. Well Services, Inc. - Class A	Oil & Gas Services	—	—	—	—	1,202,499	1,244	493	(17)
Xirgo Technologies, LLC	Information Technology	—	—	—	—	600,000	600	2,735	
Total Common Stock and Membership Units							9,401	16,127	
Total Investments in Non-Control, Non-Affiliate Portfolio Companies							187,744	172,848	
Investment (1), (2), (3), (4), (5)	Industry	Interest Rate (+)	Reference Rate and Spread (+)	Floor (+)	Maturity	Par/Shares (++)	Cost	Fair Value	Footnotes
Investments in Affiliated Portfolio Companies - 85.8%[^]									
First Lien/Senior Secured Debt - 33.2%									
Burgaflex Holdings, LLC	Automobile Part Manufacturer	12.00%	3.0% PIK	—	3/23/2021	13,597	13,597	13,597	
MMI Holdings, LLC	Medical Device Distributor	12.00%	—	—	9/30/2021	2,600	2,600	2,600	(6)
Navis Holdings, Inc.	Textile Equipment Manufacturer	9.00%	2.0% PIK	—	6/30/2023	11,031	11,031	10,882	(6)
RAM Payment, LLC	Financial Services	6.50%	L + 5.0%	1.50%	1/4/2024	2,451	2,451	2,451	
RAM Payment, LLC	Financial Services	9.80%	—	—	1/4/2024	6,646	6,646	6,646	(11)
Total First Lien/Senior Secured Debt							36,325	36,176	
Second Lien/Senior Secured Debt - 16.4%									
Eastport Holdings, LLC	Business Services	13.50%	L + 13.0%	0.50%	12/29/2021	16,500	16,329	16,500	(6)
MMI Holdings, LLC	Medical Device Distributor	6.00%	—	—	9/30/2021	400	388	400	(6)
Sierra Hamilton Holdings Corporation	Oil & Gas Engineering and Consulting Services	—	15.0% PIK	—	9/12/2023	453	441	441	
V12 Holdings, Inc.	Data Processing & Digital Marketing	—	—	—	11/21/2016	—	490	490	(14)
Total Second Lien/Senior Secured Debt							17,648	17,831	
Preferred Stock and Units - 9.6%									
GA Communications, Inc. - Series A-1	Advertising & Marketing Services	—	—	—	—	1,998	3,477	4,066	
LJS Partners, LLC	QSR Franchisor	—	—	—	—	189,044	437	756	
MMI Holdings, LLC	Medical Device Distributor	6.0% PIK	—	—	—	1,000	1,676	1,815	(18)
Navis Holdings, Inc. - Class A	Textile Equipment Manufacturer	—	—	—	—	1,000	1,000	986	

See accompanying notes to consolidated financial statements.

LOGAN RIDGE FINANCE CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS - CONTINUED
DECEMBER 31, 2020
(in thousands, except for units/shares)

RAM Payment, LLC	Financial Services	8.0% PIK	—	—	—	86,000	997	2,874	(18)
Total Preferred Stock and Units							<u>7,587</u>	<u>10,497</u>	
Common Stock and Membership Units - 26.5%									
Alternative Biomedical Solutions, LLC	Healthcare	—	—	—	—	49,295	—	—	
- Membership Unit Warrants									
Burgaflex Holdings, LLC - Class B	Automobile Part Manufacturer	—	—	—	—	1,085,073	362	1,338	
Burgaflex Holdings, LLC - Class A	Automobile Part Manufacturer	—	—	—	—	1,253,198	1,504	—	
City Gear, LLC - Membership Unit Warrants	Footwear Retail	—	—	—	—		—	2,011	(14)
Eastport Holdings, LLC	Business Services	—	—	—	—		3,263	20,294	
GA Communications, Inc. - Series B-1	Advertising & Marketing Services	—	—	—	—	200,000	2	146	
LJS Partners, LLC	QSR Franchisor	—	—	—	—	2,593,234	1,224	3,951	
MMI Holdings, LLC	Medical Device Distributor	—	—	—	—	45	—	204	
Navis Holdings, Inc.	Textile Equipment Manufacturer	—	—	—	—	60,000	—	—	
Nth Degree Investment Group, LLC	Business Services	—	—	—	—	6,088,000	6,088	—	
Sierra Hamilton Holdings Corporation	Oil & Gas Engineering and Consulting Services	—	—	—	—	15,068,000	6,958	977	
Total Common Stock and Membership Units							<u>19,401</u>	<u>28,921</u>	
Total Investments in Affiliated Portfolio Companies[^]							<u>80,961</u>	<u>93,425</u>	
Investments in Controlled Portfolio Companies - 7.7%^{^^}									
First Lien/Senior Secured Debt - 3.4%									
Vology, Inc.	Information Technology	10.50%	L + 8.5%	2.00%	12/31/2021	3,732	3,732	3,732	
Total First Lien/Senior Secured Debt							<u>3,732</u>	<u>3,732</u>	
Preferred Stock and Units - 4.3%									
Vology, Inc. - Class A	Information Technology	—	—	—	—	9,041,810	5,215	4,687	
Total Preferred Stock and Units							<u>5,215</u>	<u>4,687</u>	
Common Stock and Membership Units - 0.0%									
Vology, Inc.	Information Technology	—	—	—	—	5,363,982	—	—	
Total Common Stock and Membership Units							<u>—</u>	<u>—</u>	
Total Investments in Controlled Portfolio Companies^{^^}							<u>8,947</u>	<u>8,419</u>	
Total Investments - 252.1%							<u>\$ 277,652</u>	<u>\$ 274,692</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 larger of the floor of the reference to either LIBOR ("L") or alternate base rate (commonly known as the U.S. Prime Rate ("P")), 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 12 month, 6 month, 3 month, 2 month, or 1 month L rates. As of December 31, 2020, rates for the 12 month, 6 month, 3 month, 2 month and 1 month L are 0.34%, 0.26%, 0.24%, 0.19% and 0.14%, respectively. As of December 31, 2020, P was 3.25%. 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, 2020.

(++) 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) All investments valued by Logan Ridge Finance Corporation's (the "Company") board of directors.

(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 of \$108,947 as of December 31, 2020.

(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) The maturity date of the original investment has been extended.

(7) Non-accrual investment.

(8) 1.0% of interest payable in cash. 9.0% of interest payable in cash or paid-in-kind at borrower's election.

(9) 9.0% of interest payable in cash. 2.0% of interest payable in cash or paid-in-kind at borrower's election.

(10) Indicates assets that the Company believes do not represent "qualifying assets" under Section 55(a) of the Investment Company Act of 1940, as amended. Qualifying assets must represent at least 70% of the Company's total assets at the time of acquisition of any additional non-qualifying assets. As of December 31, 2020, 1.1% of the Company's total assets were non-qualifying assets.

(11) The cash rate equals the approximate current yield on our last-out portion of the unitranche facility.

(12) The investment has a \$1.0 million unfunded commitment.

(13) The investment has a \$3.5 million unfunded commitment.

(14) The investment has been exited or sold. The residual value reflects estimated earnout, escrow, or other proceeds expected post-closing.

(15) The investment has a \$3.0 million unfunded commitment.

(16) The investment has a \$1.3 million unfunded commitment.

(17) Investment is valued using observable inputs (Level 1). The stock of the company is traded on the NASDAQ Capital Market under the ticker "USWS."

(18) The equity investment is income producing, based on rate disclosed.

See accompanying notes to consolidated financial statements.

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 1. Organization

Logan Ridge Finance Corporation (the “Company”, “we”, “us”, and “our”) is 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”). 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 Advisor”), 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 the administrative services necessary for the Company to operate. For United States (“U.S.”) federal income tax purposes, the Company has elected to be treated, and intends to comply with the requirements to continue to qualify annually, as a regulated investment company (“RIC”) under subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”).

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. As of December 31, 2021, 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 8 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 Advisor 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 Advisor 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, the Investment Advisor 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.

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

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 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, including Fund II, Fund III, CBL, and the Taxable Subsidiaries.

The Company’s financial statements as of December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019 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.

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. The Company did not consolidate its interest in Capitala Senior Loan Fund II, LLC (“CSLF II”) during the periods it was in existence because the investment was not considered a substantially wholly owned investment company subsidiary. Further, CSLF II was a joint venture for which shared power existed relating to the decisions that most significantly impacted the economic performance of the entity. See Note 4 to the consolidated financial statements for a description of the Company’s investment in CSLF II.

Segments

In accordance with ASC Topic 280 — *Segment Reporting* (“ASC 280”), the Company has determined that it has a single reporting segment and operating unit structure. While the Company invests in several industries and geographic locations, all investments share similar business and economic risks. As such, all investment activities have been aggregated into a single segment.

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

The Company applies fair value accounting to all of its financial instruments in accordance with the 1940 Act and ASC Topic 820 — *Fair Value Measurements and Disclosures* (“ASC 820”). ASC 820 defines fair value, establishes a framework used to measure fair value, and requires disclosures for fair value measurements. In accordance with ASC 820, the Company has categorized its financial instruments carried at fair value, based on the priority of the valuation technique, into a three-level fair value hierarchy, as discussed in Note 4.

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

In determining fair value, the Board uses various valuation approaches, and engages a third-party valuation firm, which provides an independent valuation of certain investments it reviews. In accordance with U.S. GAAP, a fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Board. Unobservable inputs reflect the Board's assumptions about the inputs market participants would use in pricing the asset or liability developed based upon the best information available in the circumstances.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a market for the securities existed. Accordingly, the degree of judgment exercised by the Board in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

In estimating the fair value of portfolio investments, the Company starts with the cost basis of the investment, which includes original issue discount and payment-in-kind ("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.

As a practical expedient, the Company used net asset value ("NAV") as the fair value for its equity investment in CSLF II. CSLF II recorded its underlying investments at fair value on a quarterly basis in accordance with the 1940 Act and ASC 820.

The valuation methodologies summarized below are utilized by the Company in estimating fair value.

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.

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 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 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

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

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.

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.

Loan Sales

The Company follows the guidance in ASC Topic 860 — *Transfers and Servicing* ("ASC 860") when accounting for loan participations and partial loan sales as it relates to concluding on sales accounting treatment for such transactions. Based on the Company's analysis of all loan participations and partial sales completed, the Company believes that all such transactions meet the criterion required by ASC 860 to qualify for sales accounting treatment.

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, director 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

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, 2021, the Company had outstanding unfunded commitments related to debt investments in existing portfolio companies of of \$9.0 million to Accordion Partners LLC, \$0.7 million to Bradshaw International, Inc., \$3.1 million to Critical Nursing Staffing, LLC, \$3.5 million to J5 Infrastructure Partners, LLC, \$0.9 million to Keg Logistics LLC, \$1.9 million to Premiere Imaging, LLC, \$2.5 million to Marble Point Credit Management LLC, and \$3.5 million to Wealth Enhancement Group, LLC. As of December 31, 2020, the Company had outstanding unfunded commitments related to debt and equity investments in existing portfolio companies of \$4.3 million to Rapid Fire Protection, Inc., \$3.5 million to J5 Infrastructure Partners, LLC, \$1.0 million to Freedom Electronics, LLC, and \$1.0 million to U.S. BioTek Laboratories, LLC.

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, unsupportable, 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.

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

In management's opinion, no direct losses with respect to litigation contingencies were probable as of December 31, 2021 and 2020. 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 for U.S. federal income tax purposes and intends to comply with the requirements to qualify annually as a RIC under subchapter M of the Code and, among other things, intends to make the requisite distributions to its stockholders which will relieve the Company from U.S. federal income taxes.

In order to qualify 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 at least 98.0% of its ordinary income in any calendar year and 98.2% of its capital gain net income for each one-year period ending on October 31.

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, 2021, 2020, 2019 and 2018 remain subject to examination by U.S. federal, state, and local tax authorities. No interest expense or penalties have been assessed for the years ended December 31, 2021, 2020, and 2019. If the Company was 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's Taxable Subsidiaries record 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 Taxable Subsidiaries. As of December 31, 2021 and 2020, the Company recorded a net deferred tax asset of zero, respectively. For the years ended December 31, 2021, 2020, and 2019, the Company recorded a deferred tax benefit (provision) of zero, zero and \$(0.6) million, respectively. As of December 31, 2021 and 2020, the valuation allowance on the Company's deferred tax asset was \$9.9 million and \$4.6 million, respectively. For the years ended December 31, 2021, 2020, and 2019, the Company recognized an increase in the valuation allowance of \$5.3 million, \$1.4 million, and \$2.8, respectively.

In accordance with certain applicable U.S. Treasury regulations and guidance issued by the Internal Revenue Service, a 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 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 the lesser of (a) the portion of the distribution such stockholder has elected to receive in cash or (b) an amount equal to his or her entire distribution times the percentage limitation on cash available for distribution. 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 zero, \$0.7 million, and \$13.4 million during the tax years ended December 31, 2021, 2020, and 2019, respectively. For income tax purposes, the Company has paid distributions on its shares of common stock that were accounted for as a return of capital in the amount of zero, \$3.4 million, and \$2.7 million for the tax years ended December 31, 2021, 2020, and 2019, respectively.

ASC Topic 740 — Income Taxes ("ASC 740"), provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the 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, 2021 and 2020, 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 Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted on March 27, 2020 and made significant prospective and retroactive changes to the U.S. federal income tax laws (and certain corresponding state and local conformity measures) including: 1) 5-year net operating loss ("NOL") carrybacks with no taxable income limitation, 2) relaxation of the limitations on interest expense deductions, 3) qualified improvement property eligible for bonus depreciation, 4) acceleration of alternative minimum tax credits and related quick tax refunds, and 5) indirect tax measures, including workplace tax credits and deferral of social security payroll tax.

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 Advisor 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

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 Advisor 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.

Note 3. Recent Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting ("ASU 2020-04"). The guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions, subject to meeting certain criteria, that reference London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. ASU 2020-04 is effective for all entities as of March 12, 2020 through December 31, 2022. Management continues to assess the impact that the adoption of this guidance will have on the Company's financial position, results of operations and cash flows.

In August 2020, the FASB issued ASU 2020-06, Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. The FASB issued the amendments to reduce the number of accounting models used for convertible debt instruments and convertible preferred stock, simplify the derivative scope exception for contracts in an entity's own equity, and to improve guidance related to earnings per share disclosures. The standard is effective for fiscal years ending after December 15, 2021. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. The Company has evaluated this guidance and determined that this accounting standard update will not have a material impact on its financial statements.

Note 4. 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, 2021, our portfolio consisted of investments in 40 portfolio companies with a fair value of approximately \$198.2 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, 2021, 8.5% of the fair value of our first lien loans consisted of last-out loans. As of December 31, 2020, 14.5% 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, 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. During the year ended December 31, 2020, the Company made approximately \$21.1 million of investments and had approximately \$75.8 million in repayments and sales, resulting in net repayments and sales of approximately \$54.7 million for the year. During the year ended December 31, 2019, the Company made approximately \$77.8 million of investments and had approximately \$128.1 million in repayments and sales resulting in net repayments and sales of approximately \$50.3 million for the year.

As of December 31, 2021, the Company's Board approved the fair value of the Company's investment portfolio of approximately \$198.2 million in good faith in accordance with the Company's valuation procedures. The Company's Board approved the fair value of the Company's investment portfolio as of December 31, 2021 with input from third-party valuation firms and the Investment Advisor 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, 2021, 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	\$ 103,667	54.4 %	\$ 98,251	49.6 %
Second Lien Debt	30,048	15.8 %	30,190	15.2 %
Subordinated Debt	5,050	2.6 %	5,050	2.6 %
Equity	51,717	27.2 %	64,698	32.6 %
Total	<u>\$ 190,482</u>	<u>100.0 %</u>	<u>\$ 198,189</u>	<u>100.0 %</u>

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

The composition of our investments as of December 31, 2020, 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	\$ 185,108	66.7 %	\$ 167,418	60.9 %
Second Lien Debt	39,026	14.0 %	39,209	14.3 %
Equity	53,518	19.3 %	68,065	24.8 %
Total	<u>\$ 277,652</u>	<u>100.0 %</u>	<u>\$ 274,692</u>	<u>100.0 %</u>

As noted above, the Company values all investments in accordance with 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, 2021 (dollars in thousands), according to the fair value hierarchy:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
First Lien Debt	\$ —	\$ —	\$ 98,251	\$ 98,251
Second Lien Debt	—	—	30,190	30,190
Subordinated Debt	—	—	5,050	5,050
Equity	—	—	64,698	64,698
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 198,189</u>	<u>\$ 198,189</u>

The following table presents the fair value measurements of investments, by major class, as of December 31, 2020 (dollars in thousands), according to the fair value hierarchy:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
First Lien Debt	\$ —	\$ —	\$ 167,418	\$ 167,418
Second Lien Debt	—	—	39,209	39,209
Equity	493	—	67,572	68,065
Total	<u>\$ 493</u>	<u>\$ —</u>	<u>\$ 274,199</u>	<u>\$ 274,692</u>

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, 2021 (dollars in thousands):

	First Lien Debt	Second Lien Debt	Subordinated Debt	Equity	Total
Balance as of January 1, 2021	\$ 167,418	\$ 39,209	\$ —	\$ 67,572	\$ 274,199
Repayments/sales	(127,344)	(20,066)	—	(21,484)	(168,894)
Purchases	65,697	10,935	5,050	7,750	89,432
Payment-in-kind interest and dividends accrued	277	—	—	179	456
Accretion of original issue discount	100	136	—	289	525
Net realized (loss) gain on investments	(20,169)	19	—	12,705	(7,445)
Net unrealized appreciation (depreciation) on investments	12,272	(43)	—	(2,313)	9,916
Balance as of December 31, 2021	<u>\$ 98,251</u>	<u>\$ 30,190</u>	<u>\$ 5,050</u>	<u>\$ 64,698</u>	<u>\$ 198,189</u>

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2020 (dollars in thousands):

	First Lien Debt	Second Lien Debt	Equity and Warrants	Total
Balance as of January 1, 2020	\$ 231,203	\$ 53,857	\$ 61,568	\$ 346,628
Reclassifications	(9,380)	1,953	7,427	—
Repayments/sales	(47,362)	(12,740)	(2,544)	(62,646)
Purchases	19,480	—	1,590	21,070
Payment-in-kind interest and dividends accrued	1,559	191	173	1,923
Accretion of original issue discount	265	323	—	588
Net realized (loss) gain on investments	(15,100)	(4,782)	2,544	(17,338)
Net unrealized (depreciation) appreciation on investments	(13,247)	407	(3,186)	(16,026)
Balance as of December 31, 2020	<u>\$ 167,418</u>	<u>\$ 39,209</u>	<u>\$ 67,572</u>	<u>\$ 274,199</u>

The net change in unrealized appreciation (depreciation) on investments held as of December 31, 2021 and 2020, was \$2.0 million and \$(20.1) million, respectively, and is included in net unrealized 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, 2021 were as follows:

	Fair Value (in millions)	Valuation Technique	Unobservable Input	Range of Input (WeightedAverage)⁽²⁾
First lien debt	\$ 2.5	Market	Broker/Dealer Quote	N/A
First lien debt	88.1	Income	Required Rate of Return	6.2% – 14.6% (7.4%)
First lien debt	7.6	Enterprise Market Value and Asset ⁽¹⁾	Revenue Multiple	0.3x
Second lien debt	29.8	Income and Asset ⁽¹⁾	Required Rate of Return	1.2% – 11.5% (9.7%)
Second lien debt	0.4	Enterprise Market Value	Revenue Multiple	4.7x
Subordinated debt	5.1	Income	Required Rate of Return	5.0%
Equity	53.2	Enterprise Market Value and Asset ⁽¹⁾	EBITDA Multiple	1.9x – 10.0x (6.4x)
Equity	3.7	Enterprise Market Value and Asset ⁽¹⁾	Revenue Multiple	0.4x – 0.7x (0.4x)
Equity	7.7	Income	Required Rate of Return	17.4x – 20.4x (19.1x)
	<u>\$ 198.2</u>			

(1) \$0.6 million in first lien debt, less than \$0.1 million in second lien debt, and \$0.6 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.

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

The valuation techniques and significant unobservable inputs used in recurring Level 3 fair value measurements of assets as of December 31, 2020 were as follows:

	Fair Value (in millions)	Valuation Technique	Unobservable Input	Range (Weighted Average)⁽¹⁾
First lien debt	\$ 139.1	Income	Required Rate of Return	6.9% – 15.0% (10.5%)
First lien debt	28.3	Enterprise Value Waterfall and Asset ⁽¹⁾	EBITDA Multiple	4.0x – 4.0x (4.0x)
			Revenue Multiple	0.2x – 4.8x (2.0x)
Second lien debt	39.2	Income and Asset ⁽¹⁾	Required Rate of Return	6.0% – 13.5% (12.0%)
Equity and warrants	67.6	Enterprise Value Waterfall and Asset ⁽¹⁾	EBITDA Multiple	6.0x – 21.0x (9.5x)
			Revenue Multiple	0.2x – 1.3x (0.8x)
	<u>\$ 274.2</u>			

(1) \$4.8 million in first lien debt, \$0.9 million in second lien debt, and \$4.4 million in equity and warrants were valued using the asset approach.

The significant unobservable inputs used in the valuation of the Company's investments are required rate of return, EBITDA multiples, and revenue multiples. 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 will result in a lower (higher) estimate of fair value while an increase (decrease) in adjusted EBITDA or revenue multiples will result in a higher (lower) estimate of fair value.

Capitala Senior Loan Fund II, LLC

On December 20, 2018, the Company and Trinity Universal Insurance Company ("Trinity"), a subsidiary of Kemper Corporation, entered into a limited liability company agreement (the "LLC Agreement") to co-manage CSLF II. The purpose and design of the joint venture was to invest primarily in senior secured first-out loans. The Company and Trinity committed to provide \$25.0 million of equity to CSLF II, with the Company providing \$20.0 million and Trinity providing \$5.0 million. The Company and Trinity each appointed two members to CSLF II's four-person board of directors and investment committee. All material decisions with respect to CSLF II, including those involving its investment portfolio, required approval of a member on the board of directors and investment committee of at least one member representing the Company and Trinity, respectively.

In May 2020, the Company and Trinity elected to wind-down operations of CSLF II. On June 1, 2020, CSLF II sold its existing assets with the Company and Trinity each purchasing approximately 50% of CSLF II's debt investments at their par value. On June 12, 2020, CSLF II declared final distributions and returned all remaining capital of \$13.1 million and \$3.3 million to the Company and Trinity, respectively. The Company's equity investment in CSLF II was not redeemable. On June 12, 2020, the capital commitments for the Company and Trinity were terminated.

On September 3, 2019, CSLF II entered into a senior secured revolving credit facility (the "CSLF II Credit Facility") with KeyBank Specialty Finance Lending, an affiliate of KeyCorp. The CSLF II Credit Facility provided for borrowings up to \$60.0 million, subject to certain borrowing base restrictions. Borrowings under the CSLF II Credit Facility bore interest at a rate of one-month LIBOR + 2.25%. Prior to the termination of the CSLF II Credit Facility, CSLF II incurred unused fees of 0.35% when utilization of the CSLF II Credit Facility exceeded 50% and 0.65% when utilization of the CSLF II Credit Facility was less than 50%. On June 5, 2020, CSLF II terminated the CSLF II Credit Facility and repaid all amounts outstanding.

On September 3, 2019, the Company and Trinity committed to provide \$25.0 million of subordinated debt (the "Subordinated Notes") to CSLF II, with the Company providing \$5.0 million and Trinity providing \$20.0 million. The Subordinated Notes were scheduled to mature on September 3, 2024, however, the Subordinated Notes were terminated on June 12, 2020.

Below is a summary of CSLF II's portfolio as of December 31, 2019 (dollars in thousands):

	December 31, 2019
First lien loans ⁽¹⁾	\$ 28,396
Weighted average current interest rate on first lien loans	6.4 %
Number of portfolio companies	5
Largest portfolio company investment ⁽¹⁾	\$ 7,443
Total of five largest portfolio company investments ⁽¹⁾	\$ 28,396

(1) Based on principal amount outstanding at period end.

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

Below is CSLF II's schedule of investments as of December 31, 2019 (dollars in thousands):

Portfolio Company	Industry	Type of Investment	Principal Amount	Cost	Fair Value
Investments at Fair Value					
Freedom Electronics, LLC	Electronic Machine Repair	First Lien Debt (7.0% Cash (1 month LIBOR + 5.0%, 2.0% Floor), Due 12/20/23)	\$ 5,445	\$ 5,445	\$ 5,445
Installs, LLC	Logistics	First Lien Debt (5.8% Cash (1 month LIBOR + 4.0%, 1.8% Floor), Due 6/20/23)	7,443	7,443	7,443
RAM Payment, LLC	Financial Services	First Lien Debt (6.7% Cash (1 month LIBOR + 5.0%, 1.5% Floor), Due 1/4/24)	6,653	6,653	6,653
Rapid Fire Protection, Inc.(1)	Security System Services	First Lien Debt (5.5% Cash (1 month LIBOR + 3.8%, 1.8% Floor), Due 11/22/24)	4,400	4,400	4,400
U.S. BioTek Laboratories, LLC	Testing Laboratories	First Lien Debt (7.0% Cash (3 month LIBOR + 5.0%, 2.0% Floor), Due 12/14/23)	4,455	4,455	4,455
TOTAL INVESTMENTS			<u>\$ 28,396</u>	<u>\$ 28,396</u>	<u>\$ 28,396</u>

(1) The investment has a \$3.0 million unfunded commitment.

Below is the statement of assets and liabilities for CSLF II as of December 31, 2019 (dollars in thousands):

	December 31, 2019
ASSETS	
Investments at fair value (amortized cost of \$28,396)	\$ 28,396
Cash and cash equivalents	704
Interest receivable	151
Other assets	7
Total assets	<u>\$ 29,258</u>
LIABILITIES	
Credit facility (net of deferred financing costs of \$621)	\$ 12,079
Interest and financing fees payable	113
Accounts payable	27
Total liabilities	<u>\$ 12,219</u>
NET ASSETS	
Members' capital	<u>\$ 17,039</u>
Total net assets	<u>\$ 17,039</u>

Below are the statements of operations for CSLF II (dollars in thousands):

	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
INVESTMENT INCOME		
Interest income	\$ 650	\$ 1,372
Fee income	5	175
Total investment income	<u>\$ 655</u>	<u>\$ 1,547</u>
EXPENSES		
Interest and financing expenses	\$ 1,135	\$ 151
General and administrative expenses	164	176
Total expenses	<u>\$ 1,299</u>	<u>\$ 327</u>
NET INVESTMENT (LOSS) INCOME	<u>\$ (644)</u>	<u>\$ 1,220</u>
NET (DECREASE) INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ (644)</u>	<u>\$ 1,220</u>

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 5. Transactions With Affiliated Companies

During the year ended December 31, 2021, 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, 2020 Fair Value	Gross Additions ⁽²⁾	Gross Reductions ⁽³⁾	Realized Gain/(Loss)	Unrealized Appreciation (Depreciation)	December 31, 2021 Fair Value
<u>Affiliate investments</u>									
Burgaflex Holdings, LLC	First Lien Debt (12.0% Cash, 3.0% PIK, Due 3/23/21)	\$ —	\$ 152	\$ 13,597	\$ —	\$ (13,597)	\$ —	\$ —	\$ —
Burgaflex Holdings, LLC	Common Stock Class B (1,085,073 shares)	—	—	1,338	—	—	—	190	1,528
Burgaflex Holdings, LLC	Common Stock Class A (1,253,198 shares)	—	—	—	—	—	—	1,193	1,193
			152	14,935	—	(13,597)	—	1,383	2,721
City Gear, LLC	Membership Unit Warrants	—	—	2,011	—	(2,215)	2,215	(2,011)	—
			—	2,011	—	(2,215)	2,215	(2,011)	—
Eastport Holdings, LLC	Second Lien Debt (13.5% Cash (3 month LIBOR + 13.0%, 0.5% Floor), Due 4/30/22)	16,500	2,402	16,500	123	—	—	(123)	16,500
Eastport Holdings, LLC	Membership Units (22.9% ownership)	—	—	20,294	—	—	—	(3,975)	16,319
			2,402	36,794	123	—	—	(4,098)	32,819
GA Communications, Inc.	Series A-1 Preferred Stock (1,998 shares)	—	—	4,066	—	—	—	328	4,394
GA Communications, Inc.	Series B-1 Common Stock (200,000 shares)	—	—	146	—	—	—	39	185
			—	4,212	—	—	—	367	4,579
LJS Partners, LLC	Preferred Units (202,336 units)	—	—	756	—	—	—	87	843
LJS Partners, LLC	Common Membership Units (2,593,234 units)	—	24	3,951	—	—	—	3,213	7,164
			24	4,707	—	—	—	3,300	8,007
MMI Holdings, LLC	First Lien Debt (12.0% Cash, Due 1/31/22)	2,600	316	2,600	—	—	—	—	2,600
MMI Holdings, LLC	Second Lien Debt (6.0% Cash, Due 1/31/22)	400	24	400	—	—	—	—	400
MMI Holdings, LLC ⁽⁵⁾	Preferred Units (1,000 units, 6.0% PIK Dividend)	—	110	1,815	110	—	—	(27)	1,898
MMI Holdings, LLC	Common Membership Units (45 units)	—	—	204	—	—	—	(141)	63
			450	5,019	110	—	—	(168)	4,961
Navis Holdings, Inc.	First Lien Debt (9.0% Cash, 2.0% PIK, Due 6/30/23)	—	993	10,882	181	(11,212)	—	149	—
Navis Holdings, Inc.	Class A Preferred Stock (1,000 shares)	—	100	986	—	(1,000)	—	14	—
Navis Holdings, Inc.	Common Stock (60,000 shares)	—	—	—	—	(260)	260	—	—
			1,093	11,868	181	(12,472)	260	163	—
Nth Degree Investment Group, LLC	Membership Units (6,088,000 Units)	—	—	—	—	—	—	—	—
			—	—	—	—	—	—	—
RAM Payment, LLC	First Lien Debt (6.5% Cash (1 month LIBOR + 5.0%), 1.5% Floor), Due 1/4/24)	998	126	2,451	—	(1,455)	—	2	998
RAM Payment, LLC	First Lien Debt (9.8% Cash, Due 1/4/24)	2,706	517	6,646	—	(3,939)	—	(1)	2,706
RAM Payment, LLC ⁽⁵⁾	Preferred Units (86,000 units, 8.0% PIK Dividend)	—	124	2,874	69	—	—	783	3,726
			767	11,971	69	(5,394)	—	784	7,430
Sierra Hamilton Holdings Corporation	Second Lien Debt (15.0%, Due 9/12/23)	3	108	441	12	(450)	—	—	3
Sierra Hamilton Holdings Corporation	Common Stock (15,068,000 shares)	—	—	977	—	—	—	(647)	330
			108	1,418	12	(450)	—	(647)	333
V12 Holdings, Inc.	Second Lien Debt	—	—	490	—	—	—	19	509
			—	490	—	—	—	19	509
<u>Total Affiliate investments</u>			<u>\$ 4,996</u>	<u>\$ 93,425</u>	<u>\$ 495</u>	<u>\$ (34,128)</u>	<u>\$ 2,475</u>	<u>\$ (908)</u>	<u>\$ 61,359</u>
<u>Control investments</u>									
Vology, Inc.	First Lien Debt (10.5% Cash (1 month LIBOR + 8.5%, 2.0% Floor), Due 3/31/22)	\$ 3,586	\$ 389	\$ 3,732	\$ —	\$ (97)	\$ —	\$ -	3,635
Vology, Inc.	Class A Preferred Units (9,041,810 Units)	—	—	4,687	—	—	—	(1,483)	3,204
Vology, Inc.	Membership Units (5,363,982 Units)	—	—	—	—	—	—	—	—
<u>Total Control investments</u>			<u>\$ 389</u>	<u>\$ 8,419</u>	<u>\$ —</u>	<u>\$ (97)</u>	<u>\$ —</u>	<u>\$ (1,483)</u>	<u>\$ 6,839</u>

- 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.
- 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.
- 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.
- All debt investments are income producing. Equity and warrant investments are non-income producing, unless otherwise noted.
- The equity investment is income producing, based on rate disclosed.

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

During the year ended December 31, 2020, 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, 2019 Fair Value	Gross Additions ⁽²⁾	Gross Reductions ⁽³⁾	Realized Gain/(Loss)	Unrealized Appreciation (Depreciation)	December 31, 2020 Fair Value
<u>Affiliate investments</u>									
Burgaflex Holdings, LLC	First Lien Debt (12.0% Cash, 3.0% PIK, Due 3/23/21)	\$ 13,597	\$ 1,707	\$ 14,421	\$ 427	\$ (1,250)	\$ —	\$ (1)	\$ 13,597
Burgaflex Holdings, LLC	Common Stock Class B (1,085,073 shares)	—	—	635	—	—	—	703	1,338
Burgaflex Holdings, LLC	Common Stock Class A (1,253,198 shares)	—	—	—	—	—	—	—	—
			1,707	15,056	427	(1,250)	—	702	14,935
City Gear, LLC	Membership Unit Warrants	—	—	3,326	—	(1,341)	1,341	(1,315)	2,011
			—	3,326	—	(1,341)	1,341	(1,315)	2,011
Eastport Holdings, LLC	Second Lien Debt (13.5% Cash (3 month LIBOR + 13.0%, 0.5% Floor), Due 12/29/21)	16,500	2,498	16,500	173	—	—	(173)	16,500
Eastport Holdings, LLC	Membership Units (22.9% ownership)	—	—	17,822	—	—	—	2,472	20,294
			2,498	34,322	173	—	—	2,299	36,794
GA Communications, Inc.	Series A-1 Preferred Stock (1,998 shares)	—	—	3,761	—	—	—	305	4,066
GA Communications, Inc.	Series B-1 Common Stock (200,000 shares)	—	—	501	—	—	—	(355)	146
			—	4,262	—	—	—	(50)	4,212
LJS Partners, LLC	Preferred Units (189,044 units)	—	—	372	145	—	—	239	756
LJS Partners, LLC	Common Membership Units (2,593,234 units)	—	—	1,509	—	—	—	2,442	3,951
			—	1,881	145	—	—	2,681	4,707
MMI Holdings, LLC	First Lien Debt (12.0% Cash, Due 9/30/21)	2,600	290	2,600	—	—	—	—	2,600
MMI Holdings, LLC	Second Lien Debt (6.0% Cash, Due 9/30/21)	400	21	400	—	—	—	—	400
MMI Holdings, LLC ⁽⁵⁾	Preferred Units (1,000 units, 6.0% PIK Dividend)	—	—	1,710	104	—	—	1	1,815
MMI Holdings, LLC	Common Membership Units (45 units)	—	—	194	—	—	—	10	204
			311	4,904	104	—	—	11	5,019
Navis Holdings, Inc.	First Lien Debt (9.0% Cash, 2.0% PIK, Due 6/30/23)	11,031	1,084	10,100	1,875	(944)	—	(149)	10,882
Navis Holdings, Inc.	Class A Preferred Stock (1,000 shares)	—	25	1,000	—	—	—	(14)	986
Navis Holdings, Inc.	Common Stock (60,000 shares)	—	—	464	—	—	—	(464)	—
			1,109	11,564	1,875	(944)	—	(627)	11,868
Nth Degree Investment Group, LLC	Membership Units (6,088,000 Units)	—	—	6,088	—	—	—	(6,088)	—
			—	6,088	—	—	—	(6,088)	—
RAM Payment, LLC	First Lien Debt (6.5% Cash (1 month LIBOR + 5.0%, 1.5% Floor), Due 1/4/24)	2,451	113	—	3,069	(618)	—	—	2,451
RAM Payment, LLC	First Lien Debt (9.8% Cash, Due 1/4/24)	6,646	832	9,019	—	(2,372)	—	(1)	6,646
RAM Payment, LLC ⁽⁵⁾	Preferred Units (86,000 units, 8.0% PIK Dividend)	—	—	1,725	69	—	—	1,080	2,874
			945	10,744	3,138	(2,990)	—	1,079	11,971
Sierra Hamilton Holdings Corporation	Second Lien Debt (15.0% PIK, Due 9/12/23)	453	105	748	116	(423)	—	—	441
Sierra Hamilton Holdings Corporation	Common Stock (15,068,000 shares)	—	—	5,160	—	—	—	(4,183)	977
			105	5,908	116	(423)	—	(4,183)	1,418
V12 Holdings, Inc.	Second Lien Debt	—	—	708	—	(276)	110	(52)	490
			—	708	—	(276)	110	(52)	490
<u>Total Affiliate investments</u>			\$ 6,675	\$ 98,763	\$ 5,978	\$ (7,224)	\$ 1,451	\$ (5,543)	\$ 93,425
<u>Control investments</u>									
Capitala Senior Loan Fund II, LLC	Second Lien Debt (7.0% Cash (1 month LIBOR + 6.0%), Due 9/3/24)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Capitala Senior Loan Fund II, LLC	Membership Units (80.0% ownership)	—	—	13,631	—	(13,116)	(484)	(31)	—
			—	13,631	—	(13,116)	(484)	(31)	—
Vology, Inc.	First Lien Debt (10.5% Cash (1 month LIBOR + 8.5%, 2.0% Floor), Due 12/31/21)	3,732	410	3,877	—	(145)	—	—	3,732
Vology, Inc.	Class A Preferred Units (9,041,810 Units)	—	—	5,215	—	—	—	(528)	4,687
Vology, Inc.	Membership Units (5,363,982 Units)	—	—	—	—	—	—	—	—
<u>Total Control investments</u>			\$ 410	\$ 9,092	\$ —	\$ (145)	\$ —	\$ (528)	\$ 8,419

- (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.

Note 6. Agreements

On July 1, 2021, the Company entered into an investment advisory agreement (the “Investment Advisory Agreement”) with the Investment Advisor, 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

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

effect until July 1, 2023, a period of two years from the date it first became effective and will remain in effect from year-to-year thereafter 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"). Subject to the overall supervision of the Board, the Investment Advisor 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 Advisor:

- 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 Advisor'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 Advisor 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 Advisor's services under the Investment Advisory Agreement or otherwise as Investment Advisor for the Company.

Pursuant to the Investment Advisory Agreement, the Company has agreed to pay the Investment Advisor 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 Advisor 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 Advisor 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 Advisor (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 Advisor).

The second part of the incentive fee will be determined and payable in arrears as of the end of each calendar year, commencing on December 31, 2021, and will equal 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 shall be excluded from the calculations of the capital gains fee. In the event that the Investment Advisory Agreement shall terminate as of a date that is not a calendar year end, the termination date shall 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 Advisor that would, when taken together with all other incentive fees paid to the Investment Advisor 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, 2021 and December 31, 2020, the Company had incentive fees payable to the Investment Advisor of zero and \$3.7 million, respectively, related to fees earned in prior years but deferred under the incentive fee deferral mechanism.

As part of the Transaction, the Investment Advisor 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.

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

For the years ended December 31, 2021, 2020 and 2019, the Company incurred \$4.8 million, \$6.4 million and \$8.0 million in base management fees, respectively, under the Investment Advisory Agreement and the Prior Investment Advisory Agreement. The Company incurred zero, zero, and \$1.5 million in incentive fees related to pre-incentive fee net investment income for the years ended December 31, 2021, 2020, and 2019, respectively. For the years ended December 31, 2021, 2020 and 2019, our Investment Advisor waived incentive fees of zero, zero, and \$0.3 million, respectively.

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 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 will remain in effect until July 1, 2021, a period of two years from the date it first became effective and 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, 2021, 2020 and 2019 the Company accrued \$1.0 million, \$1.4 million, and \$1.4 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.

Note 7. Related Party Transactions

As of December 31, 2021 and 2020, the Company had \$1.1 million and \$3.8 million, respectively, of management and incentive fees payable to the Investment advisor. These amounts are reflected in the accompanying consolidated statements of assets and liabilities under the caption "Management and incentive fees payable."

On June 1, 2020, the Company purchased approximately 50% of the outstanding loans in CSLF II at par as part of the wind-down of the joint venture. The Company paid \$8.3 million for the loans and assumed a \$3.0 million unfunded commitment related to Rapid Fire Protection, Inc.'s revolving credit facility. On June 12, 2020, the Company wound down CSLF II. See Note 4 for details.

Note 8. 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.

As of December 31, 2021, 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 years ended December 31, 2021, 2020 and 2019 (dollars in thousands):

	For the Years Ended December 31,					
	2021		2020		2019	
Interest expense and annual charges	\$	1,066	\$	4,546	\$	5,454
Deferred financing costs		188		521		682
Total interest and financing expenses	\$	1,254	\$	5,067	\$	6,136
Average outstanding balance	\$	33,773	\$	130,333	\$	152,537
Average stated interest and annual charge rate		3.14 %		3.44 %		3.57 %

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

As of December 31, 2020, the Company's issued and outstanding SBA-guaranteed debentures mature as follows (dollars in thousands):

Fixed Maturity Date	Interest Rate	SBA Annual Charge	December 31, 2020
March 1, 2021	4.084 %	0.285 %	\$ 6,000
March 1, 2022	2.766 %	0.285 %	10,000
March 1, 2022	2.766 %	0.515 %	50,000
March 1, 2023	2.351 %	0.515 %	25,000
			<u>\$ 91,000</u>

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' overallotment option. The 2022 Notes will mature on May 31, 2022 and may 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 is payable quarterly. The 2022 Notes are listed on the NASDAQ Global Select Market under the trading symbol "CPTAL" with a par value of \$25.00 per share.

On November 1, 2021, the Company notified the Trustee for the Company's 2022 Notes, of the Company's election to redeem the \$50.0 million aggregate principal amount of the 2022 Notes outstanding. The redemption was completed on December 6, 2021. As a result of the payoff, the Company recorded an extinguishment loss of \$0.2 million during the year ended December 31, 2021.

As of December 31, 2021, the Company had \$22.8 million in aggregate principal amount of 2022 Notes outstanding.

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, 2021, 2020, and 2019 (dollars in thousands):

	For the Years Ended December 31,		
	2021	2020	2019
Interest expense	\$ 4,119	\$ 4,449	\$ 4,500
Deferred financing costs	590	569	540
Total interest and financing expenses	\$ 4,709	\$ 5,018	\$ 5,040
Average outstanding balance	\$ 69,272	\$ 74,253	\$ 75,000
Average stated interest rate	6.00 %	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' overallotment option.

The 2022 Convertible Notes are 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 is approximately 14.0%. As a result of the Reverse Stock Split, the conversion rate for the 2022 Convertible Notes is 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 will deliver shares of its common stock (and cash in lieu of fractional shares). The conversion rate is subject to adjustment if certain events occur as outlined in the supplemental indenture relating to the 2022 Convertible Notes. The Company has determined that the embedded conversion option in the 2022 Convertible Notes is 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 may 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 are not redeemable prior to maturity and no "sinking fund" is provided for the 2022 Convertible Notes.

As of December 31, 2021 and 2020, the Company had \$52.1 million in 2022 Convertible Notes outstanding.

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, 2021, 2020, and 2019 (dollars in thousands):

	For the Years Ended December 31,		
	2021	2020	2019
Interest expense	\$ 2,997	\$ 2,995	\$ 2,995
Deferred financing costs	385	364	342
Total interest and financing expenses	\$ 3,382	\$ 3,359	\$ 3,337
Average outstanding balance	\$ 52,088	\$ 52,088	\$ 52,088
Average stated interest rate	5.75 %	5.75 %	5.75 %

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

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”) 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 connection with the offering, the Company entered into a Registration Rights Agreement, dated as of October 29, 2021 (the “Registration Rights Agreement”), with the purchasers of the 2026 Notes. Pursuant to the Registration Rights Agreement, the Company is obligated to file with the Securities and Exchange Commission a registration statement relating to an offer to exchange the 2026 Notes for new notes issued by the Company that are registered under the Securities Act and otherwise have terms substantially identical to those of the 2026 Notes, and to use its commercially reasonable efforts to cause such registration statement to be declared effective.

As of December 31, 2021, the Company had \$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 year ended December 31, 2021 (dollars in thousands):

	For the Year Ended December 31,	
	2021	
Interest expense	\$	487
Deferred financing costs		20
Total interest and financing expenses	\$	507
Average outstanding balance	\$	8,767
Average stated interest rate		5.25 %

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. During the year ended December 31, 2020, the Company purchased approximately \$2.2 million of outstanding principal of the 2022 Notes under the Bond Repurchase Program, resulting in a realized gain of \$0.2 million. During the year ended December 31, 2020, the Company did not purchase any of the 2022 Convertible Notes.

ING Credit Facility

On October 17, 2014, the Company entered into a senior secured revolving credit agreement (as amended, the “ING Credit Facility”) with ING Capital, LLC, as administrative agent, arranger, and bookrunner, and the lenders party thereto. The Credit Facility was set to mature on April 30, 2022. On June 19, 2020, the Company unilaterally terminated the ING Credit Facility.

Borrowings under the ING Credit Facility bore interest, at the Company’s election, at a rate per annum equal to (i) the one, two, three or six month LIBOR, as applicable, plus 3.50% or (ii) 2.00% plus the highest of (A) a prime rate, (B) the Federal Funds rate plus 0.5%, and (C) three month LIBOR plus 1.0%. The Company’s ability to elect LIBOR indices with various tenors (e.g., one, two, three or six month LIBOR) on which the interest rates for borrowings under the ING Credit Facility were based, provided the Company with increased flexibility to manage interest rate risks as compared to a borrowing arrangement that did not provide for such optionality. Once a particular LIBOR had been selected, the interest rate on the applicable amount borrowed reset after the applicable tenor period and was based on the then applicable selected LIBOR (e.g., borrowings for which the Company elected the one month LIBOR reset on the one month anniversary of the period based on the then selected LIBOR). For any given borrowing under the ING Credit Facility, the Company elected what it believed to be an appropriate LIBOR taking into account the Company’s needs at the time as well as the Company’s view of future interest rate movements. The ING Credit Facility provided for the ability to step-down the pricing of the ING Credit Facility from LIBOR plus 3.50% to LIBOR plus 3.00% when certain conditions were met. The Company also paid an unused commitment fee at a rate of 0.75% per annum on the unutilized portion of the aggregate commitments under the ING Credit Facility on each day when the utilized portion of the aggregate commitments was less than 35% for such day and 0.50% per annum on the unutilized portion of the aggregate commitments under the ING Credit Facility when the utilized portion was greater than 35% for such day.

The following table summarizes the interest expense, deferred financing costs, unused commitment fees, average outstanding balance, and average stated interest rate on the ING Credit Facility for the years ended December 31, 2020 and 2019 (dollars in thousands):

	For the Years Ended December 31,	
	2020	2019
Interest expense	\$ —	\$ 580
Deferred financing costs	1,379	806
Unused commitment fees	211	1,222
Total interest and financing expenses	\$ 1,590	\$ 2,608
Average outstanding balance	\$ —	\$ 10,448
Average stated interest rate	— %	5.41 %

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

The ING Credit Facility was secured by investments and cash held by the Company, exclusive of assets pledged as collateral for the Company's SBA debentures. Assets pledged to secure the Credit Facility had a carrying value of \$159.8 million at December 31, 2019.

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 Company's investment advisor 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. Under the KeyBank Credit Facility, the Lenders have agreed to extend credit to CBL in an aggregate principal amount of up to \$25.0 million as of October 30, 2020. CBL may, on any business day prior to October 28, 2022, request an increase in the aggregate principal amount from \$25.0 million to \$100.0 million in accordance with the terms and in the manner described in the KeyBank Credit Facility. 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 October 28, 2022, unless there is an earlier termination or event of default. The KeyBank Credit Facility matures on October 28, 2023, unless there is an earlier termination or event of default. Borrowings under the KeyBank Credit Facility bear interest at one-month LIBOR plus 3.5%, subject to a minimum interest rate of 4.25%. The Company will also pay an unused commitment fee at a rate of 1.75% per annum on the unutilized portion of the aggregate commitments under the KeyBank Credit Facility. As of December 31, 2021 and December 31, 2020, there were no outstanding draws on the KeyBank Credit Facility. The KeyBank Credit Facility is secured by the investments and other assets held by CBL, the Company's wholly owned subsidiary. 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, 2021 and 2020, assets pledged to secure the KeyBank Credit Facility had a fair value of \$57.7 million and \$57.6 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, 2021 and 2020 (dollars in thousands):

	For the Years Ended December 31,	
	2021	2020
Interest expense	\$ 136	\$ —
Deferred financing costs	194	33
Unused commitment fees	387	77
Total interest and financing expenses	\$ 717	\$ 110
Average outstanding balance	\$ 3,203	\$ —
Average stated interest rate	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, 2021, 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
2022 Notes	\$ 22,833	\$ 23,285	\$ 23,285	\$ —	\$ —
2022 Convertible Notes	52,088	52,983	52,983	—	—
2026 Notes	50,000	50,000	—	—	50,000
Total	\$ 124,921	\$ 126,268	\$ 76,268	\$ —	\$ 50,000

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, 2020, 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
SBA-guaranteed debentures	\$ 91,000	\$ 92,189	\$ —	\$ —	\$ 92,189
2022 Notes	72,833	70,503	70,503	—	—
2022 Convertible Notes	52,088	51,233	51,233	—	—
Total	\$ 215,921	\$ 213,925	\$ 121,736	\$ —	\$ 92,189

The estimated fair value of the Company's SBA-guaranteed debentures was based on future contractual cash payments discounted at market interest rates to borrow from the SBA as of the measurement date.

The estimated fair value of the 2022 Notes and 2022 Convertible Notes was based on their respective closing prices as of the measurement date as they are traded on the NASDAQ Global Select Market under the ticker "CPTAL" (2022 Notes) and on the NASDAQ Capital Market under the ticker "CPTAG" (2022 Convertible Notes).

The estimated fair value of the 2026 Notes approximates the par value.

The estimated fair value of the ING Credit Facility and KeyBank Credit Facility was based on future contractual cash payments discounted at estimated market interest rates for similar debt.

Note 9. Income Taxes

The Company has elected to be treated as a RIC under subchapter M of 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.

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

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.

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, 2021, December 31, 2020, and December 31, 2019, the Company reclassified for book purposes amounts arising from permanent differences in the book and tax basis of partnership investments sold, sales relating to defaulted bond accruals, and book and tax character of distributions paid. Such reclassifications are reported in “Tax reclassifications of stockholders’ equity in accordance with generally accepted accounting principles” and “Distributions — Return of Capital” in the statements of changes in net assets for the years ended December 31, 2021, 2020 and 2019, 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, 2021, December 31, 2020, and December 31, 2019 (dollars in thousands):

	Tax Year Ended December 31,		
	2021	2020	2019
Increase (decrease) in accumulated net investment income	\$ 4,605	\$ (778)	\$ (13)
Increase in accumulated net realized gains on investments	36,030	6,254	2,450
Decrease in capital in excess of par value	\$ (40,635)	\$ (5,476)	\$ (2,437)

For the tax years ended December 31, 2021, December 31, 2020, December 31, 2019, the tax basis components of distributable earnings were as follows (dollars in thousands):

	Tax Year Ended December 31,		
	2021	2020	2019
Undistributed ordinary income	\$ —	\$ —	\$ —
Accumulated capital losses	(108,018)	(111,734)	(95,186)
Unrealized appreciation (depreciation)	3,590	(23,428)	(9,190)
Other temporary differences	(1,580)	(6,262)	(6,423)
Total	\$ (106,008)	\$ (141,424)	\$ (110,799)

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 incurred after September 30, 2011 will not be subject to expiration. As of December 31, 2021, the Company has a short-term capital loss carry forward of \$17.1 million and a long-term capital loss carry forward of \$90.9 million.

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 for the tax periods ended December 31, 2021, December 31, 2020, and December 31, 2019 (dollars in thousands):

	Tax Year Ended December 31,		
	2021	2020	2019
Net decrease in net assets resulting from operations	\$ (1,918)	\$ (35,447)	\$ (27,647)
Net change in unrealized (appreciation) depreciation on investments	(10,667)	11,611	20,306
Capital loss carryforward	7,658	16,561	16,246
Tax provision	—	—	628
Other deductions for book in excess of deductions for tax	529	7,930	2,903
Total taxable income	\$ (4,398)	\$ 655	\$ 12,436

For income tax purposes, distributions paid to stockholders are reported as ordinary income, return of capital, long term capital gains or a combination thereof. The tax character of distributions paid for the tax periods ended December 31, 2021, December 31, 2020, and December 31, 2019 (dollars in thousands):

	Tax Year Ended December 31,		
	2021	2020	2019
Ordinary income	\$ —	\$ 655	\$ 13,451
Return of capital	—	3,398	2,659
Total	\$ —	\$ 4,053	\$ 16,110

For U.S. federal income tax purposes, as of December 31, 2021, the aggregate net unrealized appreciation for all securities was \$3.6 million. As of December 31, 2021, gross unrealized appreciation was \$38.6 million and gross unrealized depreciation was \$(35.0) million. The aggregate cost of securities for U.S. federal income tax purposes was \$194.6 million as of December 31, 2021. For U.S. federal income tax purposes, as of December 31, 2020, the aggregate net unrealized depreciation for all securities was \$(23.4) million. As of December 31, 2020, gross unrealized appreciation was \$14.3 million and gross unrealized depreciation was \$(37.7) million. The aggregate cost of securities for U.S. federal income tax purposes was \$298.1 million as of December 31, 2020.

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.

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 pursuant to Section 382 of the Code. As of December 31, 2021, the Taxable Subsidiaries had net operating losses for U.S. federal income tax purposes of approximately \$11.6 million. If not utilized, \$5.3 million of these net operating losses will expire in the year ended December 31, 2037, and \$6.3 million of these net operating losses have no expiration.

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. Components of deferred tax assets (liabilities) as of December 31, 2021 and 2020 are as follows (dollars in thousands):

	As of December 31,	
	2021	2020
Deferred tax assets:		
Net operating loss carryforwards	\$ 2,870	\$ 3,318
Capital loss carryforwards	1,034	909
Other deferred tax assets	53	526
Less valuation allowance	(2,457)	(4,621)
Total deferred tax assets	1,500	132
Deferred tax liabilities:		
Net unrealized depreciation on investments	1,500	(132)
Total deferred tax liabilities	(1,500)	(132)
Net deferred tax asset	\$ —	\$ —

At December 31, 2021 and December 31, 2020, the valuation allowance on deferred tax assets was \$2.4 million and \$4.6 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 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) differs from the amount computed by applying the federal statutory income tax rate of 21% to net investment loss and net realized and unrealized appreciation (depreciation) on investments for the years ended December 31, 2021, 2020, and 2019, are as follows (dollars in thousands):

	For the years ended December 31,		
	2021	2020	2019
Tax benefit at statutory rates	\$ 1,544	\$ (795)	\$ (1,742)
State income tax benefit, net of federal benefit	281	(124)	(300)
Adjustment to unrealized depreciation	494	(1,366)	(359)
Other adjustments	(21)	786	218
Revaluation for state rate change	(134)	44	10
Change in valuation allowance	(2,164)	1,455	2,801
Total tax provision (benefit), net	\$ —	\$ —	\$ 628

For the years ended December 31, 2021, 2020 and 2019, the components of the Company's tax provision (benefit) include the following:

	For the years ended December 31,		
	2021	2020	2019
Deferred tax benefit			
Federal	\$ (1,918)	\$ (1,297)	\$ (1,862)
State	(246)	(158)	(311)
Less valuation allowance	2,164	1,455	2,801
Total tax provision (benefit), net	\$ —	\$ —	\$ 628

Note 10. 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, 2021, 2020 and 2019, the Company recognized directors' fees expense of \$0.4 million, \$0.3 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. Effective April 1, 2020, the Company's Independent Directors have agreed to waive 20% of the fees due to them for the remainder of the fiscal year ending December 31, 2020 due to the impact of the COVID-19 pandemic.

Note 11. Stockholders' Equity

On September 24, 2013, we issued 8,974,420 shares of common stock to the limited partners of the Legacy Funds, in exchange for 100% of their membership interests or certain investment assets of such Legacy Funds, as the case may be. On September 30, 2013, we issued 4,000,000 shares of common stock in connection with the closing of our IPO. The shares issued in the IPO were priced at \$20.00 per share. We received proceeds of \$74.25 million in the IPO, net of underwriters' discounts and commissions of \$5.75 million.

On April 13, 2015, the Company completed an underwritten offering of 3,500,000 shares of its common stock at a public offering price of \$18.32 per share. The total proceeds received in the offering net of underwriting discounts and offering costs were approximately \$61.7 million.

On August 21, 2020, the Company effectuated a one-for-six reverse stock split of shares of the Company's common stock. Please see Note 1 for a full description. As of December 31, 2021, the Company had 2,711,068 shares of common stock outstanding.

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 12. 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, 2021, 2020, and 2019, 0.6 million in convertible shares related to the 2022 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, 2021, 2020 and 2019 (dollars in thousands, except share and per share data):

	For the years ended December 31,		
	2021	2020	2019
Net decrease in net assets resulting from operations	\$ (1,918)	\$ (35,447)	\$ (27,647)
Weighted average common stock outstanding – basic and diluted ⁽¹⁾	2,711,068	2,709,169	2,686,287
Net decrease in net assets per share resulting from operations	\$ (0.71)	\$ (13.08)	\$ (10.29)

(1) Basic and diluted shares of the Company’s common stock 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.

Note 13. 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. The Company’s Board determined not to declare a distribution for any quarter in 2021 due to the impact of the COVID-19 pandemic on the Company’s expected net investment income. For the year ended December 31, 2020, total distributions of \$4.1 million were comprised of approximately \$0.7 million from ordinary income and \$3.4 million from return of capital. For the year ended December 31, 2019, total distributions of \$16.1 million were comprised of approximately \$13.4 million from ordinary income and \$2.7 million from return of capital.

On April 30, 2020, July 30, 2020, and October 29, 2020, the Company’s Board determined not to declare a distribution for the second quarter, third quarter, or fourth quarter, respectively, of 2020, due to the impact of the COVID-19 pandemic on the Company’s expected net investment income. As noted, the Board further determined not to declare any distributions for any quarter in 2021. Accordingly, the following tables summarize our distributions declared from January 1, 2019 through January 2, 2020, the last date on which distributions were declared (in thousands, except share and per share data):

Date Declared	Record Date	Payment Date	Amount Per Share⁽¹⁾	Cash Distribution	DRIP Shares Issued⁽¹⁾	DRIP Share Value
January 2, 2020	January 24, 2020	January 30, 2020	\$ 0.50	\$ 1,231	2,432	\$ 119
January 2, 2020	February 20, 2020	February 27, 2020	0.50	1,229	2,760	122
January 2, 2020	March 23, 2020	March 30, 2020	0.50	1,259	5,261	93
Total Distributions Declared and Distributed for 2020			<u>\$ 1.50</u>	<u>\$ 3,719</u>	<u>10,453</u>	<u>\$ 334</u>

Date Declared	Record Date	Payment Date	Amount Per Share⁽¹⁾	Cash Distribution	DRIP Shares Issued⁽¹⁾	DRIP Share Value
January 2, 2019	January 24, 2019	January 30, 2019	\$ 0.50	\$ 1,256	1,712	\$ 81
January 2, 2019	February 20, 2019	February 27, 2019	0.50	1,253	1,762	85
January 2, 2019	March 21, 2019	March 28, 2019	0.50	1,250	1,959	89
April 1, 2019	April 22, 2019	April 29, 2019	0.50	1,246	1,913	94
April 1, 2019	May 23, 2019	May 30, 2019	0.50	1,243	1,930	97
April 1, 2019	June 20, 2019	June 27, 2019	0.50	1,238	1,958	104
July 1, 2019	July 23, 2019	July 30, 2019	0.50	1,237	1,953	106
July 1, 2019	August 22, 2019	August 29, 2019	0.50	1,231	2,680	113
July 1, 2019	September 20, 2019	September 27, 2019	0.50	1,231	2,388	114
October 1, 2019	October 22, 2019	October 29, 2019	0.50	1,231	2,413	115
October 1, 2019	November 22, 2019	November 29, 2019	0.50	1,234	2,346	113
October 1, 2019	December 23, 2019	December 30, 2019	0.50	1,234	2,356	115
Total Distributions Declared and Distributed for 2019			<u>\$ 6.00</u>	<u>\$ 14,884</u>	<u>25,370</u>	<u>\$ 1,226</u>

(1) Shares and amount per share 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.

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 14. Financial Highlights and Senior Securities

The following is a schedule of financial highlights and senior securities for the years ended December 31, 2021, 2020, 2019, 2018, and 2017 (dollars in thousands, except share and per share data, unless otherwise noted):

	For the years ended December 31,				
	2021	2020	2019	2018	2017
Per share data⁽¹⁾:					
Net asset value at beginning of year	\$ 40.19	\$ 54.84	\$ 71.26	\$ 83.46	\$ 94.75
Net investment (loss) income ⁽²⁾	(1.32)	0.02	4.86	6.01	5.86
Net realized (loss) on investments ⁽²⁾	(2.94)	(8.88)	(7.35)	(13.06)	(9.13)
Net unrealized appreciation (depreciation) on investments ⁽²⁾	3.93	(4.29)	(7.56)	(2.23)	2.66
Net unrealized appreciation (depreciation) on Written Call Option ⁽²⁾	—	—	—	2.55	(1.54)
Tax benefit (provision) ⁽²⁾	—	—	(0.23)	0.72	(0.49)
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⁾	—	(0.24)	(5.01)	(6.00)	(8.52)
Other ⁽⁴⁾	—	(0.06)	(0.14)	(0.19)	(0)
Net asset value at end of year	\$ 39.48	\$ 40.19	\$ 54.84	\$ 71.26	\$ 83.46
Net assets at end of period	\$ 107,029	\$ 108,947	\$ 148,113	\$ 190,644	\$ 221,887
Shares outstanding at end of period	2,711,068	2,711,068	2,700,628	2,675,258	2,658,539
Per share market value at end of period	\$ 22.99	\$ 14.41	\$ 52.38	\$ 43.02	\$ 43.68
Total return based on market value ⁽⁴⁾	59.54 %	(71.10) %	37.75 %	12.14 %	(35.68) %
Ratio/Supplemental data:					
Ratio of net investment (loss) income to average net assets	(3.20) %	0.05 %	7.85 %	7.60 %	6.54 %
Ratio of incentive fee, net of incentive fee waiver, to average net assets ⁽⁵⁾	—	—	0.73 %	0.12 %	0.15 %
Ratio of interest and financing expenses to average net assets	9.42 %	13.23 %	10.30 %	8.20 %	7.94 %
Ratio of tax (benefit) provision to average net assets	—	—	0.38 %	(0.91) %	0.54 %
Ratio of other operating expenses to average net assets	8.71 %	9.82 %	7.62 %	6.52 %	6.90 %
Ratio of total expenses including tax provision, net of fee waivers, to average net assets ⁽⁵⁾	18.12 %	23.05 %	19.03 %	13.93 %	15.53 %
Portfolio turnover rate ⁽⁶⁾	38.73 %	6.90 %	19.18 %	22.69 %	16.34 %
Average debt outstanding ⁽⁷⁾	\$ 167,102	\$ 256,673	\$ 290,073	\$ 302,420	\$ 325,314
Average debt outstanding per common share	\$ 61.64	\$ 94.68	\$ 107.41	\$ 113.04	\$ 122.37
	For the years ended December 31,				
	2021	2020	2019	2018	2017
Total Debt Outstanding:					
KeyBank Credit Facility	\$ —	\$ —	\$ —	\$ —	\$ —
ING Credit Facility	\$ —	\$ —	\$ —	\$ 10,000	\$ 9,000
SBA-guaranteed debentures	\$ —	\$ 91,000	\$ 150,000	\$ 165,700	\$ 170,700
2022 Notes	\$ 22,833	\$ 72,833	\$ 75,000	\$ 75,000	\$ 75,000
2022 Convertible Notes	\$ 52,088	\$ 52,088	\$ 52,088	\$ 52,088	\$ 52,088
2026 Notes	\$ 50,000	\$ —	\$ —	\$ —	\$ —
Asset coverage per unit⁽⁸⁾:					
KeyBank Credit Facility	\$ 1,849	\$ 1,872	N/A	N/A	N/A
ING Credit Facility	N/A	N/A	\$ 2,165	\$ 2,391	\$ 2,630
SBA-guaranteed debentures	N/A	N/A	N/A	N/A	N/A
2022 Notes	\$ 1,849	\$ 1,872	\$ 2,165	\$ 2,391	\$ 2,630
2022 Convertible Notes	\$ 1,849	\$ 1,872	\$ 2,165	\$ 2,391	\$ 2,630
2026 Notes	\$ 1,849	N/A	N/A	N/A	N/A
Involuntary liquidation preference per unit⁽⁹⁾:					
KeyBank Credit Facility	—	—	—	—	—
ING Credit Facility	—	—	—	—	—
SBA-guaranteed debentures	—	—	—	—	—
2022 Notes	—	—	—	—	—
2022 Convertible Notes	—	—	—	—	—
2026 Notes	—	—	—	—	—
Average market value per unit⁽¹⁰⁾:					
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	\$ 1,002	\$ 867	\$ 1,000	\$ 996	\$ 1,014
2022 Convertible Notes	\$ 1,005	\$ 856	\$ 994	\$ 984	\$ 1,001
2026 Notes	N/A	N/A	N/A	N/A	N/A

- (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.

LOGAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

- (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%, 0.17%, 0.00%, and 0.40%, for the years ended December 31, 2021, 2020, 2019, 2018 and 2017, 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) 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.
- (9) 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.
- (10) Not applicable except for 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.

Note 15. Selected Quarterly Financial Data (Unaudited)

(Dollars in thousands, except per share data)	For the quarter ended			
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Total investment income	\$ 3,411	\$ 3,373	\$ 5,044	\$ 4,926
Net investment (loss) income	\$ (1,333)	\$ (1,510)	\$ 34	\$ (783)
Net (decrease) increase in net assets resulting from operations	\$ (3,232)	\$ (3,486)	\$ (7,554)	\$ 12,354
Net investment (loss) income per share ⁽¹⁾	\$ (0.48)	\$ (0.56)	\$ 0.01	\$ (0.29)
Net (decrease) increase in net assets resulting from operations per share ⁽¹⁾	\$ (1.19)	\$ (1.29)	\$ (2.79)	\$ 4.56
Net asset value per share at end of period ⁽¹⁾	\$ 39.48	\$ 40.67	\$ 41.96	\$ 44.74

(Dollars in thousands, except per share data)	For the quarter ended			
	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Total investment income	\$ 5,679	\$ 6,694	\$ 6,999	\$ 7,074
Net investment (loss) income	\$ (62)	\$ 742	\$ (609)	\$ (13)
Net increase (decrease) in net assets resulting from operations	\$ 538	\$ 3,355	\$ 3,100	\$ (42,440)
Net investment (loss) income per share ⁽¹⁾	\$ (0.02)	\$ 0.27	\$ (0.22)	\$ —
Net increase (decrease) in net assets resulting from operations per share ⁽¹⁾	\$ 0.20	\$ 1.24	\$ 1.14	\$ (15.70)
Net asset value per share at end of period ⁽¹⁾	\$ 40.19	\$ 39.99	\$ 38.75	\$ 37.61

- (1) Shares and amount per share 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.

Note 16. Subsequent Events

The Company has evaluated subsequent events through the 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.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES***(a) Evaluation of Disclosure Controls and Procedures***

As of December 31, 2021 (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 Securities Exchange Act of 1934, as amended). Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our 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. However, 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, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of such possible controls and procedures.

(b) Report of Management on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, and for performing an assessment of the effectiveness of internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Management performed an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2021 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 effective as of December 31, 2021.

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, 2021.

(c) Changes in Internal Controls Over Financial Reporting

Management has not identified any change in the Company's internal control over financial reporting that occurred during the fourth quarter of 2021 that has materially affected, or is reasonably likely to materially affect, the Company's 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 2021 Annual Stockholder Meeting, to be filed with the SEC within 120 days after December 31, 2021, 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 2021 Annual Stockholder Meeting, to be filed with the SEC within 120 days after December 31, 2021, 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 2021 Annual Stockholder Meeting, to be filed with the SEC within 120 days after December 31, 2021, 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 2021 Annual Stockholder Meeting, to be filed with the SEC within 120 days after December 31, 2021, 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 2021 Annual Stockholder Meeting, to be filed with the SEC within 120 days after December 31, 2021, and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND CONSOLIDATED FINANCIAL STATEMENT SCHEDULES

a. The following documents are filed as part of this Annual Report on Form 10-K:

The following consolidated financial statements are set forth in Item 8:

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
<u>Report of Independent Registered Public Accounting Firm (PCAOB ID No 34)</u>	F-2
<u>Report of Former Independent Registered Public Accounting Firm (PCAOB ID No 42)</u>	F-4
Audited Financial Statements:	
<u>Consolidated Statements of Assets and Liabilities as of December 31, 2021 and 2020</u>	F-6
<u>Consolidated Statements of Operations for the years ended December 31, 2021, 2020, and 2019</u>	F-7
<u>Consolidated Statements of Changes in Net Assets for the years ended December 31, 2021, 2020, and 2019</u>	F-8
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020, and 2019</u>	F-9
<u>Consolidated Schedules of Investments as of December 31, 2021 and 2020</u>	F-10
<u>Notes to Consolidated Financial Statements</u>	F-15

b. Exhibits

Exhibit Number	Description of Document
3.1	Articles of Amendment and Restatement⁽¹⁾
3.2	Articles of Amendment⁽²⁾
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 Second Supplemental Indenture relating to the 6.00% notes due 2022, by and between the Registrant and U.S. Bank National Association, as trustee, including the form of Global Note⁽⁵⁾
4.4	Form of the Third Supplemental Indenture relating to the 5.75% convertible notes due 2022, by and between the Registrant and U.S. Bank National Association, as trustee, including the form of Global Note⁽⁵⁾
4.5	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⁽⁵⁾
4.6	Description of Securities⁽¹⁾
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	Registration Rights Agreement, dated as of October 29, 2021, by and among the Company and the Purchasers (as defined therein)⁽⁸⁾
10.7	Fee Waiver Agreement, dated as of July 1, 2021, between Logan Ridge Finance Corporation and Mount Logan Management LLC⁽⁵⁾
10.8	Form of Revolving Credit and Security Agreement, dated as of October 30, 2020, among Capitala Business Lending, LLC, as the borrower, Capitala Investment Advisors, 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⁽¹⁰⁾
14.1	Code of Ethics (filed herewith)
21.1	List of Subsidiaries (filed herewith)
23.1	Consent of Independent Registered Public Accounting Firm (filed herewith)
23.2	Consent of the Former Independent Registered Public Accounting Firm (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)

- (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 Post-Effective Amendment No. 5 to Logan Ridge Finance Corporation's registration statement on Form N-2 (File No. 333-204582) filed on May 16, 2017.
- (7) Previously filed in connection with Post-Effective Amendment No. 6 to Logan Ridge Finance Corporation's registration statement on Form N-2 (File No. 333-204582) filed on May 26, 2017.
- (8) Previously filed in connection with Logan Ridge Finance Corporation's report on Form 8-K filed on November 1, 2021.
- (9) Previously filed in connection with Logan Ridge Finance Corporation's report on Form 8-K filed on August 4, 2020.
- (10) Previously filed in connection with Logan Ridge Finance Corporation's report on Form 8-K filed on November 3, 2020.
- (11) Previously filed in connection with Logan Ridge Finance Corporation's report on Form 10-K filed on March 2, 2020.

c. Consolidated Financial Statement Schedules

No consolidated financial statement schedules are filed herewith because (1) such schedules are not required or (2) the information has been presented in the aforementioned consolidated financial statements.

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 14, 2022

Logan Ridge Finance Corporation
By /s/ Ted Goldthorpe
Ted Goldthorpe
Chief Executive Officer and President
(Principal Executive Officer)
Logan Ridge Finance Corporation

Date: March 14, 2022

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.

Signature	Title	Date
<u>/s/ Ted Goldthorpe</u> Ted Goldthorpe	Chief Executive Officer and President and Chairman of the Board of Directors (Principal Executive Officer)	March 14, 2022
<u>/s/ Jason Roos</u> Jason Roos	Chief Financial Officer (Principal Financial Officer)	March 14, 2022
<u>/s/ Alexander Duka</u> Alexander Duka	Director	March 14, 2022
<u>/s/ George Grunebaum</u> George Grunebaum	Director	March 14, 2022
<u>/s/ Robert Warshauer</u> Robert Warshauer	Director	March 14, 2022



LOGAN RIDGE
FINANCE

Corporate Governance:
PTMN/LRFC Code of Ethics

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.
- E. "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.
- F. "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.
- G. "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
- H. "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.
- I. "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.
- J. "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.
- K. "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.
- L. "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.
- M. "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.
- N. "purchase or sale of a Covered Security" includes, among other things, the writing of an option to purchase or sell a Covered Security.
- O. "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.
- P. "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.
- Q. "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.
- 4) 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.
 - 5) 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.
 - 6) 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)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-260208 on Form N-2 of our report dated March 14, 2022, relating to the consolidated financial statements of Logan Ridge Finance Corporation appearing in this Annual Report on Form 10-K for the year ended December 31, 2021.

/s/ Deloitte & Touche LLP

New York, New York
March 14, 2022

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the reference to our firm under the caption “Selected Consolidated Financial Data,” and to the use of our report dated March 8, 2021, with respect to the consolidated financial statements of Logan Ridge Finance Corporation (formerly known as Capitala Finance Corp.) as of December 31, 2020 and for each of the two years in the period ended December 31, 2020, in the Annual Report on Form 10-K for the fiscal year ended December 31, 2021 filed by Loan Ridge Finance Corporation with the Securities and Exchange Commission.

/s/ ERNST & YOUNG LLP

Charlotte, North Carolina
March 14, 2022

**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 14, 2022

/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 14, 2022

/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, 2021, 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 14, 2022

/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, 2021, 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 14, 2022

/s/ Jason Roos

Jason Roos

Chief Financial Officer

(Principal Financial Officer)

Logan Ridge Finance Corporation
