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

# FORM 10-Q

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

**For the quarterly period ended June 30, 2023**

¨ **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**<br>650 Madison Avenue, 23rd Floor<br>New York, New York 10022<br>State of Incorporation: Maryland<br>Telephone: (212) 891-2880 | 90-0945675 |

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

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

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 x 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 x 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 | x | 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

The number of shares of Logan Ridge Finance Corporation’s common stock, $0.01 par value, outstanding as of August 7, 2023 was 2,691,293.

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## PART I. FINANCIAL INFORMATION

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

| | As of June 30, 2023 (unaudited) | As of December 31, 2022 |
|---|---|---|
| ASSETS | | |
| Investments at fair value: | | |
| Non-control/non-affiliate investments (amortized cost of $192,331 and $191,435, respectively) | $ 177,424 | $ 177,268 |
| Affiliate investments (amortized cost of $26,836 and $29,081, respectively) | 29,165 | 26,324 |
| Total investments at fair value (amortized cost of $219,167 and $220,516, respectively) | 206,589 | 203,592 |
| Cash and cash equivalents | 6,287 | 6,793 |
| Interest and dividend receivable | 2,013 | 1,578 |
| Prepaid expenses | 2,285 | 2,682 |
| Other assets | 6 | 65 |
| Total assets | $ 217,180 | $ 214,710 |
| LIABILITIES | | |
| 2026 Notes (net of deferred financing costs and original issue discount of $1,237 and $1,421, respectively) | 48,763 | 48,579 |
| 2032 Convertible Notes (net of deferred financing costs and original issue discount of $1,058 and $1,117, respectively) | 13,942 | 13,883 |
| KeyBank Credit Facility (net of deferred financing costs of $1,153 and $1,322, respectively) | 55,282 | 54,615 |
| Management and incentive fees payable | 946 | 933 |
| Interest and financing fees payable | 1,031 | 973 |
| Accounts payable and accrued expenses | 990 | 722 |
| Total liabilities | $ 120,954 | $ 119,705 |
| Commitments and contingencies (Note 2) | | |
| NET ASSETS | | |
| Common stock, par value $0.01, 100,000,000 common shares authorized, 2,697,143 and 2,711,068 common shares issued and outstanding, respectively | $ 27 | $ 27 |
| Additional paid in capital | 190,752 | 191,038 |
| Total distributable loss | (94,553 ) | (96,060 ) |
| Total net assets | $ 96,226 | $ 95,005 |
| Total liabilities and net assets | $ 217,180 | $ 214,710 |
| Net asset value per share | $ 35.68 | $ 35.04 |

See accompanying notes to consolidated financial statements

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

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| INVESTMENT INCOME | | | | |
| Interest income: | | | | |
| Non-control/non-affiliate investments | $ 4,773 | $ 2,713 | $ 9,377 | $ 5,655 |
| Affiliate investments | 134 | 185 | 298 | 345 |
| Control investments | — | 98 | — | 193 |
| Total interest income | 4,907 | 2,996 | 9,675 | 6,193 |
| Payment-in-kind interest and dividend income: | | | | |
| Non-control/non-affiliate investments | 271 | 261 | 687 [1] | 347 |
| Affiliate investments | 48 | 46 | 96 | 93 |
| Total payment-in-kind interest and dividend income | 319 | 307 | 783 | 440 |
| Dividend income: | | | | |
| Affiliate investments | 19 | — | 33 | — |
| Total dividend income | 19 | — | 33 | — |
| Other income: | | | | |
| Non-control/non-affiliate investments | 99 | — | 109 | 8 |
| Total other income | 99 | — | 109 | 8 |
| Total investment income | 5,344 | 3,303 | 10,600 | 6,641 |
| EXPENSES | | | | |
| Interest and financing expenses | 2,236 | 2,131 | 4,305 | 4,319 |
| Base management fee | 946 | 973 | 1,876 | 2,001 |
| Directors' expense | 135 | 120 | 270 | 223 |
| Administrative service fees | 224 | 131 | 481 | 251 |
| General and administrative expenses | 764 | 877 | 1,556 | 1,826 |
| Total expenses | 4,305 | 4,232 | 8,488 | 8,620 |
| NET INVESTMENT INCOME (LOSS) | 1,039 | (929) | 2,112 | (1,979) |
| REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS | | | | |
| Net realized (loss) gain on investments: | | | | |
| Non-control/non-affiliate investments | (2,362) | 15,503 | (3,868) | 15,466 |
| Net realized (loss) gain on investments | (2,362) | 15,503 | (3,868) | 15,466 |
| Net change in unrealized appreciation (depreciation) on investments: | | | | |
| Non-control/non-affiliate investments | 510 | (16,495) | (740) | (17,645) |
| Affiliate investments | 4,053 | 174 | 5,086 | 1,477 |
| Control investments | — | (3,287) | — | (3,211) |
| Net change in unrealized appreciation (depreciation) on investments | 4,563 | (19,608) | 4,346 | (19,379) |
| Total net realized and change in unrealized gain (loss) on investments | 2,201 | (4,105) | 478 | (3,913) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | $ 3,240 | $ (5,034) | $ 2,590 | $ (5,892) |
| NET INCREASE (DECREASE) IN NET ASSETS PER SHARE RESULTING FROM OPERATIONS – BASIC (SEE NOTE 9) | $ 1.20 | $ (1.86) | $ 0.96 | $ (2.17) |
| WEIGHTED AVERAGE COMMON STOCK OUTSTANDING – BASIC (SEE NOTE 9) | 2,703,871 | 2,711,068 | 2,707,399 | 2,711,068 |
| NET INCREASE (DECREASE) IN NET ASSETS PER SHARE RESULTING FROM OPERATIONS – DILUTED (SEE NOTE 9) | $ 1.07 | $ (1.86) | $ 0.94 | $ (2.17) |
| WEIGHTED AVERAGE COMMON STOCK OUTSTANDING – DILUTED (SEE NOTE 9) | 3,243,374 | 2,711,068 | 3,246,902 | 2,711,068 |
| DISTRIBUTIONS PAID PER SHARE | $ 0.22 | $ — | $ 0.40 | $ — |

(1) During the six months ended June 30, 2023, the Company received $0.2 million of non-recurring fee income that was paid in-kind and included in this financial statement line item.

See accompanying notes to consolidated financial statements.

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

| **For the Three Months Ended June 30, 2023 and 2022** | **Common Stock** Number of Shares | **Common Stock** Par Value | **Additional Paid in Capital** | **Total Distributable Loss** | **Total** |
|---|---|---|---|---|---|
| BALANCE, March 31, 2023 | 2,709,583 | $ 27 | $ 191,007 | $ (97,201 ) | $ 93,833 |
| Net investment income | — | — | — | 1,039 | 1,039 |
| Net realized loss on investments | — | — | — | (2,362 ) | (2,362 ) |
| Net change in unrealized appreciation on investments | — | — | — | 4,563 | 4,563 |
| Repurchase of common stock | (12,487 ) | — | (256 ) | — | (256 ) |
| Stock issued under dividend reinvestment plan | 47 | — | 1 | — | 1 |
| Distributions declared | — | — | — | (592 ) | (592 ) |
| BALANCE, June 30, 2023 | 2,697,143 | $ 27 | $ 190,752 | $ (94,553 ) | $ 96,226 |
| | | | | | |
| BALANCE, March 31, 2022 | 2,711,068 | $ 27 | $ 188,846 | $ (82,702 ) | $ 106,171 |
| Net investment loss | — | — | — | (929 ) | (929 ) |
| Net realized gain on investments | — | — | — | 15,503 | 15,503 |
| Net change in unrealized depreciation on investments | — | — | — | (19,608 ) | (19,608 ) |
| BALANCE, June 30, 2022 | 2,711,068 | $ 27 | $ 188,846 | $ (87,736 ) | $ 101,137 |

| **For the Six Months Ended June 30, 2023 and 2022** | **Common Stock** Number of Shares | **Common Stock** Par Value | **Additional Paid in Capital** | **Total Distributable Loss** | **Total** |
|---|---|---|---|---|---|
| BALANCE, December 31, 2022 | 2,711,068 | $ 27 | $ 191,038 | $ (96,060 ) | $ 95,005 |
| Net investment income | — | — | — | 2,112 | 2,112 |
| Net realized loss on investments | — | — | — | (3,868 ) | (3,868 ) |
| Net change in unrealized appreciation on investments | — | — | — | 4,346 | 4,346 |
| Repurchase of common stock | (14,112 ) | — | (290 ) | — | (290 ) |
| Stock issued under dividend reinvestment plan | 187 | — | 4 | — | 4 |
| Distributions declared | | | — | (1,083 ) | (1,083 ) |
| BALANCE, June 30, 2023 | 2,697,143 | $ 27 | $ 190,752 | $ (94,553 ) | $ 96,226 |
| | | | | | |
| BALANCE, December 31, 2021 | 2,711,068 | $ 27 | $ 188,846 | $ (81,844 ) | $ 107,029 |
| Net investment loss | — | — | — | (1,979 ) | (1,979 ) |
| Net realized gain on investments | — | — | — | 15,466 | 15,466 |
| Net change in unrealized depreciation on investments | — | — | — | (19,379 ) | (19,379 ) |
| BALANCE, June 30, 2022 | 2,711,068 | $ 27 | $ 188,846 | $ (87,736 ) | $ 101,137 |

See accompanying notes to consolidated financial statements.

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

| | For the Six Months Ended June 30, 2023 | For the Six Months Ended June 30, 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net increase (decrease) in net assets resulting from operations | $ 2,590 | $ (5,892) |
| Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by operating activities: | | |
| Purchase of investments | (12,242) | (47,075) |
| Repayments and sales of investments | 11,242 | 66,669 |
| Net realized loss (gain) on investments | 3,868 | (15,466) |
| Net change in unrealized (appreciation) depreciation on investments | (4,346) | 19,379 |
| Payment-in-kind interest and dividends | (783) | (440) |
| Accretion of original issue discount on investments | (736) | (731) |
| Amortization of deferred financing fees and original issue discount | 411 | 527 |
| Changes in assets and liabilities: | | |
| Interest and dividend receivable | (435) | (95) |
| Prepaid expenses | 397 | 536 |
| Receivable for unsettled trades | — | 685 |
| Other assets | 59 | (2,951) |
| Management and incentive fees payable | 13 | (92) |
| Interest and financing fees payable | 58 | (204) |
| Payable for unsettled trades | — | (1,772) |
| Accounts payable and accrued expenses | 268 | (671) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 364 | 12,407 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from issuance of 2032 Notes | — | 13,950 |
| Repayment of 2022 Notes | — | (22,833) |
| Repayment of 2022 Convertible Notes | — | (52,088) |
| Borrowings under KeyBank Credit Facility | 14,000 | 49,096 |
| Repayments under KeyBank Credit Facility | (13,501) | (8,500) |
| Distributions paid to shareholders | (1,079) | — |
| Repurchase of common stock | (290) | — |
| Deferred financing fees paid | — | (1,599) |
| NET CASH USED IN FINANCING ACTIVITIES | (870) | (21,974) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (506) | (9,567) |
| CASH AND CASH EQUIVALENTS, beginning of period | 6,793 | 39,056 |
| CASH AND CASH EQUIVALENTS, end of period | $ 6,287 | $ 29,489 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash paid for interest | $ 3,809 | $ 3,613 |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING TRANSACTIONS | | |
| Distributions paid through dividend reinvestment plan share issuances | $ 4 | $ — |

See accompanying notes to consolidated financial statements.

**LOGAN RIDGE FINANCE CORPORATION**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
**(in thousands, except for units/shares)**
**June 30, 2023**
**(unaudited)**

| 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 - 184.4%** | | | | | | | | | |
| **First Lien/Senior Secured Debt - 139.6%** | | | | | | | | | |
| Accordion Partners LLC | Industrials | 11.49% | SOFR + 6.27% | 0.75% | 08/29/2029 | 5,439 | 5,330 | $ 5,378 | (16) |
| Accordion Partners LLC (Revolver) | Industrials | — | SOFR + 6.25% | 0.75% | 08/31/2028 | — | (30 ) | (17 ) | (12)(17) |
| Accurate Background, LLC | Information Technology | 11.50% | SOFR + 6.00% | 1.00% | 03/26/2027 | 4,435 | 4,148 | 4,258 | (16) |
| AIDC Intermediateco 2, LLC (Peak Technologies) | Information Technology | 11.47% | SOFR + 6.40% | 1.00% | 07/22/2027 | 4,975 | 4,903 | 4,850 | (16) |
| Alternative Biomedical Solutions, LLC | Healthcare | 8.00% | — | — | 06/30/2023 | 7,426 | 7,426 | 6,073 | |
| American Academy Holdings, LLC | Healthcare | 16.19% | L + 5.75%, 5.25% PIK | 1.00% | 01/01/2025 | 2,556 | 2,538 | 2,546 | (16) |
| American Clinical Solutions, LLC | Healthcare | 12.19% | L + 7.00%, 5.19% PIK | — | 12/31/2024 | 4,091 | 4,091 | 3,789 | |
| AP Core Holdings II, LLC | Information Technology | 10.72% | SOFR + 5.50% | 0.75% | 07/21/2027 | 1,141 | 1,129 | 1,137 | (16) |
| AP Core Holdings II, LLC | Information Technology | 10.72% | SOFR + 5.50% | 0.75% | 07/21/2027 | 1,250 | 1,237 | 1,244 | (16) |
| BetaNXT, Inc. | Financials | 10.99% | SOFR + 5.75% | — | 07/02/2029 | 2,978 | 2,807 | 2,751 | (16) |
| BetaNXT, Inc. (Revolver) | Financials | — | SOFR + 4.25% | — | 07/01/2027 | — | — | (19 ) | (12) |
| Bradshaw International, Inc. | Consumer Discretionary | 10.95% | SOFR + 5.75% | 1.00% | 10/21/2027 | 496 | 487 | 480 | (16) |
| Bradshaw International, Inc. (Revolver) | Consumer Discretionary | — | SOFR + 5.75% | 1.00% | 10/21/2026 | — | (16 ) | (30 ) | (12)(17) |
| CIMSense | Financials | 10.91% | SOFR + 5.50% | 1.00% | 12/17/2026 | 2,909 | 2,892 | 2,775 | (16) |
| Critical Nurse Staffing, LLC | Healthcare | 10.99% | SOFR + 5.75% | 1.00% | 10/30/2026 | 5,834 | 5,753 | 5,834 | (12)(16) |
| Critical Nurse Staffing, LLC (Revolver) | Healthcare | 11.13% | SOFR + 5.75% | 1.00% | 10/30/2026 | 460 | 448 | 460 | (12) |
| Datalink, LLC | Healthcare | 11.95% | SOFR + 6.75% | 1.00% | 11/23/2026 | 5,811 | 5,811 | 5,811 | (16) |
| Dentive, LLC | Healthcare | 12.23% | SOFR + 7.00% | 1.00% | 12/26/2028 | 1,269 | 1,226 | 1,221 | (12)(16) |
| Dentive, LLC (Revolver) | Healthcare | — | SOFR + 7.00% | 1.00% | 12/23/2028 | — | (5 ) | (5 ) | (12)(17) |
| Dodge Data & Analytics LLC | Information Technology | 10.14% | SOFR + 4.75% | 0.50% | 02/12/2029 | 1,485 | 1,467 | 1,202 | (16) |
| Epic Staffing Group | Industrials | 10.99% | SOFR + 5.75% | 0.50% | 06/28/2029 | 4,087 | 3,836 | 3,871 | (12)(16) |
| Florida Food Products, LLC | Consumer Staples | 10.10% | SOFR + 5.00% | 0.75% | 10/18/2028 | 1,990 | 1,888 | 1,915 | (16) |
| Fortis Payment Solutions | Financials | 10.59% | SOFR + 5.25% | 1.00% | 02/13/2026 | 1,363 | 1,357 | 1,355 | (16) |
| Grindr Capital, LLC | Information Technology | 13.35% | SOFR + 8.00% | 1.50% | 11/15/2027 | 1,974 | 1,956 | 1,958 | (16) |
| Heads Up Technologies | Industrials | 10.89% | SOFR + 5.50% | 0.75% | 08/10/2028 | 2,911 | 2,886 | 2,882 | (16) |
| Hudson Hospital OpCo, LLC | Healthcare | 13.26% | SOFR + 8.00% | 3.00% | 11/04/2023 | 3,060 | 3,060 | 3,045 | (16) |
| HUMC Opco, LLC | Healthcare | 13.26% | SOFR + 8.00% | 3.00% | 11/04/2023 | 3,903 | 3,903 | 3,864 | (16) |
| H.W. Lochner, Inc. | Industrials | 11.82% | SOFR + 6.75% | 1.00% | 07/02/2027 | 921 | 894 | 894 | (16) |
| IJKG OpCo, LLC | Healthcare | 13.26% | SOFR + 8.00% | 3.00% | 11/04/2023 | 2,040 | 2,040 | 2,029 | (16) |
| JO ET Holdings Limited | Information Technology | 18.25% | SOFR + 6.00%, 7.00% PIK | 1.00% | 12/15/2026 | 1,096 | 1,082 | 1,096 | (16) |
| Jurassic Quest Holdings, LLC | Entertainment | 12.67% | L + 7.50% | 2.00% | 05/01/2024 | 7,605 | 7,605 | 7,605 | (16)(18) |
| Keg Logistics LLC | Consumer Discretionary | 11.32% | SOFR + 6.00% | 1.00% | 11/23/2027 | 7,422 | 7,340 | 7,261 | (16) |
| Keg Logistics LLC (Revolver) | Consumer Discretionary | 11.29% | SOFR + 6.00% | 1.00% | 11/23/2027 | 872 | 863 | 853 | |
| Lucky Bucks, LLC | Consumer Discretionary | — | — | — | 07/21/2027 | 2,992 | 2,951 | 844 | (7) |
| Material Handling Systems, Inc. | Industrials | 10.41% | SOFR + 5.50% | 1.00% | 06/08/2029 | 1,985 | 1,806 | 1,692 | (16) |
| Money Transfer Acquisition Inc. | Financials | 13.45% | SOFR + 8.25% | 1.00% | 12/14/2027 | 6,913 | 6,789 | 6,752 | (16) |
| Neptune BidCo US Inc. | Communication Services | 10.00% | SOFR + 5.00% | 0.50% | 04/11/2029 | 1,500 | 1,347 | 1,326 | (16) |
| Patriot Pickle, Inc. | Consumer Staples | 10.82% | SOFR + 5.43% | — | 04/13/2027 | 2,904 | 2,884 | 2,882 | (16) |
| Phynet Dermatology LLC | Healthcare | 11.87% | SOFR + 6.50% | 0.75% | 08/16/2024 | 491 | 475 | 491 | (12)(16) |
| Premier Imaging, LLC | Healthcare | 11.22% | SOFR + 6.00% | 1.00% | 01/02/2025 | 2,583 | 2,558 | 2,513 | (12)(16) |
| RN Enterprises, LLC | Healthcare | 11.70% | SOFR + 6.50% | 1.00% | 12/23/2025 | 1,977 | 1,944 | 1,946 | (16) |
| Sequoia Healthcare Management, LLC | Healthcare Management | — | — | — | 11/04/2023 | 11,935 | 11,935 | 9,626 | (7) |
| Shock Doctor, Inc. | Consumer Discretionary | 10.59% | SOFR + 5.25% | 1.00% | 05/14/2024 | 2,549 | 2,544 | 2,501 | (16) |
| South Street Securities Holdings, Inc. | Financials | 9.00% | — | — | 09/20/2027 | 450 | 387 | 354 | |
| STG Logistics | Industrials | 11.39% | SOFR + 6.00% | 0.75% | 03/24/2028 | 2,475 | 2,407 | 2,417 | (16) |
| Symplr Software, Inc. | Healthcare | 9.65% | SOFR + 4.50% | 0.75% | 12/22/2027 | 1,679 | 1,676 | 1,515 | (16) |
| Taoglas Group Holdings Limited | Information Technology | 12.24% | SOFR + 7.00% | 1.00% | 02/28/2029 | 2,349 | 2,283 | 2,290 | (16) |
| Taoglas Group Holdings Limited (Revolver) | Information Technology | 12.14% | SOFR + 7.00% | 1.00% | 02/28/2029 | 227 | 208 | 210 | (12) |
| VBC Spine Opco LLC (DxTx Pain and Spine LLC) | Healthcare | 13.40% | SOFR + 8.00% | 2.00% | 06/14/2028 | 1,790 | 1,736 | 1,735 | (12)(16) |
| VBC Spine Opco LLC (DxTx Pain and Spine LLC) (Revolver) | Healthcare | — | SOFR + 8.00% | 2.00% | 06/14/2028 | — | (3 ) | (3 ) | (12)(17) |
| Wealth Enhancement Group, LLC | Financials | 11.24% | SOFR + 6.25% | 1.00% | 10/02/2027 | 6,924 | 6,899 | 6,916 | (16) |
| Wealth Enhancement Group, LLC (Revolver) | Financials | — | SOFR + 6.00% | 1.00% | 10/02/2027 | — | (2 ) | — | (12)(17) |
| **Total First Lien/Senior Secured Debt** | | | | | | | 141,176 | 134,373 | |
| **Second Lien/Senior Secured Debt - 6.4%** | | | | | | | | | |
| American Academy Holdings, LLC | Healthcare | 14.50% PIK | — | — | 03/01/2028 | 3,846 | 3,772 | 3,298 | (16) |
| BLST Operating Company, LLC | Online Merchandise Retailer | 13.77% | SOFR + 8.50% | 1.50% | 08/28/2025 | 959 | 959 | 900 | (8)(16) |
| Ivanti Software, Inc. | Information Technology | 12.42% | L + 7.25% | 0.50% | 12/01/2028 | 3,000 | 2,988 | 1,991 | |
| **Total Second Lien/Senior Secured Debt** | | | | | | | 7,719 | 6,189 | |
| **Subordinated Debt - 25.7%** | | | | | | | | | |
| Eastport Holdings, LLC | Business Services | 14.04% | SOFR + 8.50% | 1.00% | 09/29/2027 | 19,250 | 19,250 | 19,104 | |
| Lucky Bucks, LLC | Consumer Discretionary | — | — | — | 05/29/2028 | 2,404 | 2,229 | 581 | (7) |
| Tubular Textile Machinery, Inc. | Textile Equipment Manufacturer | 5.00% | — | — | 10/29/2027 | 5,094 | 5,094 | 5,024 | |
| **Total Subordinated Debt** | | | | | | | 26,573 | 24,709 | |
| **Collateralized Loan Obligations - 2.5%** | | | | | | | | | |
| JMP Credit Advisors CLO IV Ltd. | Financials | 25.76% | — | — | 07/17/2029 | 7,891 | 749 | 749 | (13)(15) |
| JMP Credit Advisors CLO V Ltd. | Financials | 28.22% | — | — | 07/17/2030 | 7,320 | 1,691 | 1,691 | (13)(15) |
| **Total Collateralized Loan Obligations** | | | | | | | 2,440 | 2,440 | |
| **Preferred Stock and Units - 2.5%** | | | | | | | | | |
| Alternative Biomedical Solutions, LLC - Series A | Healthcare | — | — | — | — | 16,182 | 1,277 | — | |
| Alternative Biomedical Solutions, LLC - Series B | Healthcare | — | — | — | — | 56,269 | 3,951 | — | |
| Alternative Biomedical Solutions, LLC - Series C | Healthcare | — | — | — | — | 78,900 | — | — | |
| American Academy Holdings, LLC | Healthcare | | | | | 102,261 | — | 127 | (6) |
| Jurassic Quest Holdings, LLC | Entertainment | — | — | — | — | 467,784 | 480 | 637 | (6)(18) |
| MicroHoldco, LLC | General Industrial | — | — | — | — | 740,237 | 749 | 586 | (11) |
| Taylor Precision Products, Inc. - Series C | Household Product Manufacturer | — | — | — | — | 379 | 758 | 758 | |
| U.S. BioTek Laboratories, LLC - Class A | Testing Laboratories | — | — | — | — | 500 | 540 | 325 | |
| **Total Preferred Stock and Units** | | — | — | — | — | | 7,755 | 2,433 | |

See accompanying notes to consolidated financial statements.

**LOGAN RIDGE FINANCE CORPORATION**
**CONSOLIDATED SCHEDULE OF INVESTMENTS - CONTINUED**
**(in thousands, except for units/shares)**
**June 30, 2023**
**(unaudited)**

| Investment (1), (2), (3), (4), (5) | Industry | Interest Rate (+) | Reference Rate and Spread (+) | Floor (+) | Maturity | Par/Shares (++) | Cost | Fair Value | Footnotes |
|---|---|---|---|---|---|---|---|---|---|
| **Common Stock and Membership Units - 7.6%** | | — | — | — | — | | | | |
| Alternative Biomedical Solutions, LLC | Healthcare | — | — | — | — | 20,092 | 800 | — | |
| Alternative Biomedical Solutions, LLC - Membership Unit Warrants | Healthcare | — | — | — | — | 49,295 | — | — | |
| American Academy Holdings, LLC | Healthcare | — | — | — | — | 0.05 | — | 309 | (6) |
| American Clinical Solutions, LLC - Class A | Healthcare | — | — | — | — | 6,030,384 | 3,198 | 2,357 | (6) |
| Aperture Dodge 18 LLC | Financials | | | | | 2,038,970 | 2,039 | 2,004 | |
| BLST Operating Company, LLC - Class A | Online Merchandise Retailer | — | — | — | — | 217,013 | 286 | 2,204 | (6) |
| DxTx Pain and Spine LLC | Healthcare | — | — | — | — | 59,312 | 97 | 97 | (6) |
| Freedom Electronics, LLC | Electronic Machine Repair | — | — | — | — | 181,818 | 182 | 251 | |
| South Street Securities Holdings, Inc. - Warrants | Financials | | | | | 567 | 65 | 58 | |
| U.S. BioTek Laboratories, LLC - Class C | Testing Laboratories | — | — | — | — | 578 | 1 | — | |
| **Total Common Stock and Membership Units** | | | | | | | 6,668 | 7,280 | |
| **Total Investments in Non-Control, Non-Affiliate Portfolio Companies** | | | | | | | 192,331 | 177,424 | |
| **Investments in Affiliated Portfolio Companies - 30.3%^** | | | | | | | | | |
| **First Lien/Senior Secured Debt - 3.8%** | | | | | | | | | |
| MMI Holdings, LLC | Medical Device Distributor | 12.00% | — | — | 04/01/2022 | 2,600 | 2,600 | 2,600 | |
| RAM Payment, LLC (First Out) | Financial Services | 10.17% | L + 5.00% | 1.50% | 01/04/2024 | 289 | 289 | 289 | (16) |
| RAM Payment, LLC (Last Out) | Financial Services | 13.50% | — | — | 01/04/2024 | 784 | 784 | 783 | (10)(16) |
| **Total First Lien/Senior Secured Debt** | | | | | | | 3,673 | 3,672 | |
| **Second Lien/Senior Secured Debt - 0.9%** | | | | | | | | | |
| MMI Holdings, LLC | Medical Device Distributor | 6.00% | — | — | 04/01/2022 | 400 | 400 | 400 | |
| Sierra Hamilton Holdings Corporation | Oil & Gas Engineering and Consulting Services | 15.00% PIK | — | — | 09/12/2023 | 4 | 5 | 4 | (9) |
| V12 Holdings, Inc. | Data Processing & Digital Marketing | — | — | — | — | 509 | 490 | 509 | (11) |
| **Total Second Lien/Senior Secured Debt** | | | | | | | 895 | 913 | |
| **Joint Ventures - 0.5%** | | | | | | | | | |
| Great Lakes Funding II LLC - Series A | Financials | — | — | — | — | 475 | 475 | 460 | (12)(15) |
| **Total Joint Ventures** | | | | | | | 475 | 460 | |
| **Preferred Stock and Units - 7.1%** | | | | | | | | | |
| GA Communications, Inc. - Series A-1 | Advertising & Marketing Services | — | — | — | — | 1,998 | 3,476 | 3,471 | |
| GreenPark Infrastructure, LLC - Series A | Industrials | — | — | — | — | 400 | 200 | 200 | (6) |
| MMI Holdings, LLC | Medical Device Distributor | 8.00% PIK | — | — | — | 1,000 | 1,965 | 747 | (14) |
| RAM Payment, LLC | Financial Services | 6.00% PIK | — | — | — | 86,000 | 1,169 | 2,375 | (14) |
| **Total Preferred Stock and Units** | | | | | | | 6,810 | 6,793 | |
| **Common Stock and Membership Units - 18.0%** | | | | | | | | | |
| Burgaflex Holdings, LLC - Class A | Automobile Part Manufacturer | — | — | — | — | 1,253,198 | 1,504 | 2,889 | |
| Burgaflex Holdings, LLC - Class B | Automobile Part Manufacturer | — | — | — | — | 1,085,073 | 362 | 2,265 | |
| GA Communications, Inc. - Series B-1 | Advertising & Marketing Services | — | — | — | — | 200,000 | 2 | 1,498 | |
| GreenPark Infrastructure, LLC - Series M-1 | Industrials | — | — | — | — | 200 | 69 | 69 | (6)(12) |
| MMI Holdings, LLC | Medical Device Distributor | — | — | — | — | 45 | — | — | |
| Nth Degree Investment Group, LLC | Business Services | — | — | — | — | 6,088,000 | 6,088 | 10,078 | |
| Sierra Hamilton Holdings Corporation | Oil & Gas Engineering and Consulting Services | — | — | — | — | 27,396,364 | 6,958 | 528 | |
| **Total Common Stock and Membership Units** | | | | | | | 14,983 | 17,327 | |
| **Total Investments in Affiliated Portfolio Companies^** | | | | | | | 26,836 | 29,165 | |
| **Total Investments - 214.7%** | | | | | | | $ 219,167 | $ 206,589 | |

^ As defined in the Investment Company Act of 1940, as amended (the “1940 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 1940 Act, the investment is deemed to be a “controlled affiliated person” of the Company because the Company owns, either directly or indirectly, 25% or more of the portfolio company's outstanding voting securities or has the power to exercise control over management or policies of such portfolio company.

(+) Represents the actual interest rate for partially or fully funded debt in effect as of the reporting date. Variable rate loans bear interest at a rate that may be determined by the larger of the floor of the reference to either LIBOR (“L”), SOFR or alternate base rate (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 6 month, 3 month, or 1 month L rates. SOFR loans are typically indexed to 6 month, 3 month, or 1 month SOFR rates. As of June 30, 2023, rates for the 6 month, 3 month, and 1 month L are 5.76%, 5.55%, and 5.22%, respectively. As of June 30, 2023, rates for the 12 months, 6 month, 3 month and 1 month SOFR are 5.40%, 5.39%, 5.27%, and 5.14%, respectively. As of June 30, 2023, P was 8.25%. For investments with multiple reference rates or alternate base rates, the interest rate shown is the weighted average interest rate in effect at June 30, 2023.

(++) Par amount is presented for debt investments, while the number of shares or units owned is presented for equity investments.

(1) All investments valued using unobservable inputs (Level 3), unless otherwise noted.

(2) The fair value of each of the Company’s investments is determined in good faith using significant unobservable inputs by the Investment Adviser in its role as “valuation designee” in accordance with Rule 2a-5 under the 1940 Act, pursuant to valuation policies and procedures that have been approved by the Company’s board of directors (the “Board”).

(3) All debt investments are income producing, unless otherwise noted. Equity and warrant investments are non-income producing, unless otherwise noted.

(4) Percentages are based on net assets as of June 30, 2023.

(5) The Company generally acquires its investments in private transactions exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”). These investments are generally subject to certain limitations on resale, and may be deemed to be “restricted securities” under the Securities Act.

(6) Investment is held through our Taxable Subsidiary (See Note 1).

(7) Non-accrual investment.

(8) 1.0% of interest rate payable in cash. The remainder of interest rate payable is either in cash or paid-in-kind at borrower's election.

(9) 15.0% of interest rate payable in cash or paid-in-kind at borrower's election.

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

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

(12) The Company has an unfunded loan or investment commitment to the portfolio company at June 30, 2023. (See Note 2).

(13) Collateralized loan obligations (“CLO” or “CLO's”) are entitled to periodic distributions which are generally equal to the remaining cash flow of the payments made by the underlying fund’s investments less contractual payments to debt holders and fund expenses. The estimated annualized effective yield indicated is based upon a current projection of the amount and timing of these distributions. Such projections are updated on a quarterly basis and the estimated effective yield is adjusted prospectively.

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

(15) The investment is treated as a non-qualifying asset under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of our total assets. As of June 30, 2023, qualifying assets represent 98.7% of the Company’s total assets and non-qualifying assets represent 1.3% of the Company’s total assets.

(16) All or a portion of this security is pledged as collateral under the KeyBank Credit Facility and held through the Company's wholly-owned subsidiary Capitala Business Lending, LLC.

(17) The negative cost is the result of the capitalized discount being greater than the principal amount outstanding on the loan.

(18) Classified as Level 2 investment.

See accompanying notes to consolidated financial statements.

**LOGAN RIDGE FINANCE CORPORATION**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
**(in thousands, except for units/shares)**
**December 31, 2022**

| Investment (1), (2), (3), (4), (5) | Industry | Interest Rate (+) | Reference Rate and Spread (+) | Floor (+) | Maturity | Par/Shares (++) | Cost | Fair Value | Footnotes |
|---|---|---|---|---|---|---|---|---|---|
| **Investments in Non-Control, Non-Affiliate Portfolio Companies - 186.6%** | | | | | | | | | |
| **First Lien/Senior Secured Debt - 137.7%** | | | | | | | | | |
| Accordion Partners LLC | Industrials | 10.83% | SOFR + 6.25% | 0.75% | 08/29/2029 | $ 4,565 | $ 4,457 | $ 4,463 | (12)(16) |
| Accordion Partners LLC (Revolver) | Industrials | — | SOFR + 6.25% | 0.75% | 08/31/2028 | — | (33 ) | (29 ) | (12) |
| Accurate Background, LLC | Information Technology | 10.03% | L + 6.00% | 1.00% | 03/26/2027 | 4,458 | 4,131 | 4,302 | (16) |
| AIDC Intermediateco 2, LLC (Peak Technologies) | Information Technology | 10.44% | SOFR + 6.40% | 1.00% | 07/22/2027 | 5,000 | 4,918 | 4,857 | (16) |
| Alternative Biomedical Solutions, LLC | Healthcare | 8.00% | — | — | 12/18/2022 | 6,941 | 6,941 | 5,988 | |
| American Academy Holdings, LLC | Healthcare | 15.38% | L + 4.75%, 6.25% PIK | 1.00% | 01/01/2025 | 2,506 | 2,486 | 2,459 | (16) |
| American Clinical Solutions, LLC | Healthcare | 11.27% | L + 7.00%, 4.27% PIK | — | 12/31/2024 | 3,500 | 3,500 | 3,203 | |
| AP Core Holdings II, LLC | Information Technology | 9.88% | L + 5.50% | 0.75% | 07/21/2027 | 1,172 | 1,158 | 1,065 | (16) |
| AP Core Holdings II, LLC | Information Technology | 9.88% | L + 5.50% | 0.75% | 07/21/2027 | 1,250 | 1,235 | 1,131 | (16) |
| Beta Plus Technologies | Financials | 8.87% | SOFR + 4.75% | — | 07/02/2029 | 2,993 | 2,937 | 2,918 | (16) |
| Beta Plus Technologies (Revolver) | Financials | — | SOFR + 4.25% | — | 07/02/2027 | — | — | (18 ) | (12) |
| Bradshaw International, Inc. | Consumer Discretionary | 10.19% | L + 5.75% | 1.00% | 10/21/2027 | 501 | 491 | 462 | (16) |
| Bradshaw International, Inc. (Revolver) | Consumer Discretionary | — | L + 5.75% | 1.00% | 10/21/2026 | — | (18 ) | (71 ) | (12) |
| CIMSense | Financials | 9.92% | SOFR + 5.50% | 1.00% | 12/17/2026 | 2,921 | 2,902 | 2,772 | (16) |
| Critical Nurse Staffing, LLC | Healthcare | 10.48% | L + 6.00% | 1.00% | 10/30/2026 | 5,864 | 5,771 | 5,765 | (12)(16) |
| Critical Nurse Staffing, LLC (Revolver) | Healthcare | 10.70% | L + 6.00% | 1.00% | 10/30/2026 | 300 | 287 | 287 | (12) |
| Datalink, LLC | Healthcare | 11.48% | L + 6.75% | 1.00% | 11/23/2026 | 5,843 | 5,843 | 5,799 | (16) |
| Dentive, LLC | Healthcare | 11.53% | SOFR + 7.00% | 1.00% | 12/26/2028 | 1,215 | 1,170 | 1,170 | (12)(16) |
| Dentive, LLC (Revolver) | Healthcare | — | SOFR + 7.00% | 1.00% | 12/26/2028 | — | (6 ) | (6 ) | (12) |
| Dodge Data & Analytics LLC | Information Technology | 9.79% | SOFR + 4.75% | 1.00% | 02/12/2029 | 1,493 | 1,473 | 1,183 | (16) |
| Epic Staffing Group | Industrials | 10.40% | SOFR + 6.00% | — | 06/28/2029 | 4,107 | 3,831 | 3,856 | (12)(16) |
| Florida Food Products, LLC | Consumer Staples | 9.32% | SOFR + 5.00% | 0.75% | 10/18/2028 | 2,000 | 1,888 | 1,928 | (16) |
| Fortis Payment Solutions | Financials | 9.93% | SOFR + 5.25% | 1.00% | 02/13/2026 | 2,918 | 2,903 | 2,886 | (16) |
| Grindr Capital, LLC | Information Technology | 12.52% | SOFR + 8.00% | — | 11/14/2027 | 2,000 | 1,981 | 1,988 | (16) |
| Heads Up Technologies | Industrials | 10.14% | SOFR + 5.50% | 0.75% | 08/10/2028 | 2,926 | 2,899 | 2,889 | (16) |
| Hudson Hospital OpCo, LLC | Healthcare | 12.22% | SOFR + 8.00% | 3.00% | 11/04/2023 | 2,380 | 2,380 | 2,380 | (16) |
| HUMC Opco, LLC | Healthcare | 12.22% | SOFR + 8.00% | 3.00% | 11/04/2023 | 3,967 | 3,967 | 3,927 | (16) |
| IJKG OpCo, LLC | Healthcare | 12.22% | SOFR + 8.00% | 3.00% | 11/04/2023 | 1,020 | 1,020 | 1,020 | (16) |
| JO ET Holdings Limited | Information Technology | 17.53% | SOFR + 6.00%, 7.00% PIK | 1.00% | 12/15/2026 | 1,063 | 1,047 | 1,049 | (16) |
| Jurassic Quest Holdings, LLC | Entertainment | 11.62% | L + 7.50% | 2.00% | 05/01/2024 | 7,855 | 7,855 | 7,459 | (16) |
| Keg Logistics LLC | Consumer Discretionary | 10.70% | L + 6.00% | 1.00% | 11/23/2027 | 7,460 | 7,368 | 7,198 | (16) |
| Keg Logistics LLC (Revolver) | Consumer Discretionary | 10.32% | L + 6.00% | 1.00% | 11/23/2027 | 436 | 425 | 405 | (12) |
| Lucky Bucks, LLC | Consumer Discretionary | 10.43% | L + 5.50% | 0.75% | 07/21/2027 | 2,850 | 2,806 | 1,679 | |
| Marble Point Credit Management LLC | Financials | 10.75% | L + 6.00% | 1.00% | 08/11/2028 | 5,504 | 5,382 | 5,504 | (16) |
| Marble Point Credit Management LLC (Revolver) | Financials | — | L + 6.00% | 1.00% | 08/11/2028 | — | (20 ) | — | (12) |
| Material Handling Systems, Inc. | Industrials | 10.08% | SOFR + 5.50% | 1.00% | 06/08/2029 | 1,995 | 1,800 | 1,736 | (16) |
| Money Transfer Acquisition Inc. | Financials | 12.67% | SOFR + 8.25% | 1.00% | 12/14/2027 | 7,000 | 6,861 | 6,860 | (16) |
| Neptune BidCo US Inc. | Communication Services | 8.82% | SOFR + 5.00% | — | 04/11/2029 | 1,000 | 891 | 896 | (16) |
| Patriot Pickle, Inc. | Consumer Staples | 10.16% | SOFR + 5.43% | — | 04/13/2027 | 2,919 | 2,898 | 2,897 | (16) |
| Premier Imaging, LLC | Healthcare | 10.13% | L + 5.75% | 1.00% | 01/02/2025 | 2,596 | 2,566 | 2,537 | (12)(16) |
| RN Enterprises, LLC | Healthcare | 10.78% | SOFR + 6.50% | 1.00% | 12/23/2025 | 980 | 960 | 960 | (16) |
| Sequoia Healthcare Management, LLC | Healthcare Management | — | — | — | 11/04/2023 | 11,935 | 11,935 | 9,695 | (7) |
| Shock Doctor, Inc. | Consumer Discretionary | 9.37% | SOFR + 5.00% | 1.00% | 05/14/2024 | 2,269 | 2,262 | 2,232 | (16) |
| South Street Securities Holdings, Inc. | Financials | 9.00% | — | — | 09/20/2027 | 450 | 380 | 372 | (16) |
| STG Logistics | Industrials | 10.32% | SOFR + 6.00% | 0.75% | 03/24/2028 | 2,494 | 2,418 | 2,447 | (16) |
| Symplr Software, Inc. | Healthcare | 8.69% | SOFR + 4.50% | 0.75% | 12/22/2027 | 1,687 | 1,684 | 1,417 | (16) |
| Wealth Enhancement Group, LLC | Financials | 10.00% | SOFR + 6.00% | 1.00% | 10/02/2027 | 6,959 | 6,933 | 6,897 | (16) |
| Wealth Enhancement Group, LLC (Revolver) | Financials | — | SOFR + 6.00% | 1.00% | 10/02/2027 | — | (2 ) | (4 ) | (12) |
| **Total First Lien/Senior Secured Debt** | | | | | | | 136,961 | 130,810 | |
| **Second Lien/Senior Secured Debt - 5.9%** | | | | | | | | | |
| American Academy Holdings, LLC | Healthcare | 14.50% PIK | — | — | 03/01/2028 | 3,584 | 3,502 | 2,912 | (16) |
| BLST Operating Company, LLC | Online Merchandise Retailer | 12.94% | L + 8.50% | 0.50% | 08/28/2025 | 912 | 912 | 884 | (8)(16) |
| Ivanti Software, Inc. | Information Technology | 12.01% | L + 7.25% | 0.50% | 12/01/2028 | 3,000 | 2,987 | 1,755 | |
| **Total Second Lien/Senior Secured Debt** | | | | | | | 7,401 | 5,551 | |
| **Subordinated Debt - 27.2%** | | | | | | | | | |
| Eastport Holdings, LLC | Business Services | 13.17% | SOFR + 8.50% | 1.00% | 09/29/2027 | 19,250 | 19,250 | 19,250 | |
| Lucky Bucks, LLC | Consumer Discretionary | 12.50% PIK | — | — | 05/29/2028 | 2,261 | 2,227 | 1,600 | |
| Tubular Textile Machinery, Inc. | Textile Equipment Manufacturer | 5.00% | — | — | 10/29/2027 | 5,094 | 5,094 | 5,001 | |
| **Total Subordinated Debt** | | | | | | | 26,571 | 25,851 | |
| **Collateralized Loan Obligations - 5.2%** | | | | | | | | | |
| JMP Credit Advisors CLO IV Ltd. | Financials | 24.43% | — | — | 07/17/2029 | 7,891 | 1,723 | 1,723 | (13)(15) |
| JMP Credit Advisors CLO V Ltd. | Financials | 2.16% | — | — | 07/17/2030 | 7,320 | 4,462 | 3,249 | (13)(15) |
| **Total Collateralized Loan Obligations** | | | | | | | 6,185 | 4,972 | |
| **Preferred Stock and Units - 2.3%** | | | | | | | | | |
| Alternative Biomedical Solutions, LLC - Series A | Healthcare | — | — | — | — | 15,553 | 1,276 | — | |
| Alternative Biomedical Solutions, LLC - Series B | Healthcare | — | — | — | — | 54,084 | 3,949 | — | |
| Alternative Biomedical Solutions, LLC - Series C | Healthcare | — | — | — | — | 78,900 | — | — | |
| American Academy Holdings, LLC | Healthcare | | | | | 102,261 | — | 118 | (6) |
| Jurassic Quest Holdings, LLC | Entertainment | — | — | — | — | 467,784 | 480 | — | (6) |
| MicroHoldco, LLC | General Industrial | — | — | — | — | 740,237 | 749 | 641 | (11) |
| Taylor Precision Products, Inc. - Series C | Household Product Manufacturer | — | — | — | — | 379 | 758 | 758 | |
| U.S. BioTek Laboratories, LLC - Class A | Testing Laboratories | — | — | — | — | 500 | 540 | 671 | |
| **Total Preferred Stock and Units** | | — | — | — | — | | 7,752 | 2,188 | |

See accompanying notes to consolidated financial statements.

**(in thousands, except for units/shares)**

| Investment (1), (2), (3), (4), (5) | Industry | Interest Rate (+) | Reference Rate and Spread (+) | Floor (+) | Maturity | Par/Shares (++) | Cost | Fair Value | Footnotes |
|---|---|---|---|---|---|---|---|---|---|
| **Common Stock and Membership Units - 8.3%** | | — | — | — | — | | | | |
| Alternative Biomedical Solutions, LLC | Healthcare | — | — | — | — | 20,092 | 800 | — | |
| Alternative Biomedical Solutions, LLC - Membership Unit Warrants | Healthcare | — | — | — | — | 49,295 | — | — | |
| American Academy Holdings, LLC | Healthcare | — | — | — | — | 0.05 | — | 196 | (6) |
| American Clinical Solutions, LLC - Class A | Healthcare | — | — | — | — | 6,030,384 | 3,198 | 2,462 | (6) |
| Aperture Dodge 18 LLC | Financials | | | | | 2,033,247 | 2,033 | 2,033 | |
| BLST Operating Company, LLC - Class A | Online Merchandise Retailer | — | — | — | — | 217,013 | 286 | 2,817 | (6) |
| Freedom Electronics, LLC | Electronic Machine Repair | — | — | — | — | 181,818 | 182 | 271 | |
| South Street Securities Holdings, Inc. - Warrants | Financials | | | | | 567 | 65 | 65 | |
| U.S. BioTek Laboratories, LLC - Class C | Testing Laboratories | — | — | — | — | 578 | 1 | 52 | |
| **Total Common Stock and Membership Units** | | | | | | | 6,565 | 7,896 | |
| **Total Investments in Non-Control, Non-Affiliate Portfolio Companies** | | | | | | | 191,435 | 177,268 | |
| **Investments in Affiliated Portfolio Companies - 27.7%^** | | | | | | | | | |
| **First Lien/Senior Secured Debt - 6.4%** | | | | | | | | | |
| MMI Holdings, LLC | Medical Device Distributor | 12.00% | — | — | 04/01/2022 | 2,600 | 2,600 | 2,600 | |
| RAM Payment, LLC (First Out) | Financial Services | 9.12% | L + 5.00% | 1.50% | 01/04/2024 | 939 | 939 | 939 | (16) |
| RAM Payment, LLC (Last Out) | Financial Services | 12.45% | — | 1.50% | 01/04/2024 | 2,547 | 2,547 | 2,547 | (10)(16) |
| **Total First Lien/Senior Secured Debt** | | | | | | | 6,086 | 6,086 | |
| **Second Lien/Senior Secured Debt - 1.0%** | | | | | | | | | |
| MMI Holdings, LLC | Medical Device Distributor | 6.00% | — | — | 04/01/2022 | 400 | 388 | 400 | |
| Sierra Hamilton Holdings Corporation | Oil & Gas Engineering and Consulting Services | 15.00% PIK | — | — | 09/12/2023 | 4 | 4 | 4 | (9) |
| V12 Holdings, Inc. | Data Processing & Digital Marketing | — | — | — | — | 509 | 490 | 509 | (11) |
| **Total Second Lien/Senior Secured Debt** | | | | | | | 882 | 913 | |
| **Joint Ventures - 0.4%** | | | | | | | | | |
| Great Lakes Funding II LLC - Series A | Financials | — | — | — | — | 414 | 414 | 403 | (12)(15) |
| **Total Joint Ventures** | | | | | | | 414 | 403 | |
| **Preferred Stock and Units - 8.7%** | | | | | | | | | |
| GA Communications, Inc. - Series A-1 | Advertising & Marketing Services | — | — | — | — | 1,998 | 3,477 | 3,562 | |
| GreenPark Infrastructure, LLC - Series A | Industrials | — | — | — | — | 400 | 200 | 200 | (6) |
| MMI Holdings, LLC | Medical Device Distributor | 8.00% PIK | — | — | — | 1,000 | 1,904 | 1,360 | (14) |
| RAM Payment, LLC | Financial Services | 6.00% PIK | — | — | — | 86,000 | 1,135 | 3,165 | (14) |
| **Total Preferred Stock and Units** | | | | | | | 6,716 | 8,287 | |
| **Common Stock and Membership Units - 11.2%** | | | | | | | | | |
| Burgaflex Holdings, LLC - Class A | Automobile Part Manufacturer | — | — | — | — | 1,253,198 | 1,504 | 2,802 | |
| Burgaflex Holdings, LLC - Class B | Automobile Part Manufacturer | — | — | — | — | 1,085,073 | 362 | 2,190 | |
| GA Communications, Inc. - Series B-1 | Advertising & Marketing Services | — | — | — | — | 200,000 | 2 | — | |
| GreenPark Infrastructure, LLC - Series M-1 | Industrials | — | — | — | — | 200 | 69 | 69 | (6)(12) |
| MMI Holdings, LLC | Medical Device Distributor | — | — | — | — | 45 | — | — | |
| Nth Degree Investment Group, LLC | Business Services | — | — | — | — | 6,088,000 | 6,088 | 5,320 | |
| Sierra Hamilton Holdings Corporation | Oil & Gas Engineering and Consulting Services | — | — | — | — | 15,068,000 | 6,958 | 254 | |
| **Total Common Stock and Membership Units** | | | | | | | 14,983 | 10,635 | |
| **Total Investments in Affiliated Portfolio Companies^** | | | | | | | 29,081 | 26,324 | |
| **Total Investments - 214.3%** | | | | | | | $ 220,516 | $ 203,592 | |

^ As defined in the 1940 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 1940 Act, the investment is deemed to be a “controlled affiliated person” of the Company because the Company owns, either directly or indirectly, 25% or more of the portfolio company's outstanding voting securities or has the power to exercise control over management or policies of such portfolio company.

(+) Represents the actual interest rate for partially or fully funded debt in effect as of the reporting date. Variable rate loans bear interest at a rate that may be determined by the larger of the floor of the reference to either LIBOR ("L"), SOFR, or alternate base rate (unless otherwise noted) at the borrower's option, which reset periodically based on the terms of the credit agreement. L loans are typically indexed to 6 month, 3 month, or 1 month L rates. SOFR loans are typically indexed to 6 month, 3 month, or 1 month SOFR rates. As of December 31, 2022, rates for the 6 month, 3 month, and 1 month L are 5.14%, 4.77% and 4.39%, respectively. As of December 31, 2022, rates for the 6 month, 3 month, and 1 month SOFR are 4.78%, 4.59% and 4.36%, respectively. For investments with multiple reference rates or alternate base rates, the interest rate shown is the weighted average interest rate in effect at December 31, 2022.

(++) Par amount is presented for debt investments, while the number of shares or units owned is presented for equity investments.

(1) All investments valued using unobservable inputs (Level 3), unless otherwise noted.

(2) The fair value of each of the Company’s investments is determined in good faith using significant unobservable inputs by the Adviser in its role as “valuation designee” in accordance with Rule 2a-5 under the 1940 Act, pursuant to valuation policies and procedures that have been approved by the Company’s board of directors (the “Board”).

(3) All debt investments are income producing, unless otherwise noted. Equity and warrant investments are non-income producing, unless otherwise noted.

(4) Percentages are based on net assets as of December 31, 2022.

(5) The Company generally acquires its investments in private transactions exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"). These investments are generally subject to certain limitations on resale, and may be deemed to be "restricted securities" under the Securities Act.

(6) Investment is held through our Taxable Subsidiary (See Note 1).

(7) Non-accrual investment.

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

(9) 15.0% interest rate payable in cash or paid-in-kind at borrower's election.

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

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

(12) The Company has an unfunded loan or investment commitment to the portfolio company at December 31, 2022. (See Note 2).

(13) Collateralized loan obligations ("CLO" or "CLO's") are entitled to periodic distributions which are generally equal to the remaining cash flow of the payments made by the underlying fund’s investments less contractual payments to debt holders and fund expenses. The estimated annualized effective yield indicated is based upon a current projection of the amount and timing of these distributions. Such projections are updated on a quarterly basis and the estimated effective yield is adjusted prospectively.

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

(15) The investment is treated as a non-qualifying asset under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of our total assets. As of December 31, 2022, qualifying assets represent 97.5% of the Company’s total assets and non-qualifying assets represent 2.5% of the Company’s total assets.

(16) All or a portion of this security is pledged as collateral under the KeyBank Credit Facility and held through the Company's wholly-owned subsidiary Capitala Business Lending, LLC.

See accompanying notes to consolidated financial statements.

**Note 1. Organization**

Logan Ridge Finance Corporation ("Logan Ridge", the "Company", "we", "us", and "our") is an externally managed non-diversified closed-end management investment company incorporated in Maryland on February 21, 2013. The Company has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). The Company commenced operations on May 24, 2013 and completed its initial public offering ("IPO") on September 30, 2013. The Company is managed by Mount Logan Management LLC (the "Investment Adviser"), an investment adviser that is registered as an investment adviser under the Investment Advisers Act of 1940, as amended, and BC Partners Management LLC (the "Administrator") provides 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. Accordingly, as of June 30, 2023 and December 31, 2022, there were no SBA-guaranteed debentures outstanding.

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

Capitala Business Lending, LLC ("CBL"), a wholly-owned subsidiary of the Company, was established on October 30, 2020, for the sole purpose of holding certain investments pledged as collateral under the Company's line of credit with KeyBank National Association (the "KeyBank Credit Facility"). See Note 6 for more details about the KeyBank Credit Facility. The financial statements of CBL are consolidated with those of Logan Ridge Finance Corporation.

**Definitive Agreement**

On April 20, 2021, Capitala Investment Advisors, LLC ("Capitala"), the Company's former investment adviser, entered into a definitive agreement (the "Definitive Agreement") with the Investment Adviser and Mount Logan Capital Inc. ("MLC"), both affiliates of BC Partners Advisors L.P. ("BC Partners") for U.S. regulatory purposes, whereby Mount Logan acquired certain assets related to Capitala's business of providing investment management services to the Company (the "Transaction"), through which the Investment Adviser became the Company's investment adviser pursuant to an investment advisory agreement (the "Investment Advisory Agreement") with the Company. At a special meeting of the Company's stockholders (the "Special Meeting") held on May 27, 2021, the Company's stockholders approved the Investment Advisory Agreement. The transactions contemplated by the Definitive Agreement closed on July 1, 2021 (the "Closing"). Unless earlier terminated in accordance with its terms, the Investment Advisory Agreement will remain in effect from year to year if approved annually by the Board or by a majority of our outstanding voting securities, including, in either case, by a majority of our directors who are not "interest persons" as such term is defined in Section 2(a)(19) of the 1940 Act ("Independent Directors"). The Board most recently approved the renewal of the Investment Advisory Agreement at a meeting on May 9, 2023.

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

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

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

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

## Note 2. Summary of Significant Accounting Policies

### Basis of Presentation

The Company is considered an investment company as defined in Accounting Standards Codification ("ASC") Topic 946 — Financial Services — Investment Companies ("ASC 946"). The accompanying unaudited consolidated financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Article 6 and Article 10 of Regulation S-X. Accordingly, certain disclosures accompanying our annual consolidated financial statements prepared in accordance with U.S. GAAP have been omitted. 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 June 30, 2023 and December 31, 2022 and for the periods ended June 30, 2023 and 2022 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.

The current period's results of operations are not necessarily indicative of results that ultimately may be achieved for the year. Additionally, the unaudited consolidated financial statements and notes should be read in conjunction with the audited consolidated financial statements and notes thereto appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the U.S. Securities and Exchange Commission ("SEC") on March 9, 2023.

### Use of Estimates in the Preparation of Financial Statements

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates under different assumptions and conditions. The most significant estimates in the preparation of the consolidated financial statements are investment valuation, revenue recognition and income taxes.

### Consolidation

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

### Cash and Cash Equivalents

The Company considers cash equivalents to be highly liquid investments with original maturities of three months or less at the date of purchase. The Company deposits its cash in financial institutions, and, at times, such balances may be in excess of the Federal Deposit Insurance Corporation insurance limits.

### Investment Classification

In accordance with the provisions of the 1940 Act, the Company classifies its investments by level of control. As defined in the 1940 Act, "Control Investments" are investments in those companies that the Company is deemed to "Control." "Affiliate Investments" are investments in those companies that are "Affiliated Companies" of the Company, as defined in the 1940 Act, other than Control Investments. "Non-Control/Non-Affiliate Investments" are those investments that are neither Control Investments nor Affiliate Investments. Generally, under the 1940 Act, the Company is deemed to control a company in which it has invested if the Company owns more than 25% of the voting securities of such company and/or has greater than 50% representation on its board or has the power to exercise control over management or policies of such portfolio company. The Company is deemed to be an affiliate of a company in which the Company has invested if it owns 5% or more of the voting securities of such company.

### Valuation of Investments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Enterprise Value Waterfall Approach*

The enterprise value waterfall approach determines an enterprise value based on earnings before interest, tax, depreciation, and amortization ("EBITDA") multiples of publicly traded companies that are considered similar to the subject portfolio company. The Company considers a variety of items in determining a reasonable pricing multiple, including, but not limited to, operating results, budgeted projections, growth, size, risk, profitability, leverage, management depth, diversification, market position, supplier or customer dependence, asset utilization, liquidity metrics, and access to capital markets. EBITDA of the portfolio company is adjusted for non-recurring items in order to reflect a normalized level of earnings that is representative of future earnings. In certain instances, the Company may also utilize revenue multiples to determine enterprise value. When available, the Company may assign a pricing multiple or value its investments based on the value of recent investment transactions in the subject portfolio company or offers to purchase the portfolio company. The enterprise value is adjusted for financial instruments with seniority to the Company's ownership and for the effect of any instrument which may dilute the Company's investment in the portfolio company. The adjusted enterprise value is then apportioned based on the seniority and privileges of the Company's investments within the portfolio company.

*Income Approach*

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

*Asset Approach*

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

**Revenue Recognition**

The Company's revenue recognition policies are as follows:

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

*Non-accrual investments:* Management reviews all loans that become 90 days or more past due, or when there is reasonable doubt that principal or interest will be collected, for possible placement on non-accrual status. When the Company otherwise does not expect the borrower to be able to service its debt and other obligations, the Company will place the loan on non-accrual status and will generally cease recognizing interest income and PIK interest on that loan for financial reporting purposes. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment. The Company writes off any previously accrued and uncollected interest when it is determined that interest is no longer considered collectible. Non-accrual loans are returned to accrual status when the borrower's financial condition improves such that management believes current interest and principal payments are expected to be collected. As of June 30, 2023, we had debt investments in two portfolio companies on non-accrual status with an aggregate amortized cost of $17.1 million and an aggregate fair value of $11.1 million, which represented 7.8% and 5.3% of the investment portfolio, respectively. As of December 31, 2022, we had a debt investment in one portfolio company on non-accrual status with aggregate amortized cost of $11.9 million and an aggregate fair value of $9.7 million, which represented 5.4% and 4.8% of the investment portfolio, respectively.

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

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

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

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

**General and Administrative Expenses**

General and administrative expenses are accrued as incurred. The Company's administrative expenses include personnel and overhead expenses allocable to the Company paid by and reimbursed to the Administrator under an administration agreement between the Company and the Administrator (the "Administration Agreement"). Other operating expenses such as legal and audit fees and director and officer insurance are generally paid directly by the Company.

**Deferred Financing Fees**

Costs incurred to issue the Company's debt obligations are capitalized and are amortized over the term of the debt agreements under the effective interest method. Deferred financing fees are presented as a direct deduction from the carrying amount of the corresponding debt liability in the consolidated statements 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.

**Commitments and Contingencies**

As of June 30, 2023 and December 31, 2022, the Company had the following unfunded commitments to existing portfolio companies (dollars in thousands):

| Portfolio Company | Investment | June 30, 2023 | December 31, 2022 |
|---|---|---|---|
| Accordion Partners LLC[1] | First Lien/Senior Secured Debt | $ — | $ 897 |
| Accordion Partners LLC (Revolver) | First Lien/Senior Secured Debt | 1,531 | 1,531 |
| BetaNXT, Inc. (Revolver) | First Lien/Senior Secured Debt | 453 | 453 |
| Bradshaw International, Inc. (Revolver) | First Lien/Senior Secured Debt | 922 | 922 |
| Critical Nurse Staffing, LLC[1] | First Lien/Senior Secured Debt | 2,063 | 2,063 |
| Critical Nurse Staffing, LLC (Revolver) | First Lien/Senior Secured Debt | 540 | 700 |
| Dentive, LLC[1] | First Lien/Senior Secured Debt | 541 | 598 |
| Dentive, LLC (Revolver) | First Lien/Senior Secured Debt | 187 | 187 |
| Epic Staffing Group[1] | First Lien/Senior Secured Debt | 872 | 872 |
| Great Lakes Funding II LLC - Series A | Joint Venture | 20 | 80 |
| GreenPark Infrastructure, LLC - Series M-1 | Common Stock and Membership Units | 732 | 732 |
| Keg Logistics LLC (Revolver) | First Lien/Senior Secured Debt | — | 436 |
| Marble Point Credit Management LLC (Revolver) | First Lien/Senior Secured Debt | N/A | 2,500 |
| Premier Imaging, LLC[1] | First Lien/Senior Secured Debt | 1,378 | 1,378 |
| PhyNet Dermatology LLC[1] | First Lien/Senior Secured Debt | 259 | N/A |
| Taoglas Group Holdings Limited (Revolver) | First Lien/Senior Secured Debt | 418 | N/A |
| VBC Spine Opco, LLC (DxTx Pain and Spine LLC)[1] | First Lien/Senior Secured Debt | 968 | N/A |
| VBC Spine Opco, LLC (DxTx Pain and Spine LLC) (Revolver) | First Lien/Senior Secured Debt | 145 | N/A |
| Wealth Enhancement Group, LLC (Revolver) | First Lien/Senior Secured Debt | 438 | 438 |
| Total Unfunded Commitments | | $ 11,467 | $ 13,787 |

(1) Delayed-draw term loan.

In the ordinary course of business, the Company may enter into contracts or agreements that contain indemnifications or warranties. Future events could occur that could lead to the execution of these provisions against the Company. Based on its history and experience, management believes that the likelihood of such an event is remote.

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

In management's opinion, no direct losses with respect to litigation contingencies were probable as of June 30, 2023 and December 31, 2022. Management is of the opinion that the ultimate resolution of such claims, if any, will not materially affect the Company's business, financial position, results of operations, or liquidity. Furthermore, in management's opinion, it is not possible to estimate a range of reasonably possible losses with respect to litigation contingencies.

**Income Taxes**

The Company has elected to be treated 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, 2022, 2021, 2020 and 2019 remain subject to examination by U.S. federal, state, and local tax authorities. No material interest expense or penalties have been assessed for the three and six months ended June 30, 2023 and 2022. 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.

For U.S. federal income tax purposes, as of June 30, 2023, the aggregate net unrealized depreciation for all securities was $13.6 million. As of June 30, 2023, gross unrealized appreciation was $13.3 million and gross unrealized depreciation was $26.9 million. The aggregate cost of securities for U.S. federal income tax purposes was $220.2 million as of June 30, 2023. For U.S. federal income tax purposes, as of December 31, 2022, the aggregate net unrealized depreciation for all securities was $18.3 million. As of December 31, 2022, gross unrealized appreciation was $13.1 million and gross unrealized depreciation was $31.4 million. The aggregate cost of securities for U.S. federal income tax purposes was $221.9 million as of December 31, 2022.

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 both June 30, 2023 and December 31, 2022, the Company recorded a net deferred tax asset of zero. For both the three and six months ended June 30, 2023 and 2022, the Company recorded a tax provision of zero. As of June 30, 2023 and December 31, 2022, the valuation allowance on the Company’s deferred tax asset was $3.9 million and $4.0 million, respectively. During both the three and six months ended June 30, 2023, the Company recognized a decrease in the valuation allowance of $0.1 million. During both the three and six months ended June 30, 2022, the Company recognized an increase in the valuation allowance of $0.4 million, 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.

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 June 30, 2023 and December 31, 2022, there were no uncertain tax positions.

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

**Distributions**

Distributions to the Company’s common stockholders are recorded on the record date. The amount to be paid out as a dividend is determined by the Board. Net capital gains, if any, are generally distributed at least annually, although we may decide to retain such capital gains for reinvestment.

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

**Company Investment Risk, Concentration of Credit Risk and Liquidity Risk**

The Investment Adviser has broad discretion in making investments for the Company. Investments will generally consist of debt and equity instruments that may be affected by business, financial market, or legal uncertainties. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Company’s activities and the value of its investments. In addition, the value of the Company’s portfolio may fluctuate as the general level of interest rates fluctuate.

The value of the Company’s investments may be detrimentally affected to the extent, among other things, that a borrower defaults on its obligations, there is insufficient collateral and/or there are extensive legal and other costs incurred in collecting on a defaulted loan. The value of the Company’s investments may also be detrimentally affected to the extent observable primary or secondary market yields for similar instruments issued by comparable companies increase materially or risk premiums in the market between smaller companies, such as our borrowers, and those for which market yields are observable increase materially.

The Investment Adviser may attempt to minimize this risk by maintaining low debt-to-liquidation values with each debt investment and the collateral underlying the debt investment.

The Company’s assets may, at any time, include securities and other financial instruments or obligations that are illiquid or thinly traded, making purchase or sale of such securities and financial instruments at desired prices or in desired quantities difficult. Furthermore, the sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to value any such investments accurately.

**Note 3. Investments and Fair Value Measurements**

The Company’s investment objective is to generate both current income and capital appreciation through debt and equity investments. The Company offers customized financing to business owners, management teams, and financial sponsors for change of ownership transactions, recapitalizations, strategic acquisitions, business expansion, and other growth initiatives. The Company invests in first lien loans, and, to a lesser extent, second lien loans and equity securities issued by lower middle-market and traditional middle-market companies. As of June 30, 2023, our portfolio consisted of investments in 62 portfolio companies with a fair value of approximately $206.6 million. As of December 31, 2022, our portfolio consisted of investments in 59 portfolio companies with a fair value of approximately $203.6 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 June 30, 2023, 0.6% of the fair value of our first lien loans consisted of last-out loans. As of December 31, 2022, 1.9% of the fair value of our first lien loans consisted of last-out loans. In some cases, first lien loans may be subordinated, solely with respect to the payment of cash interest, to an asset based revolving credit facility.

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

During the three months ended June 30, 2023, we made approximately $4.8 million of investments and had approximately $4.4 million in repayments and sales, resulting in net deployment of approximately $0.4 million for the period. During the three months ended June 30, 2022, the Company made approximately $30.7 million of investments and had approximately $58.3 million in repayments and sales, resulting in net repayments and sales of approximately $27.6 million for the period.

During the six months ended June 30, 2023, we made approximately $12.2 million of investments and had approximately $11.2 million in repayments and sales, resulting in net deployment of approximately $1.0 million for the period. During the six months ended June 30, 2022, the Company made approximately $47.1 million of investments and had approximately $66.7 million in repayments and sales, resulting in net repayments and sales of approximately $19.6 million for the period.

As of June 30, 2023, the Company's Investment Adviser approved the fair value of the Company's investment portfolio of approximately $206.6 million in good faith in accordance with the Company's valuation procedures. The Company's Investment Adviser approved the fair value of the Company's investment portfolio as of June 30, 2023 with input from third-party valuation firms and the Investment Adviser, as valuation designee, based on information known or knowable as of the valuation date, including trailing and forward looking data.

The composition of our investments as of June 30, 2023, at amortized cost and fair value was as follows (dollars in thousands):

| | Investments at Amortized Cost | Amortized Cost Percentage of Total Portfolio | Investments at Fair Value | Fair Value Percentage of Total Portfolio |
|---|---|---|---|---|
| First Lien Debt | $ 144,849 | 66.1 % | $ 138,045 | 66.8 % |
| Second Lien Debt | 8,614 | 4.0 % | 7,102 | 3.4 % |
| Subordinated Debt | 26,573 | 12.1 % | 24,709 | 12.0 % |
| Collateralized Loan Obligations | 2,440 | 1.1 % | 2,440 | 1.2 % |
| Joint Venture | 475 | 0.2 % | 460 | 0.2 % |
| Equity | 36,216 | 16.5 % | 33,833 | 16.4 % |
| Total | $ 219,167 | 100.0 % | $ 206,589 | 100.0 % |

The composition of our investments as of December 31, 2022, at amortized cost and fair value was as follows (dollars in thousands):

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

As noted above, the Company values all investments in accordance with Rule 2a-5 under the 1940 Act and ASC 820. ASC 820 requires enhanced disclosures about assets and liabilities that are measured and reported at fair value. As defined in ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability of inputs used in measuring investments at fair value. Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Based on the observability of the inputs used in the valuation techniques, the Company is required to provide disclosures on fair value measurements according to the fair value hierarchy. The fair value hierarchy ranks the observability of the inputs used to determine fair values. Investments carried at fair value are classified and disclosed in one of the following three categories:

- Level 1 — Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2 — Valuations based on inputs other than quoted prices in active markets, which are either directly or indirectly observable.
- Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Company employs 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 the 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 June 30, 2023, according to the fair value hierarchy (dollars in thousands):

| | Fair Value Measurements | | | | |
|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **NAV** | **Total** |
| First Lien Debt | $ — | $ 7,605 | $ 130,440 | $ — | $ 138,045 |
| Second Lien Debt | — | — | 7,102 | — | 7,102 |
| Subordinated Debt | — | — | 24,709 | — | 24,709 |
| Collateralized Loan Obligations | — | — | 2,440 | — | 2,440 |
| Joint Venture | — | — | — | 460 | 460 |
| Equity | — | 637 | 33,196 | — | 33,833 |
| Total | $ — | $ 8,242 | $ 197,887 | $ 460 | $ 206,589 |

The following table presents fair value measurements of investments, by major class, as of December 31, 2022, according to the fair value hierarchy (dollars in thousands):

| | Fair Value Measurements | | | | |
|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **NAV** | **Total** |
| First Lien Debt | $ — | $ — | $ 136,896 | $ — | $ 136,896 |
| Second Lien Debt | — | — | 6,464 | — | 6,464 |
| Subordinated Debt | — | — | 25,851 | — | 25,851 |
| Collateralized Loan Obligations | — | — | 4,972 | — | 4,972 |
| Joint Venture | — | — | — | 403 | 403 |
| Equity | — | — | 29,006 | — | 29,006 |
| Total | $ — | $ — | $ 203,189 | $ 403 | $ 203,592 |

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the six months ended June 30, 2023 (dollars in thousands):

| | **First Lien Debt** | **Second Lien Debt** | **Subordinated Debt** | **Collateralized Loan Obligations** | **Equity** | **Total** |
|---|---|---|---|---|---|---|
| Balance as of January 1, 2023 | $ 136,896 | $ 6,464 | $ 25,851 | $ 4,972 | $ 29,006 | $ 203,189 |
| Repayments/sales | (11,020) | — | — | (96) | (125) | (11,241) |
| Purchases | 12,077 | — | — | — | 103 | 12,180 |
| Payment-in-kind interest and dividends accrued | 374 | 310 | 2 | — | 97 | 783 |
| Accretion of original issue discount | 371 | 21 | — | 344 | — | 736 |
| Net realized (loss) gain on investments | — | — | — | (3,993) | 125 | (3,868) |
| Net change in unrealized (depreciation) appreciation on investments | (653) | 307 | (1,144) | 1,213 | 4,627 | 4,350 |
| Transfers out | (7,605) | | | | (637) | (8,242) |
| Balance as of June 30, 2023 | $ 130,440 | $ 7,102 | $ 24,709 | $ 2,440 | $ 33,196 | $ 197,887 |

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the six months ended June 30, 2022 (dollars in thousands):

| | **First Lien Debt** | **Second Lien Debt** | **Subordinated Debt** | **Collateralized Loan Obligations** | **Equity** | **Total** |
|---|---|---|---|---|---|---|
| Balance as of January 1, 2022 | $ 98,251 | $ 30,190 | $ 5,050 | $ 7,717 | $ 56,981 | $ 198,189 |
| Repayments/sales | (21,991) | (24,429) | — | (522) | (19,727) | (66,669) |
| Purchases | 22,448 | 3,086 | 21,272 | — | 269 | 47,075 |
| Payment-in-kind interest and dividends accrued | 79 | 155 | 108 | — | 98 | 440 |
| Accretion of original issue discount | 117 | 28 | 3 | 583 | — | 731 |
| Net realized gain (loss) on investments | 21 | (1) | — | (940) | 16,386 | 15,466 |
| Net change in unrealized (depreciation) appreciation on investments | (1,465) | (780) | (183) | (542) | (16,409) | (19,379) |
| Balance as of June 30, 2022 | $ 97,460 | $ 8,249 | $ 26,250 | $ 6,296 | $ 37,598 | $ 175,853 |

The net change in unrealized appreciation on investments held was $4.5 million and $6.2 million for the six months ended June 30, 2023 and 2022, respectively, and is included in net change in unrealized appreciation (depreciation) on investments on the consolidated statements of operations.

The valuation techniques and significant unobservable inputs used in recurring Level 3 fair value measurements of assets as of June 30, 2023 were as follows:

| | Fair Value (in millions) | Valuation Technique | Unobservable Input | Range of Input (Weighted Average)[2] |
|---|---|---|---|---|
| First lien debt | $ 4.9 | Market | Broker/Dealer Quotes | N/A |
| First lien debt | 119.5 | Income | Required Rate of Return | 6.3% – 30.0% (12.6%) |
| First lien debt | 6.1 | Enterprise Market Value | Revenue Multiple | 0.5x |
| Second lien debt | 2.9 | Market | Broker/Dealer Quotes | N/A |
| Second lien debt | 3.8 | Income | Required Rate of Return | 2.4% – 18.7% (16.5%) |
| Second lien debt | 0.4 | Enterprise Market Value | EBITDA Multiple | 4.7x |
| Subordinated debt | 24.1 | Income | Required Rate of Return | 5.8% – 11.2% (10.1%) |
| Subordinated debt | 0.6 | Enterprise Market Value | EBITDA Multiple | 7.0x |
| Collateralized Loan Obligations | 2.4 | Income | Discount Margin | 23.6% – 25.2% (24.7%) |
| Equity | 0.1 | Income | Stock Price<br>Time to Exit (Years)<br>Volatility | $103.5<br>2.0<br>35.0% |
| Equity | 30.7 | Enterprise Market Value and Asset[1] | EBITDA Multiple | 0.3x – 17.3x (6.4x) |
| Equity | 2.4 | Enterprise Market Value | Revenue Multiple | 0.5x – 1.2x (1.2x) |
| | $ 197.9 | | | |

(1) $1.0 million in equity was valued using the asset approach.
(2) The weighted averages disclosed in the table above were weighted by their relative fair value.

The valuation techniques and significant unobservable inputs used in recurring Level 3 fair value measurements of assets as of December 31, 2022 were as follows:

| | Fair Value (in millions) | Valuation Technique | Unobservable Input | Range of Input (Weighted Average)[2] |
|---|---|---|---|---|
| First lien debt | $ 7.4 | Market | Broker/Dealer Quotes | N/A |
| First lien debt | 123.5 | Income | Required Rate of Return | 6.0% – 30.0% (12.2%) |
| First lien debt | 6.0 | Enterprise Market Value | Revenue Multiple | 0.4x |
| Second lien debt | 2.6 | Market | Broker/Dealer Quotes | N/A |
| Second lien debt | 3.4 | Income | Required Rate of Return | 1.6% – 18.7% (16.1%) |
| Second lien debt | 0.4 | Enterprise Market Value | Revenue Multiple | 4.7x |
| Subordinated debt | 25.9 | Income | Required Rate of Return | 5.9% – 18.9% (10.4%) |
| Collateralized loan obligations | 5.0 | Income | Discount Margin | 21.5% – 24.8% (23.6%) |
| Equity | 0.1 | Income | Stock Price<br>Time to Exit (Years)<br>Volatility | $115.8<br>2.0<br>35.0% |
| Equity | 26.2 | Enterprise Market Value and Asset[1] | EBITDA Multiple | 3.3x – 15.8x (6.4x) |
| Equity | 2.7 | Enterprise Market Value | Revenue Multiple | 0.3x – 1.0x (0.9x) |
| | $ 203.2 | | | |

(1) $1.0 million in equity was valued using the asset approach.
(2) The weighted averages disclosed in the table above were weighted by their relative fair value.

The significant unobservable inputs used in the valuation of the Company’s investments are required rate of return, EBITDA multiples, revenue multiples, discount margin, stock price, projected time to exit and volatility. Changes in any of these unobservable inputs could have a significant impact on the Company’s estimate of fair value. An increase (decrease) in the required rate of return or discount margin will result in a lower (higher) estimate of fair value, respectively, while an increase (decrease) in adjusted EBITDA or revenue multiples, stock price, projected time to exit (option-pricing model) or volatility will result in a higher (lower) estimate of fair value, respectively.

***Great Lakes Funding II LLC***

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

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

The fair value of the Company’s investment in the Great Lakes II Joint Venture at June 30, 2023 and December 31, 2022 was $0.5 million and $0.4 million, respectively. Fair value has been determined utilizing the net asset value as a practical expedient pursuant to U.S. GAAP. Pursuant to the terms of the Great Lakes II LLC Agreement, the Company generally may not effect any direct or indirect sale, transfer, assignment, hypothecation, pledge or other disposition of or encumbrance upon its interests in the Great Lakes II Joint Venture, except that the Company may sell or otherwise transfer its interests with the consent of the managing members of the Great Lakes II Joint Venture or to an affiliate or a successor to substantially all of the assets of the Company.

As of June 30, 2023, the Company has an unfunded commitment to the Great Lakes II Joint Venture of less than $0.1 million.

## Note 4. Transactions With Affiliated Companies

During the six months ended June 30, 2023, the Company had investments in portfolio companies designated as affiliates under the 1940 Act. Transactions with affiliates were as follows (dollars in thousands):

| Company[4] | Type of Investment | Principal Amount | Amount of Interest, Fees or Dividends Credited to Income[1] | December 31, 2022 Fair Value | Gross Additions[2] | Gross Reductions[3] | Realized Gain/(Loss) | Unrealized Appreciation (Depreciation) | June 30, 2023 Fair Value |
|---|---|---|---|---|---|---|---|---|---|
| ***Affiliate investments*** | | | | | | | | | |
| Burgaflex Holdings, LLC | Common Stock Class A (1,253,198 shares) | $ — | $ — | $ 2,802 | $ — | $ — | $ — | $ 87 | $ 2,889 |
| Burgaflex Holdings, LLC | Common Stock Class B (1,085,073 shares) | — | — | 2,190 | — | — | — | 75 | 2,265 |
| | | | — | 4,992 | — | — | — | 162 | 5,154 |
| GA Communications, Inc. | Series A-1 Preferred Stock (1,998 shares) | — | — | 3,562 | — | (1) | — | (90) | 3,471 |
| GA Communications, Inc. | Series B-1 Common Stock (200,000 shares) | — | — | — | — | — | — | 1,498 | 1,498 |
| | | | — | 3,562 | — | (1) | — | 1,408 | 4,969 |
| Great Lakes Funding II LLC | Series A | — | 33 | 403 | 62 | (1) | — | (4) | 460 |
| | | | 33 | 403 | 62 | (1) | — | (4) | 460 |
| GreenPark Infrastructure, LLC | Series A (400 Units) | — | — | 200 | — | — | — | — | 200 |
| GreenPark Infrastructure, LLC | Series M-1 (200 Units) | — | — | 69 | — | — | — | — | 69 |
| | | | — | 269 | — | — | — | — | 269 |
| MMI Holdings, LLC | First Lien Debt (12.00% Cash, Due 4/1/22) | 2,600 | 158 | 2,600 | — | — | — | — | 2,600 |
| MMI Holdings, LLC | Second Lien Debt (6.00% Cash, Due 4/1/22) | 400 | 24 | 400 | 12 | — | — | (12) | 400 |
| MMI Holdings, LLC[5] | Preferred Units (1,000 units, 8.00% PIK Dividend) | — | 61 | 1,360 | 61 | — | — | (674) | 747 |
| MMI Holdings, LLC | Common Membership Units (45 units) | — | — | — | — | — | — | — | — |
| | | | 243 | 4,360 | 73 | — | — | (686) | 3,747 |
| Nth Degree Investment Group, LLC | Membership Units (6,088,000 units) | — | — | 5,320 | — | — | — | 4,758 | 10,078 |
| | | | — | 5,320 | — | — | — | 4,758 | 10,078 |
| RAM Payment, LLC | First Lien Debt (10.17% Cash (1 month LIBOR + 5.00%), 1.50% Floor), Due 1/4/24) | 289 | 17 | 939 | — | (650) | — | — | 289 |
| RAM Payment, LLC | First Lien Debt (13.50% Cash, Due 1/4/24) | 784 | 99 | 2,547 | — | (1,763) | — | (1) | 783 |
| RAM Payment, LLC[5] | Preferred Units (86,000 units, 6.00% PIK Dividend) | — | 34 | 3,165 | 34 | — | — | (824) | 2,375 |
| | | | 150 | 6,651 | 34 | (2,413) | — | (825) | 3,447 |
| Sierra Hamilton Holdings Corporation | Second Lien Debt (15.00% PIK, Due 9/12/23) | 4 | 1 | 4 | 1 | — | — | (1) | 4 |
| Sierra Hamilton Holdings Corporation | Common Stock (27,396,364 shares) | — | — | 254 | — | — | — | 274 | 528 |
| | | | 1 | 258 | 1 | — | — | 273 | 532 |
| V12 Holdings, Inc. | Second Lien Debt | 509 | — | 509 | — | — | — | — | 509 |
| | | | — | 509 | — | — | — | — | 509 |
| ***Total Affiliate investments*** | | | $ 427 | $ 26,324 | $ 170 | $ (2,415) | $ — | $ 5,086 | $ 29,165 |

(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.

During the year ended December 31, 2022, the Company had investments in portfolio companies designated as affiliates under the 1940 Act. Transactions with affiliates were as follows (dollars in thousands):

| Company[4] | Type of Investment | Principal Amount | Amount of Interest, Fees or Dividends Credited to Income[1] | December 31, 2021 Fair Value | Gross Additions[2] | Gross Reductions[3] | Realized Gain/(Loss) | Unrealized Appreciation (Depreciation) | December 31, 2022 Fair Value |
|---|---|---|---|---|---|---|---|---|---|
| ***Affiliate investments***[6] | | | | | | | | | |
| Burgaflex Holdings, LLC | Common Stock Class B (1,085,073 shares) | $ — | $ — | $ 1,528 | $ — | $ — | $ — | $ 662 | $ 2,190 |
| Burgaflex Holdings, LLC | Common Stock Class A (1,253,198 shares) | — | — | 1,193 | — | — | — | 1,609 | 2,802 |
| | | | — | 2,721 | — | — | — | 2,271 | 4,992 |
| GA Communications, Inc. | Series A-1 Preferred Stock (1,998 shares) | — | — | 4,394 | — | — | — | (832 ) | 3,562 |
| GA Communications, Inc. | Series B-1 Common Stock (200,000 shares) | — | — | 185 | — | — | — | (185 ) | — |
| | | | — | 4,579 | — | — | — | (1,017 ) | 3,562 |
| Great Lakes Funding II LLC | Series A | — | 14 | — | 517 | (103 ) | — | (11 ) | 403 |
| | | | 14 | — | 517 | (103 ) | — | (11 ) | 403 |
| GreenPark Infrastructure, LLC | Series A (400 Units) | — | — | — | 200 | — | — | — | 200 |
| GreenPark Infrastructure, LLC | Series M-1 (200 Units) | — | — | — | 69 | — | — | — | 69 |
| | | | — | — | 269 | — | — | — | 269 |
| LJS Partners, LLC | Preferred Units (202,336 units) | — | — | 843 | — | (979 ) | 542 | (406 ) | — |
| LJS Partners, LLC | Common Membership Units (2,593,234 units) | — | — | 7,164 | — | (2,354 ) | 1,130 | (5,940 ) | — |
| | | | — | 8,007 | — | (3,333 ) | 1,672 | (6,346 ) | — |
| MMI Holdings, LLC | First Lien Debt (12.0% Cash, Due 4/1/22) | 2,600 | 308 | 2,600 | — | — | — | — | 2,600 |
| MMI Holdings, LLC | Second Lien Debt (6.0% Cash, Due 4/1/22) | 400 | 24 | 400 | — | — | — | — | 400 |
| MMI Holdings, LLC[5] | Preferred Units (1,000 units, 8.0% PIK Dividend) | — | 118 | 1,898 | 118 | — | — | (656 ) | 1,360 |
| MMI Holdings, LLC | Common Membership Units (45 units) | — | — | 63 | — | — | — | (63 ) | — |
| | | | 450 | 4,961 | 118 | — | — | (719 ) | 4,360 |
| Nth Degree Investment Group, LLC | Membership Units (6,088,000 units) | — | — | — | — | — | — | 5,320 | 5,320 |
| | | | — | — | — | — | — | 5,320 | 5,320 |
| RAM Payment, LLC | First Lien Debt (6.5% Cash (1 month LIBOR + 5.0%), 1.5% Floor), Due 1/4/24) | 939 | 82 | 998 | — | (59 ) | — | — | 939 |
| RAM Payment, LLC | First Lien Debt (12.45% Cash, Due 1/4/24) | 2,547 | 291 | 2,706 | — | (159 ) | — | — | 2,547 |
| RAM Payment, LLC[5] | Preferred Units (86,000 units, 6.0% PIK Dividend) | — | 69 | 3,726 | 69 | — | — | (630 ) | 3,165 |
| | | | 442 | 7,430 | 69 | (218 ) | — | (630 ) | 6,651 |
| Sierra Hamilton Holdings Corporation | Second Lien Debt (15.0% PIK, Due 9/12/23) | 3 | 1 | 3 | 1 | — | — | — | 4 |
| Sierra Hamilton Holdings Corporation | Common Stock (15,068,000 shares) | — | — | 330 | — | — | — | (76 ) | 254 |
| | | | 1 | 333 | 1 | — | — | (76 ) | 258 |
| V12 Holdings, Inc. | Second Lien Debt | 509 | — | 509 | — | — | — | — | 509 |
| | | | — | 509 | — | — | — | — | 509 |
| ***Total Affiliate investments*** | | | $ 907 | $ 28,540 | $ 974 | $ (3,654 ) | $ 1,672 | $ (1,208 ) | $ 26,324 |
| ***Control investments*** | | | | | | | | | |
| Vology, Inc. | First Lien Debt (10.5% Cash (1 month LIBOR + 8.5%, 2.0% Floor), Due 3/31/22) | $ — | $ 228 | $ 3,635 | $ — | $ (3,635 ) | $ — | $ — | $ — |
| Vology, Inc. | Class A Preferred Units (9,041,810 Units) | — | — | 3,204 | — | — | (5,215 ) | 2,011 | — |
| Vology, Inc. | Membership Units (5,363,982 Units) | — | — | — | — | — | — | — | — |
| ***Total Control investments*** | | | $ 228 | $ 6,839 | $ — | $ (3,635 ) | $ (5,215 ) | $ 2,011 | $ — |

(1) Represents the total amount of interest, original issue discount, fees and dividends credited to income for the portion of the year an investment was included in Affiliate or Control categories, respectively.
(2) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, follow-on investments, accrued PIK and accretion of original issue discount. Gross additions also include transfers into Affiliate or Control classification.
(3) Gross reductions include decreases in the cost basis of investments resulting from principal repayments and sales. Gross reductions also include transfers out of Affiliate or Control classification.
(4) All debt investments are income producing. Equity and warrant investments are non-income producing, unless otherwise noted.
(5) The equity investment is income producing, based on rate disclosed.
(6) During the second quarter of 2022, Eastport Holdings, LLC completed a refinancing and recapitalization transaction. Logan Ridge received $16.5 million in cash and $19.3 million in principal of a new debt security in exchange for all of its previous debt and equity securities, which resulted in a realized gain of approximately $16.0 million on the Company's equity interest. As a result of this transaction, Eastport Holdings, LLC is no longer an affiliate of the Company.

**Note 5. Agreements and Related Party Transactions**

*Investment Advisory Agreement*

On July 1, 2021, the Company entered into the Investment Advisory Agreement with the Investment Adviser, which was approved by the Company's stockholders on May 27, 2021. Unless earlier terminated in accordance with its terms, the Investment Advisory Agreement will remain in effect from year to year if approved annually by the Board or by a majority of our Independent Directors. The Board most recently approved the renewal of the Investment Advisory Agreement ata meeting on May 9, 2023. Subject to the overall supervision of the Board, the Investment Adviser manages our day-to-day operations and provides investment advisory and management services to us. Under the terms of the Investment Advisory Agreement, the Investment Adviser:

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

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

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

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

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

The incentive fee consists of the following two parts:

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

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

The second part of the incentive fee is determined and payable in arrears as of the end of each calendar year, commencing on December 31, 2021, and equals 20.0% of the Company's realized capital gains, if any, on a cumulative basis with respect to each of the investments in the Company's portfolio from the fiscal quarter ending on or immediately prior to July 1, 2021 through the end of each calendar year beginning with the calendar year ending December 31, 2021, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis from September 30, 2021 through the end of each calendar year beginning with the calendar year ending December 31, 2021, less the aggregate amount of any previously paid capital gain fees under the Investment Advisory Agreement. Any realized capital gains, realized capital losses and unrealized capital depreciation with respect to the Company's portfolio as of the end of the fiscal quarter ending on or immediately prior to July 1, 2021 are excluded from the calculations of the capital gains fee. In the event that the Investment Advisory Agreement terminates as of a date that is not a calendar year end, the termination date 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 Adviser that would, when taken together with all other incentive fees paid to the Investment Adviser during the most recent 12 full calendar month period ending on or prior to the date such payment is to be made, exceed 20% of the sum of (a) the pre-incentive fee net investment income during such period, (b) the net unrealized appreciation or depreciation during such period and (c) the net realized capital gains or losses during such period. Any deferred incentive fees will be carried over for payment in subsequent calculation periods to the extent such payment is payable under the Investment Advisory Agreement. As of June 30, 2023 and December 31, 2022, the Company did not have incentive fees payable to the Investment Adviser related to fees earned in prior years but deferred under the incentive fee deferral mechanism.

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

For the three months ended June 30, 2023 and 2022, the Company incurred $0.9 million and $1.0 million in base management fees, respectively. The Company did not an earn incentive fee related to pre-incentive fee net investment income or capital gains for the three months ended June 30, 2023 and 2022.

For the six months ended June 30, 2023 and 2022, the Company incurred $1.9 million and $2.0 million in base management fees, respectively. The Company did not an earn incentive fee related to pre-incentive fee net investment income or capital gains for the six months ended June 30, 2023 and 2022.

As of June 30, 2023 and December 31, 2022, the Company had $0.9 million and $0.9 million, respectively, of management and incentive fees payable to the Investment Adviser. These amounts are reflected in the accompanying consolidated statements of assets and liabilities under the caption “Management and incentive fees payable.”

*Administration Agreement*

On July 1, 2021, the Company entered into the Administration Agreement, pursuant to which the Administrator has agreed to furnish the Company with office facilities, equipment and clerical, bookkeeping, and record keeping services at such facilities. The Administrator also performs or oversees the performance of the required administrative services, which include, among other things, being responsible for the financial records that the Company is required to maintain and preparing reports to our stockholders. In addition, the Administrator assists in determining and publishing the net asset value, oversees the preparation and filing of the tax returns and the printing and dissemination of reports to the stockholders, and generally oversees the payment of the expenses and the performance of administrative and professional services rendered to the Company by others.

Payments under the Administration Agreement are equal to an amount based upon the allocable portion of the Administrator’s overhead in performing its obligations under the Administration Agreement, including rent, the fees and expenses associated with performing compliance functions, and the allocable portion of the compensation of the chief financial officer, the chief compliance officer, and their respective administrative support staff. Under the Administration Agreement, the Administrator will also provide, on the Company’s behalf, managerial assistance to those portfolio companies that request such assistance. Unless terminated earlier in accordance with its terms, the Administration Agreement was renewed on May 9, 2023 for a period of one year effective July 1, 2023 and will remain in effect until July 1, 2024. It will remain in effect from year-to-year thereafter if approved annually by the Board. To the extent that the Administrator outsources any of its functions, the Company will pay the fees associated with such functions on a direct basis without any incremental profit to our Administrator. Stockholder approval is not required to amend the Administration Agreement.

For the three months ended June 30, 2023 and 2022, the Company accrued $0.2 million and $0.1 million, respectively, for the Company’s allocable portion of the Administrator’s overhead.

For the six months ended June 30, 2023 and 2022, the Company accrued $0.5 million and $0.3 million, respectively, for the Company’s allocable portion of the Administrator’s overhead.

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

*Co-investment Exemptive Relief*

As a BDC, the Company is subject to certain regulatory restrictions in making its investments. For example, BDCs generally are not permitted to co-invest with certain affiliated entities in transactions originated by the BDC or its affiliates in the absence of an exemptive order from the SEC. However, BDCs are permitted to, and may, simultaneously co-invest in transactions where price is the only negotiated term. On April 10, 2023, superseding a prior exemptive order granted on October 23, 2018, the SEC issued an order granting an application for exemptive relief to us and certain of our affiliates that allows BDCs managed by the Investment Adviser, including Logan Ridge, to co-invest, subject to the satisfaction of certain conditions, in certain private placement transactions, with other funds managed by the Investment Adviser or its affiliates, certain proprietary accounts of the Investment Adviser or its affiliates and any future funds that are advised by the Investment Adviser or its affiliated investment advisers.

Under the terms of the exemptive order, in order for the Company to participate in a co-investment transaction a “required majority” (as defined in Section 57(0) of the 1940 Act) of the Company's independent directors must conclude that (i) the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair to the Company and its stockholders and do not involve overreaching with respect of the Company or its stockholders on the part of any person concerned, and (ii) the proposed transaction is consistent with the interests of the Company's stockholders and is consistent with the Company's investment objectives and strategies and certain criteria established by the Board.

*Trade with Affiliated Funds*

There were no transactions subject to Rule 17a-7 under the 1940 Act during the three and six months ended June 30, 2023. During both the three and six months ended June 30, 2022, the Company sold $7.9 million in total investments to an affiliated fund in accordance with, and pursuant to procedures adopted under, Rule 17a-7 of the 1940 Act. Realized losses on those sales for the same periods amounted to less than $0.1 million, respectively.

*Potential Conflicts of Interest*

The members of the senior management and investment teams of the Investment Adviser serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as the Company does, or of investment vehicles managed by the same personnel. In serving in these multiple and other capacities, they may have obligations to other clients or investors in those entities, the fulfillment of which may or may not be in the Company's best interests or in the best interest of the Company's stockholders. The Company's investment objectives may overlap with the investment objectives of such investment funds, accounts or other investment vehicles.

**Note 6. Borrowings**

***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. On November 1, 2021, the Company notified the Trustee for the Company's 2022 Notes, of the Company's election to redeem $50.0 million aggregate principal amount of the 2022 Notes outstanding. The redemption was completed on December 6, 2021. On May 31, 2022, the remaining 2022 Notes reached maturity, and the entire outstanding principal of the 2022 Notes became payable and was paid by the Company. Accordingly, as of June 30, 2023 and December 31, 2022, there were no 2022 Notes outstanding.

The 2022 Notes were scheduled to mature on May 31, 2022 and could be redeemed in whole or in part at any time or from time to time at the Company's option on or after May 31, 2019 at a redemption price equal to 100% of the outstanding principal, plus accrued and unpaid interest. Interest on the 2022 Notes was payable quarterly. The 2022 Notes were listed on the NASDAQ Global Select Market under the trading symbol "CPTAL" with a par value of $25.00 per share.

The following table summarizes the interest expense, deferred financing costs, average outstanding balance, and average stated interest rate on the 2022 Notes for the three and six months ended June 30, 2023 and 2022 (dollars in thousands):

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Interest expense | N/A | $ 217 | N/A | $ 609 |
| Deferred financing costs | N/A | 18 | N/A | 45 |
| Total interest and financing expenses | N/A | $ 235 | N/A | $ 654 |
| Average outstanding balance | N/A | $ 15,055 | N/A | $ 18,923 |
| Average stated interest rate | N/A | 6.00 % | N/A | 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. On May 31, 2022, the 2022 Convertible Notes reached maturity, and the entire outstanding principal of the 2022 Convertible Notes became payable, and was paid by the Company. Accordingly, as of June 30, 2023 and December 31, 2022, there were no 2022 Convertible Notes outstanding.

The 2022 Convertible Notes were convertible, at the holder's option, into shares of the Company's common stock at any time on or prior to the close of business on the business day immediately preceding the maturity date. The conversion rate for the 2022 Convertible Notes was initially 1.5913 shares per $25.00 principal amount of 2022 Convertible Notes (equivalent to an initial conversion price of approximately $15.71 per share of common stock). The initial conversion premium was approximately 14.0%. As a result of the reverse stock split, the conversion rate for the 2022 Convertible Notes was 0.2652 shares per $25.00 principal amount of 2022 Convertible Notes (equivalent to a conversion price of approximately $94.26), effective August 21, 2020. Upon conversion, the Company was obligated to deliver shares of its common stock (and cash in lieu of fractional shares). The conversion rate was subject to adjustment if certain events occurred as outlined in the supplemental indenture relating to the 2022 Convertible Notes. The Company determined that the embedded conversion option in the 2022 Convertible Notes was not required to be separately accounted for as a derivative under U.S. GAAP.

In addition, pursuant to a "fundamental change", as defined in the supplemental indenture relating to the 2022 Convertible Notes, holders of the 2022 Convertible Notes could require the Company to repurchase for cash all or part of their 2022 Convertible Notes at a repurchase price equal to 100.0% of the principal amount of the 2022 Convertible Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the repurchase date. The 2022 Convertible Notes were not redeemable prior to maturity and no "sinking fund" was provided for the 2022 Convertible Notes.

The following table summarizes the interest expense, deferred financing costs, average outstanding balance, and average stated interest rate on the 2022 Convertible Notes for the three and six months ended June 30, 2023 and 2022 (dollars in thousands):

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Interest expense | N/A | $ 490 | N/A | $ 1,239 |
| Deferred financing costs | N/A | 68 | N/A | 168 |
| Total interest and financing expenses | N/A | $ 558 | N/A | $ 1,407 |
| Average outstanding balance | N/A | $ 34,343 | N/A | $ 43,166 |
| Average stated interest rate | N/A | 5.75 % | N/A | 5.75 % |

***2026 Notes***

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

In 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 June 30, 2023 and December 31, 2022, the Company had $50.0 million and $50.0 million, respectively 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 three and six months ended June 30, 2023 and 2022 (dollars in thousands):

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Interest expense | $ 713 | $ 707 | $ 1,419 | $ 1,412 |
| Deferred financing costs | 39 | 41 | 77 | 70 |
| Total interest and financing expenses | $ 752 | $ 748 | $ 1,496 | $ 1,482 |
| Average outstanding balance | $ 50,000 | $ 50,000 | $ 50,000 | $ 50,000 |
| Average stated interest rate | 5.25 % | 5.25 % | 5.25 % | 5.25 % |

***2032 Convertible Notes***

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

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

The Company obtained an Investment Grade rating from a Nationally Recognized Statistical Rating Organization (“NRSRO”) with respect to the 2032 Convertible Notes. The 2032 Convertible Notes have a fixed interest rate of 5.25% per annum payable semi-annually on March 31 and September 30 of each year, commencing on September 30, 2022, subject to a step up of 0.75% per annum to the extent that the 2032 Convertible Notes are downgraded below Investment Grade by an NRSRO or the 2032 Convertible Notes no longer maintain a rating from an NRSRO. The Company will also be required to pay an additional interest rate of 2.0% per annum (x) on any overdue payment of interest and (y) during the continuance of an “Event of Default.” The Company intends to use the net proceeds from the offering of the 2032 Convertible Notes for general corporate purposes, which may include repaying outstanding indebtedness, making opportunistic investments and paying corporate expenses. In addition, on the occurrence of a “Change in Control Repurchase Event” or “Delisting Event,” as defined in the Purchase Agreement, the Company will generally be required to make an offer to purchase the outstanding 2032 Convertible Notes at a price equal to 100% of the principal amount of such 2032 Convertible Notes plus accrued and unpaid interest to the repurchase date. The 2032 Convertible Notes are redeemable prior to maturity. No “sinking fund” is provided for the 2032 Convertible Notes.

As of June 30, 2023 and December 31, 2022, the Company had $15.0 million and $15.0 million, respectively, in 2032 Convertible Notes outstanding.

The following table summarizes the interest expense, deferred financing costs, average outstanding balance, and average stated interest rate on the 2032 Convertible Notes for the three and six months ended June 30, 2023 and 2022 (dollars in thousands):

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Interest expense | $ 223 | $ 223 | $ 446 | $ 223 |
| Deferred financing costs | 3 | 2 | 6 | 2 |
| Total interest and financing expenses | $ 226 | $ 225 | $ 452 | $ 225 |
| Average outstanding balance | $ 15,000 | $ 15,000 | $ 15,000 | $ 15,000 |
| Average stated interest rate | 5.25 % | 5.25 % | 5.25 % | 5.25 % |

***KeyBank Credit Facility***

On October 30, 2020, CBL, a direct, wholly owned, consolidated subsidiary of the Company entered into the KeyBank Credit Facility with the investment adviser at the time, as collateral manager, the lenders from time to time parties thereto (each a “Lender”), KeyBank National Association, as administrative agent, and U.S. Bank National Association, as custodian. The KeyBank Credit Facility was amended on May 10, 2022 and October 20, 2022. Under the KeyBank Credit Facility, the Lenders have agreed to extend credit to CBL in an aggregate principal amount of up to $75.0 million as of May 10, 2022, with an uncommitted accordion feature that allows the Company to borrow up to an additional $125.0 million. The KeyBank Credit Facility matures on May 10, 2027, unless there is an earlier termination or event of default. The period during which the Lenders may make loans to CBL under the KeyBank Credit Facility commenced on October 30, 2020 and will continue through

May 10, 2025, unless there is an earlier termination or event of default. Borrowings under the KeyBank Credit Facility bear interest at 1M Term SOFR plus 2.90% during the 3-year revolving period and 3.25% thereafter, with a 0.40% 1M Term SOFR floor. CBL will also pay an unused commitment fee at a rate of (1) 1.00% if utilization is less than or equal to 30.0%, (2) 0.65% if utilization is greater than 30.0% but less than or equal to 60.0%, or (3) 0.35% if utilization is greater than 60.0%, per annum on the unutilized portion of the aggregate commitments under the KeyBank Credit Facility. As of June 30, 2023 and December 31, 2022, there were draws of $56.4 million and $55.9 million, respectively, on the KeyBank Credit Facility. The KeyBank Credit Facility includes customary affirmative and negative covenants, including certain limitations on the incurrence of additional indebtedness and liens, as well as usual and customary events of default for revolving credit facilities of this nature. As of June 30, 2023 and December 31, 2022, assets pledged to secure the KeyBank Credit Facility had a fair value of $120.5 million and $111.3 million, respectively.

The following table summarizes the interest expense, deferred financing costs, unused commitment fees, average outstanding balance, and average stated interest rate on the KeyBank Credit Facility for the three and six months ended June 30, 2023 and 2022 (dollars in thousands):

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Interest expense | $ 1,158 | $ 228 | $ 2,154 | $ 256 |
| Deferred financing costs | 85 | 68 | 169 | 116 |
| Unused commitment fees | 15 | 69 | 34 | 179 |
| Total interest and financing expenses | $ 1,258 | $ 365 | $ 2,357 | $ 551 |
| Average outstanding balance | $ 57,633 | $ 25,907 | $ 55,438 | $ 13,025 |
| Average stated interest rate | 7.89 % | 3.84 % | 7.65 % | 3.84 % |

*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 June 30, 2023, and the level of each financial liability within the fair value hierarchy (dollars in thousands):

| | Outstanding Principal | Fair Value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|
| 2026 Notes | $ 50,000 | $ 50,000 | $ — | $ — | $ 50,000 |
| 2032 Convertible Notes | 15,000 | 15,000 | — | — | 15,000 |
| KeyBank Credit Facility | 56,435 | 56,435 | — | — | 56,435 |
| **Total** | $ 121,435 | $ 121,435 | $ — | $ — | $ 121,435 |

The following table presents the outstanding principal and fair value of the Company’s financial liabilities disclosed, but not carried, at fair value as of December 31, 2022, and the level of each financial liability within the fair value hierarchy (dollars in thousands):

| | Outstanding Principal | Fair Value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|
| 2026 Notes | $ 50,000 | $ 50,000 | $ — | $ — | $ 50,000 |
| 2032 Convertible Notes | 15,000 | 15,000 | — | — | 15,000 |
| KeyBank Credit Facility | 55,937 | 55,937 | — | — | 55,937 |
| **Total** | $ 120,937 | $ 120,937 | $ — | $ — | $ 120,937 |

The estimated fair value of the 2026 Notes, the 2032 Convertible Notes and the KeyBank Credit Facility approximates the principal value.

**Note 7. 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 three and six months ended June 30, 2023, the Company recognized directors’ expense of $0.1 million and $0.3 million, respectively. For the three and six months ended June 30, 2022, the Company recognized directors’ expense of $0.1 million and $0.2 million, respectively. No compensation is expected to be paid to directors who are “interested persons” of the Company, as such term is defined in Section 2(a)(19) of the 1940 Act.

**Note 8. Stockholders' Equity**

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

During the three and six months ended June 30, 2023, the Company repurchased 12,487 and 14,112 of its outstanding shares, respectively, under the share repurchase program at an aggregate cost of approximately $0.3 million and $0.3 million, respectively. There were no share repurchases during the three and six months ended June 30, 2022.

During the three and six months ended June 30, 2023, the Company issued 47 and 187 shares, respectively, of common stock under its DRIP. The Company did not pay a dividend during the three and six months ended June 30, 2022.

The total number of shares of the Company’s common stock outstanding as of June 30, 2023 and December 31, 2022 was 2,697,143 and 2,711,068, respectively.

**Note 9. 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 common 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 three and six months ended June 30, 2022, 0.6 million in convertible shares related to the 2022 Convertible Notes, which matured in May 2022, were considered anti-dilutive. For the three and six months ended June 30, 2023 and 2022, zero and 0.5 million, respectively, in convertible shares related to the 2032 Convertible Notes were considered anti-dilutive.

The following information sets forth the computation of the weighted average basic and diluted net increase (decrease) in net assets per share resulting from operations for the three and six months ended June 30, 2023 and 2022 (dollars in thousands, except share and per share data):

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023[(1)] | 2022[(2)] | 2023[(1)] | 2022[(2)] |
| Net increase (decrease) in net assets resulting from operations - basic | $ 3,240 | $ (5,034) | $ 2,590 | $ (5,892) |
| Weighted average common stock outstanding – basic | 2,703,871 | 2,711,068 | 2,707,399 | 2,711,068 |
| Net increase (decrease) in net assets per share from operations - basic | $ 1.20 | $ (1.86) | $ 0.96 | $ (2.17) |
| Net increase (decrease) in net assets resulting from operations - basic | $ 3,240 | $ (5,034) | $ 2,590 | $ (5,892) |
| Adjustment for interest on the 2032 Convertible Notes and incentive fees, net | 226 | — | 452 | — |
| Adjusted net increase (decrease) in net assets resulting from operations - diluted | $ 3,466 | $ (5,034) | $ 3,042 | $ (5,892) |
| Weighted average common stock outstanding – basic | 2,703,871 | 2,711,068 | 2,707,399 | 2,711,068 |
| Adjustment for dilutive effect of the 2032 Convertible Notes | 539,503 | — | 539,503 | — |
| Adjusted weighted average common stock outstanding - diluted | 3,243,374 | 2,711,068 | 3,246,902 | 2,711,068 |
| Net increase (decrease) in net assets per share resulting from operations - diluted | $ 1.07 | $ (1.86) | $ 0.94 | $ (2.17) |

(1) In applying the if-converted method, conversion is not assumed for purposes of computing diluted earnings per share if the effect would be anti-dilutive. For the three and six months ended June 30, 2023, conversion of the 2032 Convertible Notes into 0.5 million shares was assumed as the effect on diluted earnings per share would be dilutive.

(2) In applying the if-converted method, conversion is not assumed for purposes of computing diluted earnings per share if the effect would be anti-dilutive. For the three and six months ended June 30, 2022, conversion of the 0.6 million shares related to the 2022 Convertible Notes was not assumed as the effect on diluted earnings per share would be anti-dilutive. For the three and six months ended June 30, 2022, conversion of the 2032 Convertible Notes into 0.5 million shares was not assumed as the effect on diluted earnings per share would be anti-dilutive.

**Note 10. Distributions**

The Company's distributions are recorded on the record date. Stockholders have the option to receive payment of the distribution in cash, shares of the Company's common stock, or a combination of cash and shares of common stock. Tax characteristics of all distributions paid are reported to stockholders on Form 1099 after the end of the calendar year. Accordingly, distributions may be subject to reclassification based on future dividends and operating results and will not be determined until the end of the year.

The following table summarizes the Company's distribution declarations for the six months ended June 30, 2023 (dollars in thousands, except share and per share data):

| Date Declared | Record Date | Payment Date | Amount Per Share | Cash Distribution | DRIP Shares Issued | DRIP Share Value |
|---|---|---|---|---|---|---|
| March 6, 2023 | March 20, 2023 | March 31, 2023 | $ 0.18 | $ 488 | 140 | $ 3 |
| May 9, 2023 | May 22, 2023 | May 31, 2023 | 0.22 | 595 | 47 | 1 |
| Total Distributions Declared and Distributed for 2023 | | | $ 0.40 | $ 1,083 | $ 187 | $ 4 |

The Company's Board determined not to declare distributions for the six months ended June 30, 2022.

### Note 11. Financial Highlights

The following is a schedule of financial highlights for the six months ended June 30, 2023 and 2022 (dollars in thousands, except share and per share data):

| | For the Six Months Ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| **Per share data:** | | |
| Net asset value at beginning of period | $ 35.04 | $ 39.48 |
| Net investment income (loss)[1] | 0.78 | (0.73) |
| Net realized (loss) gain on investments[1] | (1.43) | 5.71 |
| Net change in unrealized appreciation (depreciation) on investments[1] | 1.61 | (7.15) |
| Net increase (decrease) in net assets resulting from operations[1] | $ 0.96 | $ (2.17) |
| Distributions | (0.40) | — |
| Accretive effect of common stock repurchases[1] | 0.08 | — |
| Net asset value at end of year | $ 35.68 | $ 37.31 |
| Net assets at end of period | $ 96,226 | $ 101,137 |
| Shares outstanding at end of period | 2,697,143 | 2,711,068 |
| Per share market value at end of period | $ 20.71 | $ 15.78 |
| Total return based on market value[2] | (5.47)% | (31.36)% |
| **Ratio/Supplemental data:** | | |
| Ratio of net investment income (loss) to average net assets[3] | 4.48 % | (3.81)% |
| Ratio of interest and financing expenses to average net assets[3] | 9.14 % | 8.31 % |
| Ratio of other operating expenses to average net assets[3] | 8.88 % | 8.28 % |
| Ratio of total expenses to average net assets[3] | 18.02 % | 16.59 % |
| Portfolio turnover rate[4] | 5.50 % | 24.31 % |
| Average debt outstanding[5] | $ 120,438 | $ 132,655 |
| Average debt outstanding per common share[1] | $ 44.48 | $ 48.93 |
| Asset coverage ratio per unit[6] | $ 1,779 | $ 1,940 |

(1) Based on daily weighted average balance of shares of the Company’s common stock outstanding during the period.
(2) Total investment return is calculated assuming a purchase of shares of the Company's common stock 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. Total investment returns covering less than a full period are not annualized.
(3) Ratio is annualized.
(4) 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. Portfolio turnover rates that cover less than a full period are not annualized.
(5) Based on the daily weighted average balance of debt outstanding during the period.
(6) 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.

### Note 12. Subsequent Events

Management has evaluated subsequent events through the date of issuance of the consolidated financial statements included herein. There have been no subsequent events that occurred during such period that would be required to be recognized in the consolidated financial statements as of June 30, 2023, other than as set forth below.

On August 8, 2023, the Company’s Board of Directors approved a distribution of $0.26 per share payable on August 31, 2023 to stockholders of record as of August 22, 2023.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The information contained in this section should be read in conjunction with our consolidated financial statements and related notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q.

Except as otherwise indicated, the terms "we", "us", "our", the "Company", "Logan Ridge" and "LRFC" refer to Logan Ridge Finance Corporation.

**Forward-Looking Statements**

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

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

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

- an economic downturn could impair our portfolio companies' ability to continue to operate or repay their borrowings, which could lead to the loss of some or all of our investments in such portfolio companies;
- a contraction of available credit and/or an inability to access the equity markets could impair our lending and investment activities;
- geopolitical instability and volatility in the global markets caused by events such as the deterioration in the bilateral relationship between the U.S. and China or the conflict between Russia and Ukraine;
- uncertain effects due to the discontinuation of LIBOR and the transition to SOFR;
- changes in the general economy, slowing economy, high levels of inflation, and risk or recession;
- 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 Quarterly Report on Form 10-Q.

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 Quarterly Report on Form 10-Q 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 for the fiscal year ended December 31, 2022 and in this Quarterly Report on Form 10-Q. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this Quarterly Report on Form 10-Q. 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 Adviser"), and BC Partners Management LLC (the "Administrator") provides the administrative services necessary for us to operate.

We provide capital to lower and traditional middle-market companies in the United States ("U.S."), with a non-exclusive emphasis on the Southeast, Southwest, and Mid-Atlantic regions. We invest primarily in companies with a history of earnings growth and positive cash flow, proven management teams, products or services with competitive advantages, and industry-appropriate margins. We primarily invest in companies with between $5.0 million and $50.0 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. As of June 30, 2023, our asset coverage ratio was 178%. 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. Accordingly, as of June 30, 2023 and December 31, 2022, 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, was licensed under the SBIC Act until June 10, 2021 and has elected to be regulated as BDC under the 1940 Act. Fund II, our subsidiary, was licensed under the SBIC Act until March 1, 2019 and has elected to be regulated as a BDC under the 1940 Act.

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

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

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

**Definitive Agreement**

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

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

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 T. 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 unaudited consolidated financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Article 6 and Article 10 of Regulation S-X. Accordingly, certain disclosures accompanying our annual consolidated financial statements prepared in accordance with U.S. GAAP have been omitted. 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 June 30, 2023 and December 31, 2022 and for the periods ended June 30, 2023 and 2022 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.

The current period's results of operations are not necessarily indicative of results that ultimately may be achieved for the year. Additionally, the unaudited consolidated financial statements and notes should be read in conjunction with the audited consolidated financial statements and notes thereto appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 9, 2023.

**Consolidation**

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

**Revenues**

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

**Expenses**

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

- the cost of our organization;
- the cost of calculating our net asset value, including the cost of any third-party valuation services;
- the cost of effecting sales and repurchases of our shares and other securities;
- interest payable on debt, if any, to finance our investments;
- fees payable to third parties relating to, or associated with, making investments (such as legal, accounting, and travel expenses incurred in connection with making investments), including fees and expenses associated with performing due diligence reviews of prospective investments and advisory fees;
- transfer agent and custodial fees;
- fees and expenses associated with marketing efforts;
- costs associated with our reporting and compliance obligations under the 1940 Act, the Securities Exchange Act of 1934, as amended (the "Exchange 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***

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

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

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

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

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

- The Company's quarterly valuation process begins with each portfolio company or investment being initially valued using certain inputs, among others, provided by the investment professionals responsible for the portfolio investment in conjunction with the Company's portfolio management team. The Company utilizes an independent valuation firm to provide valuation on each material illiquid security at least once every trailing 12-month period,

- Preliminary valuations are reviewed and discussed with management of the Investment Adviser and investment professionals; and

- the Investment Adviser will review the valuations and determine the fair value of each investment. Valuations that are not based on readily available market quotations will be valued in good faith based on, among other things, the input of, where applicable, third parties.

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

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

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

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

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

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

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

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

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

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

***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 payment-in-kind (“PIK”) interest income:* Interest income is recorded on the accrual basis to the extent that such amounts are expected to be collected. The Company has loans in the portfolio that contain a PIK interest provision. PIK interest, which represents contractually deferred interest added to the loan balance that is generally due at maturity, is recorded on 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 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 payment-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, 2022, 2021, 2020 and 2019 remain subject to examination by U.S. federal, state, and local tax authorities. No material interest expense or penalties have been assessed for the periods ended June 30, 2023 and 2022. 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 both June 30, 2023 and December 31, 2022, the Company recorded a net deferred tax asset of zero. For both the three months ended June 30, 2023 and 2022, the Company recorded a tax provision of zero. As of June 30, 2023 and December 31, 2022, the valuation allowance on the Company’s deferred tax asset was $3.9 million and $4.0 million, respectively. During the three and six months ended June 30, 2023, the Company recognized a decrease in the valuation allowance of $(0.1) million. During both the three and six months ended June 30, 2022, the Company recognized an increase in the valuation allowance of $0.4 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 June 30, 2023 and December 31, 2022, there were no uncertain tax positions.

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

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 June 30, 2023 and December 31, 2022. However, the Company’s conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, ongoing analyses of, and changes to, tax laws, regulations and interpretations thereof.

**Portfolio and Investment Activity**

The Company’s investment objective is to generate both current income and capital appreciation through debt and equity investments. The Company offers customized financing to business owners, management teams and financial sponsors for change of ownership transactions, recapitalizations, strategic acquisitions, business expansion and other growth initiatives. The Company invests primarily in first lien loans, and, to a lesser extent, second lien loans and equity securities issued by lower middle-market companies and traditional middle-market companies. As of June 30, 2023, our portfolio consisted of investments in 62 portfolio companies with a fair value of approximately $206.6 million. As of December 31, 2022, our portfolio consisted of investments in 59 portfolio companies with a fair value of approximately $203.6 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 June 30, 2023, 0.6% of the fair value of our first lien loans consisted of last-out loans. As of December 31, 2022, 1.9% of the fair value of our first lien loans consisted of last-out loans. In some cases, first lien loans may be subordinated, solely with respect to the payment of cash interest, to an asset based revolving credit facility.

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

During the three months ended June 30, 2023, we made approximately $4.8 million of investments and had approximately $4.4 million in repayments and sales, resulting in net deployment of approximately $0.4 million for the period. During the three months ended June 30, 2022, we made approximately $30.7 million of investments and had approximately $58.3 million in repayments and sales, resulting in net repayments and sales of approximately $27.6 million for the period.

During the six months ended June 30, 2023, we made approximately $12.2 million of investments and had approximately $11.2 million in repayments and sales, resulting in net deployment of approximately $1.0 million for the period. During the six months ended June 30, 2022, we made approximately $47.1 million of investments and had approximately $66.7 million in repayments and sales, resulting in net repayments and sales of approximately $19.6 million for the period.

As of June 30, 2023, our debt investment portfolio, which represented 82.2% of the fair value of our total portfolio, had a weighted average annualized yield of approximately 10.8% (excluding income from non-accruals and collateralized loan obligations). As of June 30, 2023, 16.8% of the fair value of our debt investment portfolio was bearing a fixed rate of interest. As of December 31, 2022, our debt investment portfolio, which represented 83.2% of the fair value of our total portfolio, had a weighted average annualized yield of approximately 10.4% (excluding income from non-accruals and collateralized loan obligations). As of December 31, 2022, 17.2% of the fair value of our debt investment portfolio was bearing a fixed rate of interest.

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

As of June 30, 2023, the Company’s Adviser approved the fair value of the Company’s investment portfolio of approximately $206.6 million in good faith in accordance with the Company’s valuation procedures. The Company’s Adviser approved the fair value of the Company’s investment portfolio as of June 30, 2023 with input from third-party valuation firms and the Investment Adviser, as valuation designee, based on information known or knowable as of the valuation date, including trailing and forward looking data.

As of June 30, 2023, we had debt investments in two portfolio companies on non-accrual status with an aggregate amortized cost of $17.1 million and an aggregate fair value of $11.1 million, which represented 7.8% and 5.3% of the investment portfolio, respectively. As of December 31, 2022, we had a debt investment in one portfolio company on non-accrual status with aggregate amortized cost of $11.9 million and an aggregate fair value of $9.7 million, which represented 5.4% and 4.8% of the investment portfolio, respectively.

The following table summarizes the amortized cost and the fair value of investments as of June 30, 2023 (dollars in thousands):

| | Investments at Amortized Cost | Amortized Cost Percentage of Total Portfolio | Investments at Fair Value | Fair Value Percentage of Total Portfolio |
|---|---|---|---|---|
| First Lien Debt | $ 144,849 | 66.1 % | $ 138,045 | 66.8 % |
| Second Lien Debt | 8,614 | 4.0 % | 7,102 | 3.4 % |
| Subordinated Debt | 26,573 | 12.1 % | 24,709 | 12.0 % |
| Collateralized Loan Obligations | 2,440 | 1.1 % | 2,440 | 1.2 % |
| Joint Venture | 475 | 0.2 % | 460 | 0.2 % |
| Equity | 36,216 | 16.5 % | 33,833 | 16.4 % |
| Total | $ 219,167 | 100.0 % | $ 206,589 | 100.0 % |

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

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

The following table shows the portfolio composition by industry grouping at fair value as of June 30, 2023 and December 31, 2022 (dollars in thousands):

| | June 30, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | Investments at Fair Value | Percentage of Total Portfolio | Investments at Fair Value | Percentage of Total Portfolio |
| Healthcare | $ 49,052 | 23.7 % | 42,594 | 20.9 % |
| Business Services | 29,182 | 14.1 % | 24,570 | 12.1 % |
| Financials | 25,846 | 12.5 % | 35,660 | 17.5 % |
| Information Technology | 20,236 | 9.8 % | 17,330 | 8.5 % |
| Industrials | 17,386 | 8.4 % | 15,631 | 7.7 % |
| Consumer Discretionary | 12,490 | 6.0 % | 13,505 | 6.6 % |
| Healthcare Management | 9,626 | 4.7 % | 9,695 | 4.8 % |
| Entertainment | 8,242 | 4.0 % | 7,459 | 3.7 % |
| Automobile Part Manufacturer | 5,154 | 2.5 % | 4,992 | 2.5 % |
| Textile Equipment Manufacturer | 5,024 | 2.4 % | 5,001 | 2.5 % |
| Advertising & Marketing Services | 4,969 | 2.4 % | 3,562 | 1.7 % |
| Consumer Staples | 4,797 | 2.3 % | 4,825 | 2.4 % |
| Medical Device Distributor | 3,747 | 1.8 % | 4,360 | 2.1 % |
| Financial Services | 3,447 | 1.7 % | 6,651 | 3.3 % |
| Online Merchandise Retailer | 3,104 | 1.5 % | 3,701 | 1.8 % |
| Communication Services | 1,326 | 0.7 % | 896 | 0.4 % |
| Household Product Manufacturer | 758 | 0.4 % | 758 | 0.4 % |
| General Industrial | 586 | 0.3 % | 641 | 0.3 % |
| Oil & Gas Engineering and Consulting Services | 532 | 0.3 % | 258 | 0.1 % |
| Data Processing & Digital Marketing | 509 | 0.2 % | 509 | 0.2 % |
| Testing Laboratories | 325 | 0.2 % | 723 | 0.4 % |
| Electronic Machine Repair | 251 | 0.1 % | 271 | 0.1 % |
| Total | $ 206,589 | 100.0 % | $ 203,592 | 100.0 % |

**Results of Operations**

Operating results for the three and six months ended June 30, 2023 and 2022 were as follows (dollars in thousands):

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Total investment income | $ 5,344 | $ 3,303 | $ 10,600 | $ 6,641 |
| Total expenses | 4,305 | 4,232 | 8,488 | 8,620 |
| Net investment income (loss) | 1,039 | (929 ) | 2,112 | (1,979 ) |
| Net realized (loss) gain on investments | (2,362 ) | 15,503 | (3,868 ) | 15,466 |
| Net change in unrealized appreciation (depreciation) on investments | 4,563 | (19,608 ) | 4,346 | (19,379 ) |
| Net decrease in net assets resulting from operations | $ 3,240 | $ (5,034 ) | $ 2,590 | $ (5,892 ) |

***Investment income***

The composition of our investment income for the three and six months ended June 30, 2023 and 2022 was as follows (dollars in thousands):

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Interest income | $ 4,907 | $ 2,996 | $ 9,675 | $ 6,193 |
| Payment-in-kind interest | 319 | 307 | 783 | 440 |
| Dividend income | 19 | — | 33 | — |
| Other income | 99 | — | 109 | 8 |
| Total investment income | $ 5,344 | $ 3,303 | $ 10,600 | $ 6,641 |

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 also generate fee 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.

We earn dividends on certain equity investments within our investment portfolio. As noted in our consolidated schedules of investments, some investments are 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.

For the three months ended June 30, 2023, total investment income increased $2.0 million, or 61.8%, compared to the three months ended June 30, 2022. The increase from the prior period was driven by an increase in interest income from $3.0 million for the three months ended June 30, 2022 to $4.9 million for the three months ended June 30, 2023. The increase in interest income is primarily due to a larger interest earning debt portfolio as well as increases in base rates for the three months ended June 30, 2023 compared to the three months ended June 30, 2022.

For the six months ended June 30, 2023, total investment income increased $4.0 million, or 59.6%, compared to the six months ended June 30, 2022. The increase from the prior period was driven by an increase in interest income from $6.2 million for the six months ended June 30, 2022 to $9.7 million for the six months ended June 30, 2023. The increase in interest income is primarily due to a larger interest earning debt portfolio as well as increases in base rates for the six months ended June 30, 2023 compared to the six months ended June 30, 2022. PIK income increased from $0.4 million for the six months ended June 30, 2022 to $0.8 million for the six months ended June 30, 2023. The increase in PIK income was due to an increase in investments with a contractual PIK rate as well as non-recurring fee income of $0.2 million that was paid in-kind during six months ended June 30, 2023.

***Operating expenses***

The composition of our expenses for the three and six months ended June 30, 2023 and 2022 was as follows (dollars in thousands):

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Interest and financing expenses | $ 2,236 | $ 2,131 | $ 4,305 | $ 4,319 |
| Base management fee | 946 | 973 | 1,876 | 2,001 |
| Directors' fees | 135 | 120 | 270 | 223 |
| Administrative service fees | 224 | 131 | 481 | 251 |
| General and administrative expenses | 764 | 877 | 1,556 | 1,826 |
| Total expenses | $ 4,305 | $ 4,232 | $ 8,488 | $ 8,620 |

For the three months ended June 30, 2023, operating expenses increased by $0.1 million, or 1.7%, compared to the three months ended June 30, 2022. Interest and financing expenses increased from $2.1 million for the three months ended June 30, 2022 to $2.2 million for the three months ended June 30, 2023 primarily due to higher cost of debt capital due to increases in base rates during the three months ended June 30, 2023 compared to the three months ended June 30, 2022. Base management fees declined from $1.0 million for the three months ended June 30, 2022 to $0.9 million for the three months ended June 30, 2023, due to lower average assets under management. General and administrative expenses decreased from $0.9 million for the three months ended June 30, 2022 to $0.8 million for the three months ended June 30, 2023, primarily due to higher professional fees in the prior year.

For the six months ended June 30, 2023, operating expenses decreased by $0.1 million, or 1.50% compared to the six months ended June 30, 2022. Base management fees declined from $2.0 million for the six months ended June 30, 2022 to $1.9 million for the six months ended June 30, 2023, due to lower average assets under management. General and administrative expenses decreased from $1.8 million for the six months ended June 30, 2022 to $1.6 million for the six months ended June 30, 2023, primarily due to higher professional fees in the prior year.

***Net realized gain (loss) on sales of investments***

During the three and six months ended June 30, 2023, we recognized $2.4 million and $3.9 million of net realized losses on our portfolio investments, respectively. During both the three and six months ended June 30, 2022, we recognized $15.5 million of net realized gains on our portfolio investments, respectively.

***Net change in 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 three and six months ended June 30, 2023, we recognized $4.6 million and $4.3 million of net change in unrealized appreciation on investments, respectively. For the three and six months ended June 30, 2022, we recognized $19.6 million and $19.4 million of net change in unrealized depreciation on investments.

***Changes in net assets resulting from operations***

For the three and six months ended June 30, 2023, we recorded a net increase in net assets resulting from operations of $3.2 million and $2.6 million, respectively. Based on the weighted average shares of common stock outstanding for the three and six months ended June 30, 2023, our per share net increase in net assets resulting from operations was $1.20 and $0.96, respectively.

For the three and six months ended June 30, 2022, we recorded a net decrease in net assets resulting from operations of $5.0 million and $5.9 million. Based on the weighted average shares of common stock outstanding for the three and six months ended June 30, 2022, our per share net decrease in net assets resulting from operations was $1.86 and $2.17, respectively.

**Financial Condition, 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 June 30, 2023.

**KeyBank Credit Facility**

On October 30, 2020, Capitala Business Lending, LLC ("CBL"), a direct, wholly owned, consolidated subsidiary of the Company, entered into a senior secured revolving credit agreement ("the KeyBank Credit Facility") with the investment adviser at the time, as collateral manager, the lenders from time to time parties thereto (each, a "Lender"), KeyBank National Association, as administrative agent, and U.S. Bank National Association, as custodian. The KeyBank Credit Facility was amended on May 10, 2022 and October 20, 2022. Under the KeyBank Credit Facility, the Lenders have agreed to extend credit to CBL in an aggregate principal amount of up to $75.0 million as of May 10, 2022, with an uncommitted accordion feature that allows the Company to borrow up to an additional $125.0 million. The KeyBank Credit Facility matures on May 10, 2027, unless there is an earlier termination or event of default. The period during which the Lenders may make loans to CBL under the KeyBank Credit Facility commenced on October 30, 2020 and will continue through May 10, 2025, unless there is an earlier termination or event of default. Borrowings under the KeyBank Credit Facility bear interest at 1M Term SOFR plus 2.90% during the 3-year revolving period and 3.25% thereafter, with a 0.40% 1M Term SOFR floor. CBL will also pay an unused commitment fee at a rate of (1) 1.00% if utilization is less than or equal to 30.0%, (2) 0.65% if utilization is greater than 30.0% but less than or equal to 60.0%, or (3) 0.35% if utilization is greater than 60.0%, per annum on the unutilized portion of the aggregate commitments under the KeyBank Credit Facility. As of June 30, 2023 , there were draws of $56.4 million on the KeyBank Credit Facility. The KeyBank Credit Facility includes customary affirmative and negative covenants, including certain limitations on the incurrence of additional indebtedness and liens, as well as usual and customary events of default for revolving credit facilities of this nature. As of June 30, 2023, assets pledged to secure the KeyBank Credit Facility had a fair value of $120.5 million.

**2032 Convertible Notes**

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

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

The Company obtained an Investment Grade rating from a Nationally Recognized Statistical Rating Organization ("NRSRO") with respect to the 2032 Convertible Notes. The 2032 Convertible Notes have a fixed interest rate of 5.25% per annum payable semi-annually on March 31 and September 30 of each year, commencing on September 30, 2022, subject to a step up of 0.75% per annum to the extent that the 2032 Convertible Notes are downgraded below Investment Grade by an NRSRO or the 2032 Convertible Notes no longer maintain a rating from an NRSRO. The Company will also be required to pay an additional interest rate of 2.0% per annum (x) on any overdue payment of interest and (y) during the continuance of an "Event of Default." The Company intends to use the net proceeds from the offering of the 2032 Convertible Notes for general corporate purposes, which may include repaying outstanding indebtedness, making opportunistic investments and paying corporate expenses. In addition, on the occurrence of a "Change in Control Repurchase Event" or "Delisting Event," as defined in the Purchase Agreement, the Company will generally be required to make an offer to purchase the outstanding 2032 Convertible Notes at a price equal to 100% of the principal amount of such 2032 Convertible Notes plus accrued and unpaid interest to the repurchase date. The 2032 Convertible Notes are redeemable prior to maturity. No "sinking fund" is provided for the 2032 Convertible Notes.

As of June 30, 2023, the Company had $15.0 million in 2032 Convertible Notes outstanding.

**2026 Notes**

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

In 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 June 30, 2023, the Company had approximately $50.0 million in aggregate principal amount of 2026 Notes outstanding.

**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, 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. On November 1, 2021, we notified the Trustee for the 2022 Notes of the Company's election to redeem $50.0 million aggregate principal amount of the 2022 Notes outstanding. The redemption was completed on December 6, 2021. On May 31, 2022, the 2022 Notes reached maturity, and the entire outstanding principal of the 2022 Notes became payable and was paid by the Company. Accordingly, as of June 30, 2023, there were no 2022 Notes outstanding.

The 2022 Notes were subject to redemption 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 was payable quarterly. The 2022 Notes were listed on the NASDAQ Global Select Market under the trading symbol “CPTAL” with a par value of $25.00 per share.

**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, 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. On May 31, 2022, the 2022 Convertible Notes reached maturity, and the entire outstanding principal of the 2022 Convertible Notes became payable, and was paid by the Company. Accordingly, as of June 30, 2023, there were no 2022 Convertible Notes outstanding.

Interest on the 2022 Convertible Notes was payable quarterly. The 2022 Convertible Notes were listed on the NASDAQ Capital Market under the trading symbol “CPTAG” with a par value of $25.00 per share.

**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. As of June 30, 2023, our asset coverage ratio was 178%. 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.

**Cash and Cash Equivalents**

As of June 30, 2023, we had $6.3 million in cash and cash equivalents.

**Contractual Obligations**

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

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

A summary of our significant contractual payment obligations as of June 30, 2023 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 |
| 2026 Notes | $ — | $ — | $ 50.0 | $ — | $ 50.0 |
| 2032 Convertible Notes | — | — | — | 15.0 | 15.0 |
| KeyBank Credit Facility | — | — | 56.4 | — | 56.4 |
| Total Contractual Obligations | $ — | $ — | $ 106.4 | $ 15.0 | $ 121.4 |

**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. For the three and six months ended June 30, 2023, the Company made a distribution of $0.22 and $0.40 per share, respectively. The Company’s Board determined not to declare a distribution for the first and second quarter of 2022.

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.

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, 2022. Distributions may be subject to reclassification based on future dividends and operating results and will not be determined until the end of the year.

**Related Parties**

On July 1, 2021, we entered into the Investment Advisory Agreement with the Investment Adviser. The Company is externally managed by the Investment Adviser, an affiliate of BC Partners, pursuant to the Investment Advisory Agreement. Mr. Goldthorpe, an interested member of the Board, has a direct or indirect pecuniary interest in the Investment Adviser. The Investment Adviser is a registered investment adviser under the Investment Advisers Act of 1940, as amended. The Investment Adviser is an affiliate of BC Partners Advisors L.P. for U.S. regulatory purposes. Mount Logan Capital Inc. is the ultimate control person of the Investment Adviser.

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

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

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

On April 10, 2023, superseding a prior exemptive order granted on October 23, 2018, the SEC issued an order granting an application for exemptive relief to us and certain of our affiliates that allows BDCs managed by the Investment Adviser, including Logan Ridge, to co-invest, subject to the satisfaction of certain conditions, in certain private placement transactions, with other funds managed by the Investment Adviser or its affiliates, certain proprietary accounts of the Investment Adviser or its affiliates and any future funds that are advised by the Investment Adviser or its affiliated investment advisers. Under the terms of the exemptive order, in order for Logan Ridge to participate in a co-investment transaction, a "required majority" (as defined in Section 57(0) 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.

Prior to July 1, 2021, we were party to an administration agreement with our then administrator, Capitala Advisors Corp. As administrator, Capitala Advisors Corp. provided us with the office facilities and administrative services necessary to conduct our day-to-day operations. On July 1, 2021, we entered into a new Administration Agreement with our current Administrator, BC Partners Management LLC. Pursuant to the terms of the Administration Agreement, our Administrator provides us with the office facilities and administrative services necessary to conduct our day-to-day operations.

**Off-Balance Sheet Arrangements**

As of June 30, 2023 and December 31, 2022, the Company had the following outstanding unfunded commitments to existing portfolio companies (dollars in thousands):

| Portfolio Company | Investment | June 30, 2023 | December 31, 2022 |
|---|---|---|---|
| Accordion Partners LLC[(1)] | First Lien/Senior Secured Debt | $ — | $ 897 |
| Accordion Partners LLC (Revolver) | First Lien/Senior Secured Debt | 1,531 | 1,531 |
| BetaNXT, Inc. (Revolver) | First Lien/Senior Secured Debt | 453 | 453 |
| Bradshaw International, Inc. (Revolver) | First Lien/Senior Secured Debt | 922 | 922 |
| Critical Nurse Staffing, LLC[(1)] | First Lien/Senior Secured Debt | 2,063 | 2,063 |
| Critical Nurse Staffing, LLC (Revolver) | First Lien/Senior Secured Debt | 540 | 700 |
| Dentive, LLC[(1)] | First Lien/Senior Secured Debt | 541 | 598 |
| Dentive, LLC (Revolver) | First Lien/Senior Secured Debt | 187 | 187 |
| Epic Staffing Group[(1)] | First Lien/Senior Secured Debt | 872 | 872 |
| Great Lakes Funding II LLC - Series A | Joint Venture | 20 | 80 |
| GreenPark Infrastructure, LLC - Series M-1 | Common Stock and Membership Units | 732 | 732 |
| Keg Logistics LLC (Revolver) | First Lien/Senior Secured Debt | — | 436 |
| Marble Point Credit Management LLC (Revolver) | First Lien/Senior Secured Debt | N/A | 2,500 |
| Premier Imaging, LLC[(1)] | First Lien/Senior Secured Debt | 1,378 | 1,378 |
| PhyNet Dermatology LLC[(1)] | First Lien/Senior Secured Debt | 259 | N/A |
| Taoglas Group Holdings Limited (Revolver) | First Lien/Senior Secured Debt | 418 | N/A |
| VBC Spine Opco, LLC (DxTx Pain and Spine LLC)[(1)] | First Lien/Senior Secured Debt | 968 | N/A |
| VBC Spine Opco, LLC (DxTx Pain and Spine LLC) (Revolver) | First Lien/Senior Secured Debt | 145 | N/A |
| Wealth Enhancement Group, LLC (Revolver) | First Lien/Senior Secured Debt | 438 | 438 |
| Total Unfunded Commitments | | $ 11,467 | $ 13,787 |

(1) Delayed-draw term loan.

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

**Recent Developments**

On August 8, 2023, the Company's Board of Directors approved a distribution of $0.26 per share payable on August 31, 2023 to stockholders of record as of August 22, 2023.

**Item 3. 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 six months ended June 30, 2023, we did not engage in hedging activities.

As of June 30, 2023, we held 47 securities bearing a variable rate of interest. Our variable rate investments represent approximately 83.2% of the fair value of our total debt investments. As of June 30, 2023, none of our variable rate securities were yielding interest at a rate equal to the established interest rate floor. As of June 30, 2023, we had $56.4 million outstanding on our KeyBank Credit Facility, which has a variable rate of interest at one-month SOFR + 2.90%, subject to an interest rate floor of 0.40%. As of June 30, 2023, all of our other interest paying liabilities, consisting of $50.0 million in 2026 Notes and $15.0 million in 2032 Convertible Notes, were bearing interest at a fixed rate.

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

Based on our June 30, 2023 consolidated statements of assets and liabilities, the following table shows the annual impact on net income (excluding the potential related incentive fee impact) of base rate changes in interest rates (considering interest rate floors for variable rate securities) assuming no changes in our investment and borrowing structure (dollars in thousands):

| Basis Point Change | Increase (decrease) in interest income | (Increase) decrease in interest expense | Increase (decrease) in net income |
|---|---|---|---|
| Up 300 basis points | $ 4,410 | $ (1,717) | $ 2,693 |
| Up 200 basis points | 2,940 | (1,144) | 1,796 |
| Up 100 basis points | 1,470 | (572) | 898 |
| Down 100 basis points | (1,470) | 572 | (898) |
| Down 200 basis points | (2,940) | 1,144 | (1,796) |
| Down 300 basis points | $ (4,332) | $ 1,717 | $ (2,615) |

**Item 4. Controls and Procedures**

***(a) Evaluation of Disclosure Controls and Procedures***

As of June 30, 2023 (the end of the period covered by this report), we, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the 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) 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 first quarter of 2023 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

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

**Item 1A. Risk Factors**

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (the "Annual Report on Form 10-K"), which could materially affect our business, financial condition and/or operating results. The risks described in the Annual Report on Form 10-K are not the only risks we face. Additional risks and uncertainties that are not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. There have been no material changes from the risk factors set forth in the Annual Report on Form 10-K.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

Other than the shares issued pursuant to our DRIP, we did not engage in any sales of unregistered securities during the period covered in this report. We issued a total of 47 shares and 187 shares, respectively, of common stock under our DRIP during the three and six months ended June 30, 2023. This issuance was not subject to the registration requirements of the Securities Act. For both the three and six months ended June 30, 2023, the aggregate value of the shares of our common stock issued under our DRIP was less $0.1 million.

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

| Period | Total Number of Shares Purchased | Average Price per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1) | Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (in millions) |
|---|---|---|---|---|
| January 1, 2023 through January 31, 2023 | — | $ N/A | — | $ N/A |
| February 1, 2023 through February 28, 2023 | — | N/A | — | N/A |
| March 1, 2023 through March 31, 2023 | 1,625 | 20.90 | 1,625 | 5.0 |
| April 1, 2023 through April 30, 2023 | 3,551 | 21.10 | 3,551 | 4.9 |
| May 1, 2023 through May 31, 2023 | 3,644 | 20.61 | 3,644 | 4.8 |
| June 1, 2023 through June 30, 2023 | 5,292 | 19.85 | 5,292 | 4.7 |
| Total | 14,112 | | 14,112 | |

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

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

The following exhibits are filed as part of this report or hereby incorporated by reference to exhibits previously filed with the SEC:

| Exhibit Number | Description of Document |
|---|---|
| 3.1 | Articles of Amendment and Restatement[(1)] |
| 3.2 | Articles of Amendment[(4)] |
| 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 Certificate of Limited Partnership of CapitalSouth Fund III, L.P. (f/k/a CapitalSouth Partners SBIC Fund III, L.P.)[(3)] |
| 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 pursuant to 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 pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith) |
| 101.INS | Inline XBRL Instance Document (filed herewith) |
| 101.SHC | Inline XBRL Taxonomy Extension Schema Document (filed herewith) |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith) |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document (filed herewith) |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document (filed herewith) |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith) |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL Document (filed herewith) |

(1) Previously filed in connection with the Pre-Effective Amendment No. 1 to Logan Ridge Finance Corporation's registration statement on Form N-2 (File No. 333-188956) filed on September 9, 2013.

(2) Previously filed in connection with Pre-Effective Amendment No. 2 to Logan Ridge Finance Corporation's registration statement on Form N-2 (File No. 333-188956) filed on September 16, 2013.

(3) Previously filed in connection with Pre-Effective Amendment No. 5 to Logan Ridge Finance Corporation's registration statement on Form N-2 (File No. 333-188956) filed on September 24, 2013.

(4) Previously filed in connection with Logan Ridge Finance Corporation's report on Form 8-K filed on August 4, 2020.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

| | | |
|---|---|---|
| Date: August 9, 2023 | By | /s/ Ted Goldthorpe<br>Ted Goldthorpe<br>Chief Executive Officer and President<br>*(Principal Executive Officer)*<br>Logan Ridge Finance Corporation |
| Date: August 9, 2023 | By | /s/ Jason Roos<br>Jason Roos<br>Chief Financial Officer<br>*(Principal Financial Officer)*<br>Logan Ridge Finance Corporation |

**Exhibit 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**

I, Ted Goldthorpe, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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 consolidated 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 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, 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: August 9, 2023

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

**Exhibit 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**

I, Jason Roos, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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 consolidated 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 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, 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: August 9, 2023

/s/ Jason Roos
Jason Roos
Chief Financial Officer
*(Principal Financial Officer)*
Logan Ridge Finance Corporation

**Exhibit 32.1**

**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, Chief Executive Officer and President, in connection with the Quarterly Report of Logan Ridge Finance Corporation (the “Company”) on Form 10-Q for the quarterly period ended June 30, 2023, as filed with the U.S. Securities and Exchange Commission on the date hereof (the “Quarterly Report”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Quarterly 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 Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2023

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

**Exhibit 32.2**

**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, Chief Financial Officer, in connection with the Quarterly Report of Logan Ridge Finance Corporation (the “Company”) on Form 10-Q for the quarterly period ended June 30, 2023, as filed with the U.S. Securities and Exchange Commission on the date hereof (the “Quarterly Report”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Quarterly 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 Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2023

/s/ Jason Roos
Jason Roos
Chief Financial Officer
*(Principal Financial Officer)*
Logan Ridge Finance Corporation