

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended December 31, 2021

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-35040

**PHENIXFIN CORPORATION**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**

(State or Other Jurisdiction of  
Incorporation or Organization)

**27-4576073**

(I.R.S. Employer  
Identification No.)

**445 Park Avenue, 10th Floor, New York, NY**

(Address of Principal Executive Offices)

**10022**

(Zip Code)

**(212) 859-0390**

(Registrant's Telephone Number, Including Area Code)

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 \$0.001 per share	PFX	The NASDAQ Global Market
6.125% Notes due 2023	PFXNL	The NASDAQ Global Market
5.25% Notes due 2028	PFXNZ	The NASDAQ Global Market

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes  No

The Registrant had 2,503,745 shares of common stock, \$0.001 par value, outstanding as of February 8, 2022.

PHENIXFIN CORPORATION

TABLE OF CONTENTS

	<u>Page</u>
<b>PART I. Financial Information</b>	
Item 1. Financial Statements	
<a href="#">Consolidated Statements of Assets and Liabilities as of December 31, 2021 (unaudited) and September 30, 2021</a>	1
<a href="#">Consolidated Statements of Operations for the three months ended December 31, 2021 and 2020 (unaudited)</a>	2
<a href="#">Consolidated Statements of Changes in Net Assets for the three months ended December 31, 2021 and 2020 (unaudited)</a>	3
<a href="#">Consolidated Statements of Cash Flows for the three months ended December 31, 2021 and 2020 (unaudited)</a>	4
<a href="#">Consolidated Schedules of Investments as of December 31, 2021 (unaudited) and September 30, 2021</a>	5
<a href="#">Notes to Consolidated Financial Statements (unaudited)</a>	17
<a href="#">Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	44
<a href="#">Item 3. Quantitative and Qualitative Disclosures About Market Risk</a>	64
<a href="#">Item 4. Controls and Procedures</a>	64
<b>Part II. Other Information</b>	
<a href="#">Item 1. Legal Proceedings</a>	65
<a href="#">Item 1A. Risk Factors</a>	65
<a href="#">Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</a>	70
<a href="#">Item 3. Defaults Upon Senior Securities</a>	70
<a href="#">Item 4. Mine Safety Disclosures</a>	70
<a href="#">Item 5. Other Information</a>	70
<a href="#">Item 6. Exhibits</a>	71
<b><a href="#">SIGNATURES</a></b>	73

**PHENIXFIN CORPORATION**  
**Consolidated Statements of Assets and Liabilities**

	<b>December 31,</b>	<b>September 30,</b>
	<b>2021</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b></b>
<b>Assets:</b>		
Investments at fair value		
Non-controlled, non-affiliated investments (amortized cost of \$128,348,470 and \$92,214,167, respectively)	\$ 120,418,943	\$ 84,152,678
Affiliated investments (amortized cost of \$46,411,711 and \$75,963,427, respectively)	17,569,686	57,595,245
Controlled investments (amortized cost of \$66,991,021 and \$39,490,097, respectively)	37,410,426	9,891,860
<b>Total Investments at fair value</b>	<b>175,399,055</b>	<b>151,639,783</b>
Cash and cash equivalents	59,380,000	69,433,256
Receivables:		
Paydown receivable	3,885,645	292,015
Interest receivable	533,347	371,576
Dividends receivable	220,459	81,211
Due from Affiliate	137	-
Fees receivable	-	1,872,700
Other receivable	1,293	-
Other assets	1,242,845	1,401,746
<b>Total Assets</b>	<b>\$ 240,662,781</b>	<b>\$ 225,092,287</b>
<b>Liabilities:</b>		
Notes payable (net of debt issuance costs of \$2,380,843 and \$412,795, respectively)	\$ 77,640,957	\$ 77,434,005
Interest and fees payable	385,729	-
Deferred revenue	386,156	-
Due to broker	12,089,033	1,586,000
Due to affiliates	-	280,323
Administrator expenses payable (see Note 6)	127,965	67,920
Accounts payable and accrued expenses	922,416	1,416,524
Other liabilities	613,534	613,534
<b>Total Liabilities</b>	<b>92,165,790</b>	<b>81,398,306</b>
Commitments and Contingencies (see Note 8)		
<b>Net Assets:</b>		
Common Shares, \$0.001 par value; 5,000,000 shares authorized; 2,723,709 shares issued; 2,517,221 common shares outstanding	2,517	2,517
Capital in excess of par value	688,866,642	688,866,642
Total distributable earnings (loss)	(540,372,168)	(545,175,178)
<b>Total Net Assets</b>	<b>\$ 148,496,991</b>	<b>\$ 143,693,981</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 240,662,781</b>	<b>\$ 225,092,287</b>
<b>Net Asset Value Per Common Share</b>	<b>\$ 58.99</b>	<b>\$ 57.08</b>

The accompanying notes are an integral part of these consolidated financial statements.

**PHENIXFIN CORPORATION**  
**Consolidated Statements of Operations**  
(Unaudited)

	<b>For the Three Months Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Interest Income:</b>		
Interest from investments		
Non-controlled, non-affiliated investments:		
Cash	\$ 1,015,692	\$ 1,671,813
Payment in-kind	138,511	170,029
Affiliated investments:		
Cash	122,147	352,291
Payment in-kind	97,028	-
Controlled investments:		
Cash	553,638	1,190
Total interest income	1,927,016	2,195,323
Dividend income	702,930	10,263,501
Interest from cash and cash equivalents	2,739	940
Fee income (see Note 9)	270,122	341,464
Other income	230,434	-
<b>Total Investment Income</b>	<b>3,133,241</b>	<b>12,801,228</b>
<b>Expenses:</b>		
Base management fees (see Note 6)	-	1,146,403
Interest and financing expenses	1,487,675	2,017,641
General and administrative expenses	196,559	377,934
Salaries and Benefits	505,875	-
Administrator expenses (see Note 6)	68,866	484,412
Insurance expenses	158,904	485,012
Directors fees	208,500	475,717
Professional fees, net (see Note 8)	306,751	(515,622)
Total expenses	2,933,130	4,471,497
<b>Net Investment Income</b>	<b>200,111</b>	<b>8,329,731</b>
<b>Realized and unrealized gains (losses) on investments</b>		
Net realized gains (losses):		
Non-controlled, non-affiliated investments	484,513	3,893,722
Affiliated investments	14,737,897	(10,452,928)
Controlled investments	925	(40,147,570)
<b>Total net realized gains (losses)</b>	<b>15,223,335</b>	<b>(46,706,776)</b>
Net change in unrealized gains (losses):		
Non-controlled, non-affiliated investments	131,963	(4,057,063)
Affiliated investments	(10,473,843)	(2,118,324)
Controlled investments	17,641	38,236,935
<b>Total net change in unrealized gains (losses)</b>	<b>(10,324,239)</b>	<b>32,061,548</b>
Loss on extinguishment of debt (see Note 5)	(296,197)	(122,354)
<b>Total realized and unrealized gains (losses)</b>	<b>4,602,899</b>	<b>(14,767,582)</b>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>\$ 4,803,010</b>	<b>\$ (6,437,851)</b>
Weighted Average Basic and diluted earnings per common share	\$ 1.91	\$ (2.36)
Weighted Average Basic and diluted net investment income (loss) per common share	\$ 0.08	\$ 3.06
Weighted Average Common Shares Outstanding - Basic and Diluted (see Note 11)	2,517,221	2,723,709

The accompanying notes are an integral part of these consolidated financial statements.

**PHENIXFIN CORPORATION**  
**Consolidated Statements of Changes in Net Assets**  
(Unaudited)

	<u>Shares</u>	<u>Par Amount</u>	<u>Capital in Excess of Par Value</u>	<u>Total Distributable Earnings/(Loss)</u>	<u>Total Net Assets</u>
<b>Balance at September 30, 2021</b>	2,517,221	\$ 2,517	\$ 688,866,642	\$ (545,175,178)	\$ 143,693,981
<b>OPERATIONS</b>					
Net investment income (loss)	-	-	-	200,111	200,111
Net realized gains (losses) on investments	-	-	-	15,223,335	15,223,335
Net change in unrealized appreciation (depreciation) on investments	-	-	-	(10,324,239)	(10,324,239)
Net loss on extinguishment of debt	-	-	-	(296,197)	(296,197)
<b>Total Increase (Decrease) in Net Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,803,010</u>	<u>4,803,010</u>
<b>Balance at December 31, 2021</b>	<u>2,517,221</u>	<u>\$ 2,517</u>	<u>\$ 688,866,642</u>	<u>\$ (540,372,168)</u>	<u>\$ 148,496,991</u>
<b>Balance at September 30, 2020</b>	2,723,709	\$ 2,724	\$ 672,381,617	\$ (521,764,824)	\$ 150,619,517
<b>OPERATIONS</b>					
Net investment income (loss)	-	-	-	8,329,731	8,329,731
Net realized gains (losses) on investments	-	-	-	(46,706,776)	(46,706,776)
Net change in unrealized appreciation (depreciation) on investments	-	-	-	32,061,548	32,061,548
Net loss on extinguishment of debt	-	-	-	(122,354)	(122,354)
<b>Total Increase (Decrease) in Net Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,437,851)</u>	<u>(6,437,851)</u>
<b>Balance at December 31, 2020</b>	<u>2,723,709</u>	<u>\$ 2,724</u>	<u>\$ 672,381,617</u>	<u>\$ (528,202,675)</u>	<u>\$ 144,181,666</u>

The accompanying notes are an integral part of these consolidated financial statements.

**PHENIXFIN CORPORATION**  
**Consolidated Statements of Cash Flows**  
**(Unaudited)**

**For the**  
**Three Months Ended**  
**December 31**

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities:</b>		
Net increase (decrease) in net assets resulting from operations	\$ 4,803,010	\$ (6,437,851)
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:		
Investment increases due to payment-in-kind interest	(235,539)	(170,029)
Net amortization of premium (discount) on investments	2,072	-
Amortization of debt issuance cost	41,698	157,441
Net realized (gain) loss from investments	(15,223,335)	46,706,776
Net unrealized (gains) losses on investments	10,324,239	(32,061,548)
Proceeds from sale and settlements of investments	77,579,123	74,062,744
Purchases, originations and participations	(96,205,833)	(1,335,311)
Loss on extinguishment of debt	296,197	122,354
(Increase) decrease in operating assets:		
Other assets	158,901	417,626
Interest receivable	(161,771)	385,710
Other receivables	(1,293)	-
Receivable for paydowns	(3,593,630)	-
Fees receivable	1,872,700	12,500
Dividends receivable	(139,248)	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(494,108)	(1,207,374)
Interest and fees payable	385,729	(801,805)
Management and incentive fees payable, net	-	(245,619)
Administrator expenses payable	60,045	327,447
Deferred revenue	386,156	24,921
Due to affiliate	(280,460)	(53,083)
Due to broker	10,503,033	-
<b>Net cash provided by (used in) operating activities</b>	<u>(9,922,314)</u>	<u>79,904,899</u>
<b>Cash Flows from Financing Activities:</b>		
Debt issuance	57,500,000	-
Paydowns on debt	(55,325,000)	(74,151,822)
Debt issuance costs paid	(2,305,942)	138,998
<b>Net cash provided by (used in) financing activities</b>	<u>(130,942)</u>	<u>(74,012,824)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(10,053,256)</u>	<u>5,892,075</u>
Cash and cash equivalents, beginning of period	69,433,256	56,522,148
<b>Cash and cash equivalents, end of period</b>	<u>\$ 59,380,000</u>	<u>\$ 62,414,223</u>
<b>Supplemental information:</b>		
Interest paid during the period	\$ 1,873,404	\$ 2,819,446
<b>Supplemental non-cash information:</b>		
Payment-in-kind interest income	\$ 235,539	\$ 170,029

The accompanying notes are an integral part of these consolidated financial statements.

**PHENIXFIN CORPORATION**  
**Consolidated Schedule of Investments**  
**As of December 31, 2021**  
**(Unaudited)**

<u>Company<sup>(1)</sup></u>	<u>Industry</u>	<u>Type of Investment</u>	<u>Maturity</u>	<u>Par Amount<sup>(2)</sup></u>	<u>Cost<sup>(3)</sup></u>	<u>Fair Value<sup>(4)</sup></u>	<u>% of Net Assets<sup>(5)</sup></u>
<b>Non-Controlled/Non-Affiliated Investments:</b>							
Altisource S.A.R.L. <sup>(11)</sup>	Services: Business	Senior Secured First Lien Term Loan B (LIBOR + 4.00%, 1.00% LIBOR Floor) <sup>(15)</sup>	4/3/2024	<u>\$ 4,197,422</u> 4,197,422	<u>\$ 3,778,260</u> 3,778,260	<u>\$ 3,851,134</u> 3,851,134	2.59% 2.59%
Be Green Packaging, LLC	Containers, Packaging & Glass	Equity - 417 Common Units		<u>1</u> 1	<u>416,250</u> 416,250	<u>-</u> -	0.00% 0.00%
Chimera Investment Corp. <sup>(11)</sup>	Banking, Finance, Insurance & Real Estate	Equity - 117,310 Class C Preferred Units <sup>(14)(16)</sup>		<u>117,310</u> 117,310	<u>2,884,724</u> 2,884,724	<u>2,937,442</u> 2,937,442	1.98% 1.98%
Cleaver-Brooks, Inc.	Manufacturing	7.875% Senior Secured Notes <sup>(15)</sup>	3/1/2023	<u>9,364,000</u> 9,364,000	<u>9,316,212</u> 9,316,212	<u>9,153,000</u> 9,153,000	6.16% 6.16%
Copper Property CTL Pass Through Trust <sup>(11)</sup>	Banking, Finance, Insurance & Real Estate	Equity Certificates <sup>(15)</sup>		<u>212,795</u> 212,795	<u>4,768,931</u> 4,768,931	<u>4,787,888</u> 4,787,888	3.22% 3.22%
CPI International, Inc.	Aerospace & Defense	Senior Secured Second Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor)	7/28/2025	<u>2,607,062</u> 2,607,062	<u>2,600,494</u> 2,600,494	<u>2,493,003</u> 2,493,003	1.68% 1.68%
DataOnline Corp.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor) Revolving Credit Facility (LIBOR + 6.25% Cash, 1.00% LIBOR Floor)	11/13/2025 11/13/2025	4,900,000 <u>714,286</u> 5,614,286	4,900,000 <u>714,286</u> 5,614,286	4,900,000 <u>714,286</u> 5,614,286	3.30% 0.48% 3.78%
DirecTV Financing, LLC	Media: Broadcasting & Subscription	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 0.75% LIBOR Floor) <sup>(15)</sup>	8/2/2027	<u>4,777,531</u> 4,777,531	<u>4,777,531</u> 4,777,531	<u>4,777,531</u> 4,777,531	3.22% 3.22%
Dividend and Income Fund <sup>(11)</sup>	Banking, Finance, Insurance & Real Estate	Equity - 97,483 Common Units <sup>(14)</sup>		<u>97,483</u> 97,483	<u>1,429,545</u> 1,429,545	<u>1,419,206</u> 1,419,206	0.96% 0.96%
Dream Finders Homes, LLC <sup>(11)</sup>	Construction & Building	Preferred Equity (8.00% PIK)		<u>5,003,111</u> 5,003,111	<u>5,003,111</u> 5,003,111	<u>4,853,018</u> 4,853,018	3.27% 3.27%

<u>Company<sup>(1)</sup></u>	<u>Industry</u>	<u>Type of Investment</u>	<u>Maturity</u>	<u>Par Amount<sup>(2)</sup></u>	<u>Cost<sup>(3)</sup></u>	<u>Fair Value<sup>(4)</sup></u>	<u>% of Net Assets<sup>(5)</sup></u>
First Brands Group, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor)	3/30/2027	<u>3,989,950</u> 3,989,950	<u>3,989,950</u> 3,989,950	<u>3,989,950</u> 3,989,950	2.69% 2.69%
Footprint Acquisition, LLC	Services: Business	Equity - 150 Common Units		<u>150</u> 150	<u>-</u> -	<u>-</u> -	0.00% 0.00%
Franklin BSP Realty Trust, Inc. <sup>(11)</sup>	Banking, Finance, Insurance & Real Estate	Equity - 555,711 Common Units <sup>(14)</sup>		<u>488,591</u> 488,591	<u>8,205,708</u> 8,205,708	<u>7,299,550</u> 7,299,550	4.92% 4.92%
Global Accessories Group, LLC	Consumer goods: Non-durable	Equity - 3.8% Membership Interest		<u>380</u> 380	<u>151,337</u> 151,337	<u>-</u> -	0.00% 0.00%
Great AJAX Corp. <sup>(11)</sup>	Banking, Finance, Insurance & Real Estate	Equity - 254,922 Common Units <sup>(14)</sup>		<u>254,922</u> 254,922	<u>3,333,786</u> 3,333,786	<u>3,354,774</u> 3,354,774	2.26% 2.26%
Innovate Corp.	Construction & Building	8.50% Senior Secured Notes <sup>(15)</sup>	2/1/2026	<u>1,725,000</u> 1,725,000	<u>1,727,156</u> 1,727,156	<u>1,740,525</u> 1,740,525	1.17% 1.17%
Invesco Mortgage Capital, Inc. <sup>(11)</sup>	Banking, Finance, Insurance & Real Estate	Equity - 205,000 Class C Preferred Units <sup>(14)(17)</sup>		<u>205,000</u> 205,000	<u>5,035,506</u> 5,035,506	<u>5,059,400</u> 5,059,400	3.41% 3.41%
Lighting Science Group Corporation	Containers, Packaging & Glass	Warrants - 0.62% of Outstanding Equity		<u>5,000,000</u> 5,000,000	<u>955,680</u> 955,680	<u>-</u> -	0.00% 0.00%
Lucky Bucks, LLC	Consumer Discretionary	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 0.75% LIBOR Floor)	10/12/2027	<u>7,500,000</u> 7,500,000	<u>7,353,740</u> 7,353,740	<u>7,387,500</u> 7,387,500	4.97% 4.97%
MFA Financial, Inc. <sup>(11)</sup>	Banking, Finance, Insurance & Real Estate	Equity - 97,426 Class C Preferred Units <sup>(14)(20)</sup>		<u>97,426</u> 97,426	<u>2,318,487</u> 2,318,487	<u>2,303,151</u> 2,303,151	1.55% 1.55%
New Residential Investment Corp. <sup>(11)</sup>	Banking, Finance, Insurance & Real Estate	Equity - 238,134 Class B Preferred Units <sup>(14)(18)</sup>		<u>206,684</u> 206,684	<u>5,129,170</u> 5,129,170	<u>5,247,707</u> 5,247,707	3.53% 3.53%
New York Mortgage Trust, Inc. <sup>(11)</sup>	Banking, Finance, Insurance & Real Estate	Equity - 185,000 Class E Preferred Units <sup>(14)(19)</sup>		<u>165,000</u> 165,000	<u>4,102,076</u> 4,102,076	<u>4,184,400</u> 4,184,400	2.82% 2.82%
JFL-NGS-WCS Partners, LLC	Construction & Building	Senior Secured First Lien Term Loan B (LIBOR + 5.50%, 1.00% LIBOR Floor) Equity - 10,000,000 Units	11/12/2026	<u>7,948,386</u> <u>10,000,000</u> 17,948,386	<u>7,928,958</u> <u>10,000,000</u> 17,928,958	<u>7,988,128</u> <u>10,000,000</u> 17,988,128	5.38% 6.73% 12.11%
PennyMac Financial Services, Inc. <sup>(11)</sup>	Banking, Finance, Insurance & Real Estate	Equity - 76,500 Common Units <sup>(14)</sup>		<u>76,500</u> 76,500	<u>5,054,628</u> 5,054,628	<u>5,338,170</u> 5,338,170	3.59% 3.59%
Point.360	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% PIK) <sup>(10)</sup>	7/8/2020	<u>2,777,366</u> 2,777,366	<u>2,103,712</u> 2,103,712	<u>-</u> -	0.00% 0.00%

<u>Company<sup>(1)</sup></u>	<u>Industry</u>	<u>Type of Investment</u>	<u>Maturity</u>	<u>Par Amount<sup>(2)</sup></u>	<u>Cost<sup>(3)</sup></u>	<u>Fair Value<sup>(4)</sup></u>	<u>% of Net Assets<sup>(5)</sup></u>
RateGain Technologies, Inc.	Hotel, Gaming & Leisure	Unsecured Debt <sup>(12)</sup>	10/2/2023	475,526	475,526	-	0.00%
		Unsecured Debt <sup>(12)</sup>	4/1/2024	704,762	704,762	-	0.00%
				<u>1,180,288</u>	<u>1,180,288</u>	<u>-</u>	<u>0.00%</u>
Redwood Services Group, LLC <sup>(8)</sup>	Services: Business	Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	6/6/2024	<u>175,000</u>	<u>175,000</u>	<u>175,000</u>	0.12%
				175,000	175,000	175,000	0.12%
Secure Acquisition Inc. <sup>(8)</sup>	Packaging	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 0.50% LIBOR Floor)	12/16/2028	1,741,379	1,732,672	1,732,672	1.17%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 5.00%, 0.50% LIBOR Floor) <sup>(13)</sup>	12/16/2028	-	(1,293)	(1,293)	0.00%
				<u>1,741,379</u>	<u>1,731,379</u>	<u>1,731,379</u>	<u>1.17%</u>
Sendero Drilling Company, LLC	Energy: Oil & Gas	Unsecured Debt (9.00% Cash) <sup>(10)</sup>	8/1/2022	<u>191,250</u>	<u>182,081</u>	<u>-</u>	0.00%
				191,250	182,081	-	0.00%
Seotowncenter, Inc.	Services: Business	Equity - 3,434,169.6 Common Units		<u>3,434,170</u>	<u>566,475</u>	<u>-</u>	0.00%
				3,434,170	566,475	-	0.00%
SS Acquisition, LLC <sup>(8)</sup>	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.50%, 1.00% LIBOR Floor)	12/30/2026	6,666,667	6,566,745	6,666,667	4.49%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.50%, 1.00% LIBOR Floor) <sup>(13)</sup>	12/30/2026	-	-	-	0.00%
				<u>6,666,667</u>	<u>6,566,745</u>	<u>6,666,667</u>	<u>4.49%</u>
SMART Financial Operations, LLC	Retail	Equity - 700,000 Class A Preferred Units		<u>700,000</u>	<u>700,000</u>	<u>-</u>	0.00%
				700,000	700,000	-	0.00%
Stancor, Inc.	Services: Business	Equity - 263,814.43 Class A Units		<u>263,814</u>	<u>263,814</u>	<u>-</u>	0.00%
				263,814	263,814	-	0.00%
Thryv Holdings, Inc. <sup>(11)</sup>	Services: Business	Senior Secured First Lien Term Loan B (LIBOR + 8.50% Cash, 1.00% LIBOR Floor) <sup>(15)</sup>	3/1/2026	<u>5,420,000</u>	<u>5,277,519</u>	<u>5,495,880</u>	3.70%
				5,420,000	5,277,519	5,495,880	3.70%
Velocity Pooling Vehicle, LLC	Automotive	Equity - 5,441 Class A Units		5,441	302,465	64,167	0.04%
		Warrants - 0.65% of Outstanding Equity	3/30/2028	<u>6,506</u>	<u>361,667</u>	<u>76,727</u>	0.05%
				11,947	664,132	140,894	0.09%
Walker Edison Furniture Company LLC	Consumer goods: Durable	Equity - 10,244 Common Units		<u>11,734</u>	<u>1,843,516</u>	<u>2,429,360</u>	1.64%
				11,734	1,843,516	2,429,360	1.64%
Watermill-QMC Midco, Inc.	Automotive	Equity - 1.3% Partnership Interest <sup>(9)</sup>		<u>518,283</u>	<u>518,283</u>	<u>-</u>	0.00%
				518,283	518,283	-	0.00%
Wingman Holdings, Inc. (f/k/a Crow Precision Components, LLC)	Aerospace & Defense	Equity - 350 Common Units		<u>350</u>	<u>700,000</u>	<u>-</u>	0.00%
				350	700,000	-	0.00%
<b>Subtotal Non-Controlled/Non-Affiliated Investments</b>				<b><u>\$ 92,741,238</u></b>	<b><u>\$ 128,348,470</u></b>	<b><u>\$ 120,418,943</u></b>	<b>81.09%</b>

Company <sup>(1)</sup>	Industry	Type of Investment	Maturity	Par Amount <sup>(2)</sup>	Cost <sup>(3)</sup>	Fair Value <sup>(4)</sup>	% of Net Assets <sup>(5)</sup>
<b>Affiliated Investments:</b> <sup>(6)</sup>							
1888 Industrial Services, LLC <sup>(8)</sup>	Energy: Oil & Gas	Senior Secured First Lien Term Loan A (LIBOR + 5.00% PIK, 1.00% LIBOR Floor) <sup>(10)</sup>	5/1/2023	\$ 9,946,741	\$ 9,473,068	\$ -	0.00%
		Senior Secured First Lien Term Loan C (LIBOR + 5.00%, 1.00% LIBOR Floor)	5/1/2023	1,231,932	1,191,257	-	0.00%
		Revolving Credit Facility (LIBOR +5.00% PIK, 1.00% LIBOR Floor) <sup>(13)</sup>	5/1/2023	3,554,069	3,554,069	3,554,069	2.39%
		Equity - 21,562 Class A Units		<u>21,562</u>	<u>-</u>	<u>-</u>	<u>0.00%</u>
				<u>14,754,304</u>	<u>14,218,394</u>	<u>3,554,069</u>	<u>2.39%</u>
Black Angus Steakhouses, LLC <sup>(8)</sup>	Hotel, Gaming & Leisure	Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)	6/30/2022	758,929	758,929	758,929	0.51%
		Senior Secured First Lien Term Loan (LIBOR + 9.00% PIK, 1.00% LIBOR Floor) <sup>(10)</sup>	6/30/2022	8,412,596	7,767,533	1,749,820	1.18%
		Senior Secured First Lien Super Priority DDTL (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	6/30/2022	1,500,000	1,500,000	1,500,000	1.01%
		Equity - 17.92% Membership Interest		<u>-</u>	<u>-</u>	<u>-</u>	<u>0.0%</u>
				<u>10,671,525</u>	<u>10,026,462</u>	<u>4,008,749</u>	<u>2.70%</u>
Kemmerer Operations, LLC <sup>(8)</sup>	Metals & Mining	Senior Secured First Lien Term Loan (15.00% PIK)	6/21/2023	2,473,294	2,473,294	2,455,981	1.65%
		Senior Secured First Lien Delayed Draw Term Loan (15.00% PIK) <sup>(13)</sup>	6/21/2023	34,040	34,040	28,124	0.02%
		Equity - 6.7797 Common Units		<u>7</u>	<u>962,717</u>	<u>491,399</u>	<u>0.33%</u>
				<u>2,507,341</u>	<u>3,470,051</u>	<u>2,975,504</u>	<u>2.00%</u>
Path Medical, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan A (LIBOR + 9.50% Cash, 1.00% LIBOR Floor) <sup>(10)</sup>	10/11/2021	5,805,894	5,805,894	2,217,851	1.49%
		Senior Secured First Lien Term Loan B (LIBOR + 13.00% PIK, 1.00% LIBOR Floor) <sup>(10)</sup>	10/11/2021	7,646,823	6,483,741	-	0.00%
		Warrants - 7.68% of Outstanding Equity		<u>123,867</u>	<u>499,751</u>	<u>-</u>	<u>0.00%</u>
				<u>13,576,584</u>	<u>12,789,386</u>	<u>2,217,851</u>	<u>1.49%</u>
US Multifamily, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (10.00% Cash)	12/31/2022	2,577,418	2,577,418	2,577,418	1.74%
		Equity - 33,300 Preferred Units		<u>33,300</u>	<u>3,330,000</u>	<u>2,236,095</u>	<u>1.51%</u>
				<u>2,610,718</u>	<u>5,907,418</u>	<u>4,813,513</u>	<u>3.25%</u>
<b>Subtotal Affiliated Investments</b>				<b><u>\$ 44,120,472</u></b>	<b><u>\$ 46,411,711</u></b>	<b><u>\$ 17,569,686</u></b>	<b>11.83%</b>

<u>Company<sup>(1)</sup></u>	<u>Industry</u>	<u>Type of Investment</u>	<u>Maturity</u>	<u>Par Amount<sup>(2)</sup></u>	<u>Cost<sup>(3)</sup></u>	<u>Fair Value<sup>(4)</sup></u>	<u>% of Net Assets<sup>(5)</sup></u>
<b>Controlled Investments:<sup>(7)</sup></b>							
FlexFIN, LLC	Services: Business	Equity Interest		\$ 30,500,000	\$ 30,500,000	\$ 30,500,000	20.54%
NVTN LLC <sup>(8)</sup>	Hotel, Gaming & Leisure	Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 4.00% Cash, 1.00% LIBOR Floor) <sup>(10)(13)</sup>	12/31/2024	6,565,876	6,565,875	6,421,426	4.33%
		Senior Secured First Lien Super Priority DDTL (LIBOR + 4.00% Cash, 1.00% LIBOR Floor)	12/31/2024	500,000	499,075	489,000	0.33%
		Senior Secured First Lien Term Loan B (LIBOR + 9.25% PIK, 1.00% LIBOR Floor) <sup>(10)</sup>	12/31/2024	14,963,195	12,305,095	-	0.00%
		Senior Secured First Lien Term Loan C (LIBOR + 12.00% PIK, 1.00% LIBOR Floor) <sup>(10)</sup>	12/31/2024	10,014,223	7,570,054	-	0.00%
		Equity - 787.4 Class A Units		<u>9,550,922</u>	<u>9,550,922</u>	<u>-</u>	<u>0.00%</u>
<b>Subtotal Control Investments</b>				<b><u>\$ 72,094,216</u></b>	<b><u>\$ 66,991,021</u></b>	<b><u>\$ 37,410,426</u></b>	<b>25.20%</b>
<b>Total Investments, December 31, 2021</b>				<b><u>\$ 208,955,926</u></b>	<b><u>\$ 241,751,202</u></b>	<b><u>\$ 175,399,055</u></b>	<b>118.12%</b>

- (1) All of our investments are domiciled in the United States. Certain investments also have international operations.
- (2) Par amount includes accumulated payment-in-kind (“PIK”) interest, as applicable, and is net of repayments.
- (3) Net unrealized depreciation for U.S. federal income tax purposes totaled \$(66,082,025). The tax cost basis of investments is \$241,481,080 as of December 31, 2021.
- (4) Unless otherwise indicated, all securities are valued using significant unobservable inputs, which are categorized as Level 3 assets under the definition of ASC 820 fair value hierarchy (see Note 4).
- (5) Percentage is based on net assets of \$148,496,991 as of December 31, 2021.
- (6) Affiliated Investments are defined by the 1940 Act as investments in companies in which the Company owns between 5% and 25% outstanding voting securities or is under common control with such portfolio company.
- (7) Control Investments are defined by the Investment Company Act of 1940, as amended (the “1940 Act”), as investments in companies in which the Company owns more than 25% of the voting securities or maintains greater than 50% of the board representation.
- (8) The investment has an unfunded commitment as of December 31, 2021 (see Note 8), and fair value includes the value of any unfunded commitments.
- (9) Represents 1.3% partnership interest in Watermill-QMC Partners, LP and Watermill-EMI Partners, LP.
- (10) The investment was on non-accrual status as of December 31, 2021.
- (11) The investment is not a qualifying asset as defined under Section 55(a) of 1940 Act, in a whole, or in part. As of December 31, 2021, 23.65% of the Company’s portfolio investments were non-qualifying assets.
- (12) Security is non-income producing.
- (13) This investment earns 0.50% commitment fee on all unused commitment as of December 31, 2021, and is recorded as a component of interest income on the Consolidated Statements of Operations.
- (14) This investment represents a Level 1 security in the ASC 820 table as of December 31, 2021 (see Note 4).
- (15) This investment represents a Level 2 security in the ASC 820 table as of December 31, 2021 (see Note 4).
- (16) The interest rate on this loan is fixed-to-floating and will shift to 3 month LIBOR plus a 4.743% spread on 9/30/2025.
- (17) The interest rate on this loan is fixed-to-floating and will shift to 3 month LIBOR plus a 5.29% spread on 9/27/2027.
- (18) The interest rate on this loan is fixed-to-floating and will shift to 3 month LIBOR plus a 5.64% spread on 8/15/2024.
- (19) The interest rate on this loan is fixed-to-floating and will shift to 3 month LIBOR plus a 6.429% spread on 1/15/2025.
- (20) The interest rate on this preferred equity is fixed-to-floating and will shift to 3 month LIBOR plus a 5.345% spread on 3/31/2025.

**PHENIXFIN CORPORATION**  
**Consolidated Schedule of Investments**  
**September 30, 2021**

Company <sup>(1)</sup>	Industry	Type of Investment	Maturity	Par Amount <sup>(2)</sup>	Cost <sup>(3)</sup>	Fair Value <sup>(4)</sup>	% of Net Assets <sup>(5)</sup>
<b>Non-Controlled/Non-Affiliated Investments:</b>							
Alpine SG, LLC <sup>(8)</sup>	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.75% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	11/16/2022	\$ 4,715,808	\$ 4,715,809	\$ 4,715,809	3.29%
		Senior Secured Incremental First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	11/16/2022	472,087	472,087	472,087	0.33%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 5.75% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	11/16/2022	2,277,293	2,277,293	2,277,293	1.58%
		Senior Secured Incremental First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	11/16/2022	4,174,037	4,107,317	4,174,037	2.90%
		Senior Secured Incremental First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	11/16/2022	2,999,802	2,946,540	2,999,802	2.09%
		Senior Secured Incremental First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	11/16/2022	1,000,000	982,916	1,000,000	0.70%
				<u>15,639,027</u>		<u>15,501,962</u>	<u>15,639,028</u>
AutosplICE, Inc.	Automotive	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash & 2.00% PIK, 1.00% LIBOR Floor) <sup>(14)</sup>	4/30/2022	11,826,036	11,826,036	11,826,036	8.23%
				<u>11,826,036</u>	<u>11,826,036</u>	<u>11,826,036</u>	8.23%
Be Green Packaging, LLC	Containers, Packaging & Glass	Equity - 417 Common Units		1	416,250	-	0.00%
				<u>1</u>	<u>416,250</u>	<u>-</u>	0.00%
Chimera Investment Corp. <sup>(11)</sup>	Banking, Finance, Insurance & Real Estate	Equity - 117,310 Class C Preferred Units <sup>(17)</sup> <sup>(20)</sup>		117,310	2,884,724	3,019,559	2.10%
				<u>117,310</u>	<u>2,884,724</u>	<u>3,019,559</u>	2.10%
Cleaver-Brooks, Inc.	Manufacturing	7.875% Senior Secured Notes <sup>(18)</sup>	3/1/2023	9,364,000	9,306,052	9,270,360	6.45%
				<u>9,364,000</u>	<u>9,306,052</u>	<u>9,270,360</u>	6.45%
CM Finance SPV, LLC	Energy: Oil & Gas	Unsecured Debt <sup>(10)</sup>		101,463	101,463	-	0.00%
				<u>101,463</u>	<u>101,463</u>	<u>-</u>	0.00%
CPI International, Inc.	Aerospace & Defense	Senior Secured Second Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	7/28/2025	2,607,062	2,599,906	2,489,744	1.73%
				<u>2,607,062</u>	<u>2,599,906</u>	<u>2,489,744</u>	1.73%
DataOnline Corp.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	11/13/2025	4,912,500	4,912,500	4,863,375	3.39%
		Revolving Credit Facility (LIBOR + 6.25% Cash, 1.00% LIBOR Floor) <sup>(14)(16)</sup>	11/13/2025	714,286	714,286	707,143	0.49%
				<u>5,626,786</u>	<u>5,626,786</u>	<u>5,570,518</u>	3.88%
Dividend and Income Fund <sup>(11)</sup>	Banking, Finance, Insurance & Real Estate	Equity - 87,483 Common Units <sup>(17)</sup>		87,483	1,281,845	1,275,502	0.89%
				<u>87,483</u>	<u>1,281,845</u>	<u>1,275,502</u>	0.89%
Dream Finders Homes, LLC <sup>(11)</sup>	Construction & Building	Preferred Equity (8.00% PIK)		4,905,011	4,905,011	4,757,860	3.31%
				<u>4,905,011</u>	<u>4,905,011</u>	<u>4,757,860</u>	3.31%

Company <sup>(1)</sup>	Industry	Type of Investment	Maturity	Par Amount <sup>(2)</sup>	Cost <sup>(3)</sup>	Fair Value <sup>(4)</sup>	% of Net Assets <sup>(5)</sup>
Footprint Acquisition, LLC	Services: Business	Preferred Equity (8.75% PIK) <sup>(10)</sup>		4,049,398	4,049,398	2,956,061	2.06%
		Equity - 150 Common Units		150	-	-	0.00%
				<u>4,049,548</u>	<u>4,049,398</u>	<u>2,956,061</u>	2.06%
Global Accessories Group, LLC	Consumer goods: Non-durable	Equity - 3.8% Membership Interest		380	151,337	-	0.00%
				<u>380</u>	<u>151,337</u>	<u>-</u>	0.00%
Great AJAX Corp. <sup>(11)</sup>	Banking, Finance, Insurance & Real Estate	Equity - 253,651 Common Units <sup>(17)</sup>		253,651	3,316,414	3,421,752	2.38%
				<u>253,651</u>	<u>3,316,414</u>	<u>3,421,752</u>	2.38%
Invesco Mortgage Capital, Inc. <sup>(11)</sup>	Banking, Finance, Insurance & Real Estate	Equity - 205,000 Class C Preferred Units <sup>(17)</sup> (21)		205,000	5,035,506	5,217,250	3.63%
				<u>205,000</u>	<u>5,035,506</u>	<u>5,217,250</u>	3.63%
Lighting Science Group Corporation	Containers, Packaging & Glass	Warrants - 0.62% of Outstanding Equity <sup>(18)</sup>		5,000,000	955,680	-	0.00%
				<u>5,000,000</u>	<u>955,680</u>	<u>-</u>	0.00%
MFA Financial, Inc.	Banking, Finance, Insurance & Real Estate	Equity - 31,692 Class C Preferred Units <sup>(17)</sup> (24)		31,692	762,171	778,989	0.54%
				<u>31,692</u>	<u>762,171</u>	<u>778,989</u>	0.54%
New Residential Investment Corp. (11)	Banking, Finance, Insurance & Real Estate	Equity - 206,684 Class B Preferred Units <sup>(17)</sup> (22)		206,684	5,129,170	5,206,370	3.62%
				<u>206,684</u>	<u>5,129,170</u>	<u>5,206,370</u>	3.62%
New York Mortgage Trust, Inc. <sup>(11)</sup>	Banking, Finance, Insurance & Real Estate	Equity - 165,000 Class E Preferred Units <sup>(17)</sup> (23)		165,000	4,102,076	4,182,750	2.91%
				<u>165,000</u>	<u>4,102,076</u>	<u>4,182,750</u>	2.91%
Point.360	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% PIK) <sup>(10)(15)</sup>	7/8/2020	2,777,366	2,103,712	-	0.00%
				<u>2,777,366</u>	<u>2,103,712</u>	<u>-</u>	0.00%
RateGain Technologies, Inc.	Hotel, Gaming & Leisure	Unsecured Debt (4.50% Cash) <sup>(12)</sup>	10/2/2023	532,671	532,671	-	0.00%
			4/1/2024	704,762	704,762	-	0.00%
				<u>1,237,433</u>	<u>1,237,433</u>	<u>-</u>	0.00%
Redwood Services Group, LLC <sup>(8)</sup>	Services: Business	Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) <sup>(13)(16)</sup>	6/6/2023	175,000	175,000	175,000	0.12%
				<u>175,000</u>	<u>175,000</u>	<u>175,000</u>	0.12%
Sendero Drilling Company, LLC	Energy: Oil & Gas	Unsecured Debt (9.00% Cash) <sup>(10)</sup>	8/1/2022	233,750	222,544	-	0.00%
				<u>233,750</u>	<u>222,544</u>	<u>-</u>	0.00%
Seotowncenter, Inc.	Services: Business	Equity - 3,434,169.6 Common Units		3,434,170	566,475	-	0.00%
				<u>3,434,170</u>	<u>566,475</u>	<u>-</u>	0.00%

<u>Company<sup>(1)</sup></u>	<u>Industry</u>	<u>Type of Investment</u>	<u>Maturity</u>	<u>Par Amount<sup>(2)</sup></u>	<u>Cost<sup>(3)</sup></u>	<u>Fair Value<sup>(4)</sup></u>	<u>% of Net Assets<sup>(5)</sup></u>				
SMART Financial Operations, LLC	Retail	Equity - 700,000 Class A Preferred Units		700,000	700,000	-	0.00%				
				700,000	700,000	-	0.00%				
Stancor, Inc.	Services: Business	Equity - 263,814.43 Class A Units		263,814	263,814	-	0.00%				
				263,814	263,814	-	0.00%				
Thryv Holdings, Inc. (11)	Services: Business	Senior Secured First Lien Term Loan B (LIBOR + 8.50% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	3/1/2026	5,770,000	5,610,988	5,863,763	4.08%				
				5,770,000	5,610,988	5,863,763	4.08%				
Velocity Pooling Vehicle, LLC	Automotive	Equity - 5,441 Class A Units		5,441	302,464	64,167	0.05%				
			Warrants - 0.65% of Outstanding Equity	3/30/2028	6,506	361,667	76,727	0.05%			
					11,947	664,131	140,894	0.10%			
Walker Edison Furniture Company LLC	Consumer goods: Durable	Equity - 10,244 Common Units		10,244	1,500,000	2,361,242	1.64%				
				10,244	1,500,000	2,361,242	1.64%				
Watermill-QMC Midco, Inc.	Automotive	Equity - 1.3% Partnership Interest <sup>(9)</sup>		518,283	518,283	-	0.00%				
				518,283	518,283	-	0.00%				
Wingman Holdings, Inc. (f/k/a Crow Precision Components, LLC)	Aerospace & Defense	Equity - 350 Common Units		350	700,000	-	0.00%				
				350	700,000	-	0.00%				
<b>Subtotal Non-Controlled/Non-Affiliated Investments</b>				<b>\$75,318,491</b>	<b>\$92,214,167</b>	<b>\$84,152,678</b>	<b>58.56%</b>				
<b><u>Affiliated Investments:</u><sup>(6)</sup></b>											
1888 Industrial Services, LLC <sup>(8)</sup>	Energy: Oil & Gas	Senior Secured First Lien Term Loan A (LIBOR + 5.00% PIK, 1.00% LIBOR Floor) <sup>(10)(14)</sup>	9/30/2021 <sup>(25)</sup>	\$9,946,741	\$9,473,066	\$-	0.00%				
				Senior Secured First Lien Term Loan B (LIBOR + 8.00% PIK, 1.00% LIBOR Floor) <sup>(10)(14)</sup>	9/30/2021 <sup>(25)</sup>	25,937,520	19,468,870	-	0.00%		
						Senior Secured First Lien Term Loan C (LIBOR + 5.00%, 1.00% LIBOR Floor) <sup>(14)</sup>	9/30/2021 <sup>(25)</sup>	1,231,932	1,191,257	24,637	0.02%
								Revolving Credit Facility (LIBOR +5.00% PIK, 1.00% LIBOR Floor) <sup>(14)(16)</sup>	9/30/2021 <sup>(25)</sup>	3,554,069	3,554,069
						Equity - 17,493.63 Class A Units				-	-
		40,670,262	33,687,262	3,578,706	2.49%						
Black Angus Steakhouses, LLC <sup>(8)</sup>	Hotel, Gaming & Leisure	Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	6/30/2022	758,929	758,929	758,929	0.53%				
				Senior Secured First Lien Term Loan (LIBOR + 9.00% PIK, 1.00% LIBOR Floor) <sup>(10)(13)</sup>	6/30/2022	8,412,596	7,767,533	2,279,814	1.59%		
						Senior Secured First Lien Super Priority DDTL (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) <sup>(13)(16)</sup>	6/30/2022	1,500,000	1,500,000	1,500,000	1.04%
								10,671,525	10,026,462	4,538,743	3.16%
Caddo Investors Holdings 1 LLC <sup>(11)</sup>	Forest Products & Paper	Equity - 6.15% Membership Interest <sup>(19)</sup>		2,528,826	2,528,826	3,454,786	2.40%				
				2,528,826	2,528,826	3,454,786	2.40%				



Company <sup>(1)</sup>	Industry	Type of Investment	Maturity	Par Amount <sup>(2)</sup>	Cost <sup>(3)</sup>	Fair Value <sup>(4)</sup>	% of Net Assets <sup>(5)</sup>
Dynamic Energy Services International LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 13.50% PIK) <sup>(10)(15)</sup>					
			12/31/2021	12,109,957	7,328,568	-	0.00%
		Equity - 12,350,000 Class A Units		<u>12,350,000</u>	<u>-</u>	<u>-</u>	0.00%
				<u>24,459,957</u>	<u>7,328,568</u>	<u>-</u>	0.00%
JFL-NGS Partners, LLC	Construction & Building	Equity - 57,300 Class B Units		<u>57,300</u>	<u>57,300</u>	<u>26,862,813</u>	18.69%
				57,300	57,300	26,862,813	18.69%
JFL-WCS Partners, LLC	Environmental Industries	Equity - 129,588 Class B Units		<u>129,588</u>	<u>129,588</u>	<u>8,099,949</u>	5.64%
				129,588	129,588	8,099,949	5.64%
Kemmerer Operations, LLC <sup>(8)</sup>	Metals & Mining	Senior Secured First Lien Term Loan (15.00% PIK)					
			6/21/2023	2,381,985	2,381,985	2,360,547	1.64%
		Senior Secured First Lien Delayed Draw Term Loan (15.00% PIK) <sup>(16)</sup>	6/21/2023	163,915	163,915	162,441	0.11%
		Equity - 6.7797 Common Units		<u>7</u>	<u>962,717</u>	<u>553,746</u>	0.39%
			<u>2,545,907</u>	<u>3,508,617</u>	<u>3,076,734</u>	2.14%	
Path Medical, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan A (LIBOR + 9.50% Cash, 1.00% LIBOR Floor) <sup>(10)(13)</sup>	10/11/2021	5,805,894	5,805,894	2,249,835	1.57%
		Senior Secured First Lien Term Loan B (LIBOR + 13.00% PIK, 1.00% LIBOR Floor) <sup>(10)(13)</sup>	10/11/2021	7,646,823	6,483,741	-	0.00%
		Warrants - 7.68% of Outstanding Equity		<u>123,867</u>	<u>499,751</u>	<u>-</u>	0.00%
				<u>13,576,584</u>	<u>12,789,386</u>	<u>2,249,835</u>	1.57%
URT Acquisition Holdings Corporation	Services: Business	Warrants		<u>28,912</u>	<u>-</u>	<u>920,000</u>	0.64%
				28,912	-	920,000	0.64%
US Multifamily, LLC <sup>(11)</sup>	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (10.00% Cash)					
			12/31/2022	2,577,418	2,577,418	2,577,418	1.79%
		Equity - 33,300 Preferred Units		<u>33,300</u>	<u>3,330,000</u>	<u>2,236,261</u>	1.56%
			<u>2,610,718</u>	<u>5,907,418</u>	<u>4,813,679</u>	3.35%	
<b>Subtotal Affiliated Investments</b>				<u><b>\$97,279,579</b></u>	<u><b>\$75,963,427</b></u>	<u><b>\$ 57,595,245</b></u>	<b>40.08%</b>

<u>Company<sup>(1)</sup></u>	<u>Industry</u>	<u>Type of Investment</u>	<u>Maturity</u>	<u>Par Amount<sup>(2)</sup></u>	<u>Cost<sup>(3)</sup></u>	<u>Fair Value<sup>(4)</sup></u>	<u>% of Net Assets<sup>(5)</sup></u>
<b>Controlled Investments:<sup>(Z)</sup></b>							
FlexFIN, LLC	Services: Business	Equity Interest		\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	1.74%
				<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>1.74%</u>
NVTN LLC <sup>(8)</sup>	Hotel, Gaming & Leisure	Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 4.00% Cash, 1.00% LIBOR Floor) <sup>(10)(13)(16)</sup>	12/31/2024	6,565,875	6,565,875	6,414,860	4.47%
		Senior Secured First Lien Super Priority DDTL (LIBOR + 4.00% Cash, 1.00% LIBOR Floor) <sup>(13)(16)</sup>	12/31/2024	1,000,000	998,150	977,000	0.68%
		Senior Secured First Lien Term Loan B (LIBOR + 9.25% PIK, 1.00% LIBOR Floor) <sup>(10)(13)</sup>	12/31/2024	14,963,195	12,305,096	-	0.00%
		Senior Secured First Lien Term Loan C (LIBOR + 12.00% PIK, 1.00% LIBOR Floor) <sup>(10)(13)</sup>	12/31/2024	10,014,223	7,570,054	-	0.00%
		Equity - 787.4 Class A Units		9,550,922	9,550,922	-	0.00%
				<u>42,094,215</u>	<u>36,990,097</u>	<u>7,391,860</u>	<u>5.15%</u>
<b>Subtotal Control Investments</b>				<b>\$ 44,594,215</b>	<b>\$ 39,490,097</b>	<b>\$ 9,891,860</b>	<b>6.89%</b>
<b>Total Investments, September 30, 2021</b>				<b>\$ 217,192,285</b>	<b>\$ 207,667,691</b>	<b>\$ 151,639,783</b>	<b>105.53%</b>

The accompanying notes are an integral part of these consolidated financial statements.

- (1) All of our investments are domiciled in the United States. Certain investments also have international operations.
- (2) Par amount includes accumulated payment-in-kind (“PIK”) interest, as applicable, and is net of repayments.
- (3) Net unrealized depreciation for U.S. federal income tax purposes totaled \$55,318,330.  
The tax cost basis of investments is \$206,958,113 as of September 30, 2021.
- (4) Unless otherwise indicated, all securities are valued using significant unobservable inputs, which are categorized as Level 3 assets under the definition of ASC 820 fair value hierarchy (see Note 4).
- (5) Percentage is based on net assets of \$143,693,981 as of September 30, 2021.
- (6) Affiliated Investments are defined by the 1940 Act as investments in companies in which the Company owns between 5% and 25% outstanding voting securities or is under common control with such portfolio company.
- (7) Control Investments are defined by the Investment Company Act of 1940, as amended (the “1940 Act”), as investments in companies in which the Company owns more than 25% of the voting securities or maintains greater than 50% of the board representation.
- (8) The investment has an unfunded commitment as of September 30, 2021 (see Note 8), and fair value includes the value of any unfunded commitments.
- (9) Represents 1.3% partnership interest in Watermill-QMC Partners, LP and Watermill-EMI Partners, LP.
- (10) The investment was on non-accrual status as of September 30, 2021.
- (11) The investment is not a qualifying asset as defined under Section 55(a) of 1940 Act, in a whole, or in part. As of September 30, 2021, 20.18% of the Company’s portfolio investments were non-qualifying assets.
- (12) Security is non-income producing.
- (13) The interest rate on these loans is subject to the greater of a London Interbank Offering Rate (“LIBOR”) floor, or 1 month LIBOR plus a base rate. The 1 month LIBOR as of September 30, 2021 was 0.08%.
- (14) The interest rate on these loans is subject to the greater of a LIBOR floor, or 3 month LIBOR plus a base rate. The 3 month LIBOR as of September 30, 2021 was 0.13 %.
- (15) The interest rate on these loans is subject to 3 month LIBOR plus a base rate. The 3 month LIBOR as of September 30, 2021 was 0.13 %.
- (16) This investment earns 0.50% commitment fee on all unused commitment as of September 30, 2021, and is recorded as a component of interest income on the Consolidated Statements of Operations.
- (17) This investment represents a Level 1 security in the ASC 820 table as of September 30, 2021 (see Note 4).
- (18) This investment represents a Level 2 security in the ASC 820 table as of September 30, 2021 (see Note 4).
- (19) As a practical expedient, the Company uses net asset value (“NAV”) to determine the fair value of this investment.
- (20) The interest rate on this preferred equity is fixed-to-floating and will shift to 3 month LIBOR plus a 4.743% spread on 9/30/2025.
- (21) The interest rate on this preferred equity is fixed-to-floating and will shift to 3 month LIBOR plus a 5.29% spread on 9/27/2027.
- (22) The interest rate on this preferred equity is fixed-to-floating and will shift to 3 month LIBOR plus a 5.64% spread on 8/15/2024.
- (23) The interest rate on this preferred equity is fixed-to-floating and will shift to 3 month LIBOR plus a 6.429% spread on 1/15/2025.
- (24) The interest rate on this preferred equity is fixed-to-floating and will shift to 3 month LIBOR plus a 5.345% spread on 3/31/2025.
- (25) The maturity date was extended to May 1, 2023 subsequent to September 30, 2021.

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021**  
**(Unaudited)**

**Note 1. Organization**

PhenixFIN Corporation (“PhenixFIN,” the “Company,” “we” and “us”) is an internally-managed non-diversified closed end management investment company incorporated in Delaware that has elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). We completed our initial public offering (“IPO”) and commenced operations on January 20, 2011. The Company has elected, and intends to qualify annually, to be treated, for U.S. federal income tax purposes, as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”). On November 18, 2020, the board of directors of the Company approved the adoption of an internalized management structure, effective January 1, 2021. Until close of business on December 31, 2020 we were externally managed and advised by MCC Advisors LLC (“MCC Advisors”), pursuant to an investment management agreement. MCC Advisors is a wholly owned subsidiary of Medley LLC, which is controlled by Medley Management Inc. (NYSE: MDLY), a publicly traded asset management firm (“MDLY”), which in turn is controlled by Medley Group LLC, an entity wholly owned by the senior professionals of Medley LLC. We use the term “Medley” to refer collectively to the activities and operations of Medley Capital LLC, Medley LLC, MDLY, Medley Group LLC, MCC Advisors, associated investment funds and their respective affiliates. Since January 1, 2021 the Company has been managed pursuant to an internalized management structure.

On March 26, 2013, our wholly owned subsidiary, Medley SBIC, LP (“SBIC LP”), a Delaware limited partnership that we own directly and through our wholly owned subsidiary, Medley SBIC GP, LLC, received a license from the Small Business Administration (“SBA”) to operate as a Small Business Investment Company (“SBIC”) under Section 301(c) of the Small Business Investment Company Act of 1958, as amended. Effective July 1, 2019, SBIC LP surrendered its SBIC license and changed its name to Medley Small Business Fund, LP. In addition, Medley SBIC GP, LLC changed its name to Medley Small Business Fund GP, LLC. Medley Small Business Fund, LP and Medley Small Business Fund GP, LLC have since changed their names to PhenixFIN Small Business Fund, LP and PhenixFIN Small Business Fund GP, LLC, respectively.

The Company has formed and expects to continue to form certain taxable subsidiaries (the “Taxable Subsidiaries”), which are taxed as corporations for federal income tax purposes. These Taxable Subsidiaries allow us to, among other things, hold equity securities of portfolio companies organized as pass-through entities while continuing to satisfy the requirements of a RIC under the Code.

The Company’s investment objective is to generate current income and capital appreciation. The management team seeks to achieve this objective primarily through making loans, private equity or other investments in privately-held companies. The Company may also make debt, equity or other investments in publicly-traded companies. (These investments may also include investments in other BDCs, closed-end funds or REITs.) We may also pursue other strategic opportunities and invest in other assets or operate other businesses to achieve our investment objective, such as operating and managing an asset-based lending business. The portfolio generally consists of senior secured first lien term loans, senior secured second lien term loans, senior secured bonds, preferred equity and common equity. Occasionally, we will receive warrants or other equity participation features which we believe will have the potential to increase total investment returns. Our loan and other debt investments are primarily rated below investment grade or are unrated. Investments in below investment grade securities are considered predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal when due.

***Reverse Stock Split; Authorized Share Reduction***

At the Company’s 2020 Annual Meeting of Stockholders held on June 30, 2020 (the “Annual Meeting”), stockholders approved a proposal to grant discretionary authority to the Company’s board of directors to amend the Company’s Certificate of Incorporation (the “Certificate of Incorporation”) to effect a reverse stock split of its common stock, of 1-20 (the “Reverse Stock Split”) and with the Reverse Stock Split to be effective at such time and date, if at all, as determined by the board of directors, but not later than 60 days after stockholder approval thereof and, if and when the reverse stock split is effected, reduce the number of authorized shares of common stock by the approved reverse stock split ratio (the “Authorized Share Reduction”).

Following the 2020 Annual Meeting, on July 7, 2020, the board of directors determined that it was in the best interests of the Company and its stockholders to implement the Reverse Stock Split and the Authorized Share Reduction. Accordingly, on July 13, 2020, the Company filed a Certificate of Amendment (the “Certificate of Amendment”) to the Certificate of Incorporation with the Secretary of State of the State of Delaware to effect the Reverse Stock Split and the Authorized Share Reduction.

Pursuant to the Certificate of Amendment, effective as of 5:00 p.m., Eastern Time, on July 24, 2020 (the “Effective Time”), each twenty (20) shares of common stock issued and outstanding, immediately prior to the Effective Time, automatically and without any action on the part of the respective holders thereof, were combined and converted into one (1) share of common stock. In connection with the Reverse Stock Split, the Certificate of Amendment provided for a reduction in the number of authorized shares of common stock from 100,000,000 to 5,000,000 shares of common stock. No fractional shares were issued as a result of the Reverse Stock Split. Instead, any stockholder who would have been entitled to receive a fractional share as a result of the Reverse Stock Split received cash payments in lieu of such fractional shares (without interest and subject to backup withholding and applicable withholding taxes).

On December 21, 2020, the Company announced that it completed the application process for and was authorized to transfer the listing of its shares of common stock to the NASDAQ Global Market. The listing and trading of the common stock on the NYSE ceased at the close of trading on December 31, 2020. Since January 4, 2021, the common stock trades on the NASDAQ Global Market under the trading symbol “PFX.”

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements (continued)**  
**December 31, 2021**  
**(Unaudited)**

**Sale of MCC JV**

On October 8, 2020, the Company, Great American Life Insurance Company (“GALIC”), MCC Senior Loan Strategy JV I LLC (the “MCC JV”), and an affiliate of Golub Capital LLC (“Golub”) entered into a Membership Interest Purchase Agreement pursuant to which a fund affiliated with and managed by Golub concurrently purchased all of the Company’s interest in the MCC JV and all of GALIC’s interest in the MCC JV for a pre-adjusted gross purchase price of \$156.4 million and an adjusted gross purchase price (which constitutes the aggregate consideration for the membership interests) of \$145.3 million (giving effect to adjustments primarily for principal and interest payments from portfolio companies of MCC JV from July 1, 2020 through October 7, 2020), resulting in net proceeds (before transaction expenses) of \$41.0 million and \$6.6 million for the Company and GALIC, respectively.

**COVID-19 Developments**

The COVID-19 pandemic and variants thereof continue to have adverse consequences on the U.S. and global economies, as well as on the Company (including certain portfolio companies) in particular. The ultimate economic fallout from the pandemic, and the long-term impact on economies, markets, industries and individual portfolio companies, remains uncertain. The Company’s performance (including that of certain of its portfolio companies) has been negatively impacted during the pandemic. The longer-term impact of COVID-19 on the operations and the performance of the Company (including certain portfolio companies) is difficult to predict, but may continue to be adverse. The longer-term potential impact on such operations and performance could depend to a large extent on future developments and actions taken by authorities and other entities to mitigate COVID-19 (and any variants thereof) and its economic impact. The impacts, as well as the uncertainty over impacts to come, of COVID-19 (including any variants thereof) have adversely affected the performance of the Company (including certain portfolio companies) and may continue to do so in the future. Further, the potential exists for additional variants of COVID-19, including the Omicron variant, to impede the global economic recovery and exacerbate geographic differences in the spread of, and response to, COVID-19.

**Note 2. Significant Accounting Policies**

**Basis of Presentation**

The Company is an investment company following the accounting and reporting guidance in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification 946 (“ASC 946”), Financial Services – Investment Companies. The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (“GAAP”) and include the consolidated accounts of the Company and its wholly owned subsidiaries PhenixFIN Small Business Fund, LP (“PhenixFIN Small Business Fund”) and PhenixFIN SLF Funding I LLC (“PhenixFIN SLF”), and its wholly owned Taxable Subsidiaries. All references made to the “Company,” “we,” and “us” herein include PhenixFIN Corporation and its consolidated subsidiaries, except as stated otherwise. Additionally, the accompanying consolidated financial statements of the Company and related financial information have been prepared pursuant to the requirements for reporting on Form 10-K and Article 10 of Regulation S-X of the Securities Act of 1933. In the opinion of management, the consolidated financial statements reflect all adjustments and reclassifications, which are of a normal recurring nature, that are necessary for the fair presentation of financial results as of and for the periods presented. Therefore, this Form 10-Q should be read in conjunction with the Company’s annual report on Form 10-K for the year ended September 30, 2021. The current period’s results of operations will not necessarily be indicative of results that ultimately may be achieved for the fiscal year ending September 30, 2022.

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

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Company considers cash equivalents to be highly liquid investments with original maturities of three months or less. Cash and cash equivalents include deposits in a money market account. 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. As of December 31, 2021 and September 30, 2021, we had \$59.4 million and \$69.4 million in cash and cash equivalents, respectively.

**Debt Issuance Costs**

Debt issuance costs, incurred in connection with any credit facilities and unsecured notes (see Note 5) are deferred and amortized over the life of the respective credit facility or instrument.

**Indemnification**

In the normal course of business, the Company enters into contractual agreements that provide general indemnifications against losses, costs, claims and liabilities arising from the performance of individual obligations under such agreements. The Company has had no material claims or payments pursuant to such agreements. The Company’s individual maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. However, based on management’s experience, the Company expects the risk of loss to be remote.

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements (continued)**  
**December 31, 2021**  
**(Unaudited)**

**Revenue Recognition**

Interest income, adjusted for amortization of premiums and accretion of discounts, is recorded on an accrual basis. Dividend income, which represents dividends from equity investments and distributions from Taxable Subsidiaries, is recorded on the ex-dividend date and when the distribution is received, respectively.

The Company holds debt investments in its portfolio that contain a payment-in-kind (“PIK”) interest provision. PIK interest, which represents contractually deferred interest added to the investment balance that is generally due at maturity, is recorded on the accrual basis to the extent 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. For the three months ended December 31, 2021, the Company earned approximately \$0.2 million in PIK interest. For the three months ended December 31, 2020, the Company earned approximately \$0.2 million in PIK interest.

Origination/closing, amendment and transaction break-up fees associated with investments in portfolio companies are recognized as income when we become entitled to such fees. Prepayment penalties received by the Company for debt instruments paid back to the Company prior to the maturity date are recorded as income upon repayment of debt. Administrative agent fees received by the Company are capitalized as deferred revenue and recorded as fee income when the services are rendered. For the three months ended December 31, 2021 and 2020, fee income was approximately \$0.3 million and \$0.3 million, respectively (see Note 9).

Investment transactions are accounted for on a trade date basis. Realized gains or losses on investments are measured by the difference between the net proceeds from the disposition and the amortized cost basis of investment, without regard to unrealized gains or losses previously recognized. During the three months ended December 31, 2021 and 2020, \$(19.6) million and \$0.0 million, respectively, of the Company’s realized gains (losses) were related to certain non-cash restructuring transactions, which are recorded on the Consolidated Statements of Operations as a component of net realized gains/losses from investments. The Company reports changes in fair value of investments as a component of the net unrealized appreciation/(depreciation) on investments in the Consolidated Statements of Operations.

Management reviews all loans that become 90 days or more past due on principal or interest or when there is reasonable doubt that principal or interest will be collected for possible placement on management’s designation of non-accrual status. Interest receivable is analyzed regularly and may be reserved against when deemed not collectible. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management’s judgment regarding collectability. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management’s judgment, are likely to remain current, although we may make exceptions to this general rule if the loan has sufficient collateral value and is in the process of collection. At December 31, 2021, certain investments in six portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately \$10.4 million, or 5.9% of the fair value of our portfolio. At September 30, 2021, certain investments in nine portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately \$13.9 million, or 9.2% of the fair value of our portfolio.

**Investment Classification**

The Company classifies its investments in accordance with the requirements of the 1940 Act. Under the 1940 Act, we would be deemed to “control” a portfolio company if we owned more than 25% of its outstanding voting securities and/or had the power to exercise control over the management or policies of such portfolio company. We refer to such investments in portfolio companies that we “control” as “Control Investments.” Under the 1940 Act, we would be deemed to be an “Affiliated Person” of a portfolio company if we own between 5% and 25% of the portfolio company’s outstanding voting securities or we are under common control with such portfolio company. We refer to such investments in Affiliated Persons as “Affiliated Investments.”

**Valuation of Investments**

The Company applies fair value accounting to all of its financial instruments in accordance with the 1940 Act and ASC Topic 820 - Fair Value Measurements and Disclosures (“ASC 820”). ASC 820 defines fair value, establishes a framework used to measure fair value and requires disclosures for fair value measurements. In accordance with ASC 820, the Company has categorized its financial instruments carried at fair value, based on the priority of the valuation technique, into a three-level fair value hierarchy as discussed in Note 4. Fair value is a market-based measure considered from the perspective of the market participant who holds the financial instrument rather than an entity specific measure. Therefore, when market assumptions are not readily available, the Company’s own assumptions are set to reflect those that management believes market participants would use in pricing the financial instrument at the measurement date.

Investments for which market quotations are readily available are valued at such market quotations, which are generally obtained from an independent pricing service or multiple broker-dealers or market makers. We weight the use of third-party broker quotations, if any, in determining fair value based on our understanding of the level of actual transactions used by the broker to develop the quote and whether the quote was an indicative price or binding offer. However, debt investments with remaining maturities within 60 days that are not credit impaired are valued at cost plus accreted discount, or minus amortized premium, which approximates fair value. Investments for which market quotations are not readily available are valued at fair value as determined by the Company’s board of directors based upon input from management and third party valuation firms. Because these investments are illiquid and because there may not be any directly comparable companies whose financial instruments have observable market values, these loans are valued using a fundamental valuation methodology, consistent with traditional asset pricing standards, that is objective and consistently applied across all loans and through time.

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements (continued)**  
**December 31, 2021**  
**(Unaudited)**

Investments in investment funds are valued at fair value. Fair values are generally determined utilizing the NAV supplied by, or on behalf of, management of each investment fund, which is net of management and incentive fees or allocations charged by the investment fund and is in accordance with the “practical expedient”, as defined by FASB Accounting Standards Update (“ASU”) 2009-12, *Investments in Certain Entities that Calculate Net Asset Value per Share*. NAVs received by, or on behalf of, management of each investment fund are based on the fair value of the investment funds’ underlying investments in accordance with policies established by management of each investment fund, as described in each of their financial statements and offering memorandum. If the Company is in the process of the sale of an investment fund, fair value will be determined by actual or estimated sale proceeds.

The methodologies utilized by the Company in estimating the fair value of its investments categorized as Level 3 generally fall into the following two categories:

- The “Market Approach” uses prices and other relevant information generated by market transactions involving identical or comparable (that is, similar) assets, liabilities, or a group of assets and liabilities, such as a business.
- The “Income Approach” converts future amounts (for example, cash flows or income and expenses) to a single current (that is, discounted) amount. When the Income Approach is used, the fair value measurement reflects current market expectations about those future amounts.

The Company has engaged third-party valuation firms (the “Valuation Firms”) to assist it and its board of directors in the valuation of its portfolio investments. The valuation reports generated by the Valuation Firms consider the evaluation of financing and sale transactions with third parties, expected cash flows and market-based information, including comparable transactions, performance multiples, and movement in yields of debt instruments, among other factors. The Company uses a market yield analysis under the Income Approach or an enterprise model of valuation under the Market Approach, or a combination thereof. In applying the market yield analysis, the value of the Company’s loans is determined based upon inputs such as the coupon rate, current market yield, interest rate spreads of similar securities, the stated value of the loan, and the length to maturity. In applying the enterprise model, the Company uses a waterfall analysis, which takes into account the specific capital structure of the borrower and the related seniority of the instruments within the borrower’s capital structure into consideration. To estimate the enterprise value of the portfolio company, we weigh some or all of the traditional market valuation methods and factors based on the individual circumstances of the portfolio company in order to estimate the enterprise value.

The methodologies and information that the Company utilizes when applying the Market Approach for performing investments include, among other things:

- valuations of comparable public companies (“Guideline Comparable Approach”);
- recent sales of private and public comparable companies (“Guideline Comparable Approach”);
- recent acquisition prices of the company, debt securities or equity securities (“Recent Arms-Length Transaction”);
- external valuations of the portfolio company, offers from third parties to buy the company (“Estimated Sales Proceeds Approach”);
- subsequent sales made by the company of its investments (“Expected Sales Proceeds Approach”); and
- estimating the value to potential buyers.

The methodologies and information that the Company utilizes when applying the Income Approach for performing investments include:

- discounting the forecasted cash flows of the portfolio company or securities (Discounted Cash Flow (“DCF”) Approach); and
- Black-Scholes model or simulation models or a combination thereof (Income Approach - Option Model) with respect to the valuation of warrants.

For non-performing investments, we may estimate the liquidation or collateral value of the portfolio company’s assets and liabilities using an expected recovery model (Market Approach - Expected Recovery Analysis or Estimated Liquidation Proceeds).

We undertake a multi-step valuation process each quarter when valuing investments for which market quotations are not readily available, as described below:

- our quarterly valuation process begins with each portfolio investment being initially valued by one or more Valuation Firms;
- preliminary valuation conclusions are then documented and discussed with senior management;
- the audit committee of the board of directors reviews the preliminary valuations with management and the Valuation Firms; and
- the board of directors discusses the valuations and determines the fair value of each investment in the Company’s portfolio in good faith based on the input of management, the respective Valuation Firms and the audit committee.

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements (continued)**  
**December 31, 2021**  
**(Unaudited)**

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ from the values that would have been used had a readily available market value existed for such investments, and the differences could be material. In addition, changes in the market environment (including the impact of COVID-19 on financial markets), portfolio company performance, and other events may occur over the lives of the investments that may cause the gains or losses ultimately realized on these investments to be materially different than the valuations currently assigned.

#### **Fair Value of Financial Instruments**

The carrying amounts of certain of our financial instruments, including cash and cash equivalents, accounts payable and accrued expenses, approximate fair value due to their short-term nature. The carrying amounts and fair values of our long-term obligations are discussed in Note 5.

#### **Recent Accounting Pronouncements**

In March 2020, the FASB issued ASU 2020-04, “Reference rate reform (Topic 848)—Facilitation of the effects of reference rate reform on financial reporting.” The amendments in this update provide optional expedients and exceptions for applying U.S. GAAP to certain contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform and became effective upon issuance for all entities. The Company has agreements that have LIBOR as a reference rate with certain portfolio companies and also with certain lenders. Many of these agreements include language for choosing an alternative successor rate if LIBOR reference is no longer considered to be appropriate. Contract modifications are required to be evaluated in determining whether the modifications result in the establishment of new contracts or the continuation of existing contracts. In January 2021, the FASB issued ASU 2021-01, “Reference rate reform (Topic 848),” which expanded the scope of Topic 848. ASU 2020-04 and ASU 2021-01 are effective through December 31, 2022 when the Company plans to apply the amendments in this update to account for contract modifications due to changes in reference rates. The Company does not believe the adoption of ASU 2020-04 and ASU 2021-01 will have a material impact on its consolidated financial statements and disclosures.

In May 2020, the SEC adopted rule amendments that impacted the requirement of investment companies, including BDCs, to disclose the financial statements of certain of their portfolio companies or certain acquired funds (the “Final Rules”). The Final Rules adopted a new definition of “significant subsidiary” set forth in Rule 1-02(w)(2) of Regulation S-X under the Securities Act. Rules 3-09 and 4-08(g) of Regulation S-X require investment companies to include separate financial statements or summary financial information, respectively, in such investment company’s periodic reports for any portfolio company that meets the definition of “significant subsidiary.” The Final Rules adopt a new definition of “significant subsidiary” applicable only to investment companies that (i) modifies the investment test and the income test, and (ii) eliminates the asset test currently in the definition of “significant subsidiary” in Rule 1-02(w) of Regulation S-X. The new Rule 1-02(w)(2) of Regulation S-X is intended to more accurately capture those portfolio companies that are more likely to materially impact the financial condition of an investment company. The Final Rules became effective on January 1, 2021. The Company evaluated the impact of the Final Rules and determined its impact not to be material and began voluntary compliance with the Final Rules since the quarter ended June 30, 2020.

#### **Federal Income Taxes**

The Company has elected, and intends to qualify annually, to be treated as a RIC under Subchapter M of the Code. In order to continue to qualify as a RIC and be eligible for tax treatment under Subchapter M of the Code, among other things, the Company is required to meet certain source of income and asset diversification requirements and timely distribute to its stockholders at least 90% of the sum of investment company taxable income (“ICTI”), as defined by the Code, including PIK interest, and net tax exempt interest income (which is the excess of gross tax exempt interest income over certain disallowed deductions) for each taxable year. Depending on the level of ICTI earned in a tax year, the Company may choose to carry forward ICTI in excess of current year dividend distributions into the next tax year. Any such carryover ICTI must be distributed before the end of that next tax year through a dividend declared prior to filing the final tax return related to the year which generated such ICTI.

The Company is subject to a nondeductible U.S. federal excise tax of 4% on undistributed income if it does not distribute at least 98% 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 of such calendar year and any income realized, but not distributed, in preceding years and on which it did not pay federal income tax. 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 excise tax purposes, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. There was no provision for federal excise tax at December 31, 2021 and December 31, 2020.

The Company’s Taxable Subsidiaries accrue income taxes payable based on the applicable corporate rates on the unrealized gains generated by the investments held by the Taxable Subsidiaries. As of December 31, 2021 and September 30, 2021, the Company did not record a deferred tax liability on the Consolidated Statements of Assets and Liabilities. The change in provision for deferred taxes is included as a component of net realized and unrealized gain/(loss) on investments in the Consolidated Statements of Operations. For the three months ended December 31, 2021 and 2020, the Company did not record a change in provision for deferred taxes on the unrealized (appreciation)/depreciation on investments.

As of December 31, 2021 and September 30, 2021, the Company has a net deferred tax asset of \$23.9 million and \$22.2 million, respectively, consisting primarily of net operating losses offset by net unrealized gains on the investments held within its Taxable Subsidiaries. As of December 31, 2021 and September 30, 2021, the Company booked a valuation allowance of \$23.9 million and \$22.2 million, respectively, against its net deferred tax asset.

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements (continued)**  
**December 31, 2021**  
**(Unaudited)**

ICTI generally differs from net investment income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses. The Company may be required to recognize ICTI in certain circumstances in which it does not receive cash. For example, if the Company holds debt obligations that are treated under applicable tax rules as having original issue discount, the Company must include in ICTI each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by the Company in the same taxable year. The Company may also have to include in ICTI other amounts that it has not yet received in cash, such as 1) PIK interest income and 2) interest income from investments that have been classified as non-accrual for financial reporting purposes. Interest income on non-accrual investments is not recognized for financial reporting purposes, but generally is recognized in ICTI. Because any original issue discount or other amounts accrued will be included in the Company's ICTI for the year of accrual, the Company may be required to make a distribution to its stockholders in order to satisfy the minimum distribution requirements, even though the Company will not have received and may not ever receive any corresponding cash amount. ICTI also excludes net unrealized appreciation or depreciation, as investment gains or losses are not included in taxable income until they are realized.

The Company accounts for income taxes in conformity with ASC Topic 740 - Income Taxes ("ASC 740"). ASC 740 provides guidelines for how uncertain tax positions should be recognized, measured, presented and disclosed in financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions deemed to meet a "more-likely-than-not" threshold would be recorded as a tax benefit or expense in the current period. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Consolidated Statements of Operations. There were no material uncertain income tax positions at December 31, 2021. Although we file federal and state tax returns, our major tax jurisdiction is federal. The Company's federal and state tax returns for the prior three fiscal years remain open, subject to examination by the Internal Revenue Service and applicable state tax authorities.

**Segments**

The Company invests in various industries. The Company separately evaluates the performance of each of its investment relationships. However, because each of these investment relationships has similar business and economic characteristics, they have been aggregated into a single investment segment. All applicable segment disclosures are included in or can be derived from the Company's financial statements. See Note 3 for further information.

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

The Company has broad discretion in making investments. Investments generally consist of debt 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.

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements (continued)**  
**December 31, 2021**  
**(Unaudited)**

The value of the Company's investments in loans 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, observable secondary or primary market yields for similar instruments issued by comparable companies increase materially or risk premiums required in the market between smaller companies, such as our borrowers, and those for which market yields are observable increase materially.

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.

Company performance (including that of certain of its portfolio companies) has been and may continue to be negatively impacted by the COVID-19 pandemic's effects. The COVID-19 pandemic has adversely impacted economies and capital markets around the world in ways that may continue and may change in unforeseen ways for an indeterminate period. The pandemic has also adversely affected various businesses, including some in which we are invested. The COVID-19 pandemic may exacerbate pre-existing business performance, political, social and economic risks affecting certain companies and countries generally. The impacts, as well as the uncertainty over impacts to come, of COVID-19 (including the Delta variant) have adversely affected the performance of the Company (including certain portfolio companies) and may continue to do so in the future. Further, the potential exists for additional variants of COVID-19, including the Omicron variant, to impede the global economic recovery and exacerbate geographic differences in the spread of, and response to, COVID-19.

**Note 3. Investments**

The composition of our investments as of December 31, 2021 as a percentage of our total portfolio, at amortized cost and fair value were as follows (dollars in thousands):

	<u>Amortized Cost</u>	<u>Percentage</u>	<u>Fair Value</u>	<u>Percentage</u>
Senior Secured First Lien Term Loans	\$ 117,857	48.7%	\$ 69,431	39.6%
Senior Secured Second Lien Term Loans	2,600	1.1	2,493	1.4
Senior Secured Notes	11,043	4.6	10,892	6.2
Unsecured Debt	1,362	0.6	-	-
Equity/Warrants	108,889	45.0	92,583	52.8
<b>Total Investments</b>	<u>\$ 241,751</u>	<u>100.0%</u>	<u>\$ 175,399</u>	<u>100.0%</u>

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements (continued)**  
**December 31, 2021**  
**(Unaudited)**

The composition of our investments as of September 30, 2021 as a percentage of our total portfolio, at amortized cost and fair value were as follows (dollars in thousands):

	<u>Amortized Cost</u>	<u>Percentage</u>	<u>Fair Value</u>	<u>Percentage</u>
Senior Secured First Lien Term Loans	\$ 136,740	65.7%	\$ 61,934	40.9%
Senior Secured Second Lien Term Loans	2,600	1.3	2,490	1.6
Senior Secured Notes	9,306	4.5	9,270	6.1
Secured Debt	2,500	1.2	2,500	1.6
Unsecured Debt	1,561	0.8	-	-
Equity/Warrants	54,961	26.5	75,446	49.8
<b>Total Investments</b>	<b>\$ 207,668</b>	<b>100.0%</b>	<b>\$ 151,640</b>	<b>100.0%</b>

In connection with certain of the Company's investments, the Company receives warrants that are obtained for the objective of increasing the total investment returns and are not held for hedging purposes. At December 31, 2021 and September 30, 2021, the total fair value of warrants was \$76.7 thousand and \$996.7 thousand, respectively, and were included in investments at fair value on the Consolidated Statements of Assets and Liabilities. During the three months ended December 31, 2021, the Company did not acquire any warrants. During the three months ended December 31, 2020, the Company acquired warrants in one existing portfolio company.

For the three months ended December 31, 2021, there was no unrealized appreciation/(depreciation) related to warrants. For the three months ended December 31, 2020, there was \$10,069 of unrealized appreciation related to warrants. The warrants are received in connection with individual investments and are not subject to master netting arrangements.

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

	<u>Fair Value</u>	<u>Percentage</u>
Banking, Finance, Insurance & Real Estate	\$ 46,744	26.7%
Services: Business	40,022	22.8
Construction & Building	24,582	14.0
Hotel, Gaming & Leisure	10,919	6.2
Manufacturing	9,153	5.2
Consumer Discretionary	7,388	4.2
Services: Consumer	6,667	3.8
High Tech Industries	5,614	3.2
Media: Broadcasting & Subscription	4,778	2.7
Automotive	4,131	2.4
Energy: Oil & Gas	3,554	2.0
Metals & Mining	2,976	1.7
Aerospace & Defense	2,493	1.4
Consumer goods: Durable	2,429	1.4
Healthcare & Pharmaceuticals	2,218	1.3
Packaging	1,731	1.0
<b>Total</b>	<b>\$ 175,399</b>	<b>100.0%</b>

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements (continued)**  
**December 31, 2021**  
**(Unaudited)**

The following table shows the portfolio composition by industry grouping at fair value at September 30, 2021 (dollars in thousands):

	<u>Fair Value</u>	<u>Percentage</u>
Construction & Building	\$ 31,619	20.8%
Banking, Finance, Insurance & Real Estate	27,916	18.4
High Tech Industries	21,210	14.0
Services: Business	12,415	8.2
Automotive	11,967	7.9
Hotel, Gaming & Leisure	11,931	7.9
Manufacturing	9,270	6.1
Environmental Industries	8,100	5.3
Energy: Oil & Gas	3,579	2.4
Forest Products & Paper	3,455	2.3
Metals & Mining	3,077	2.0
Aerospace & Defense	2,490	1.6
Consumer goods: Durable	2,361	1.6
Healthcare & Pharmaceuticals	2,250	1.5
<b>Total</b>	<b>\$ 151,640</b>	<b>100.0%</b>

The Company invests in portfolio companies principally located in North America. The geographic composition is determined by the location of the corporate headquarters of the portfolio company, which may not be indicative of the primary source of the portfolio company's business.

The following table shows the portfolio composition by geographic location at fair value at December 31, 2021 (dollars in thousands):

	<u>Fair Value</u>	<u>Percentage</u>
Northeast	\$ 90,715	51.7%
Southeast	42,100	24.0
West	26,131	14.9
Midwest	7,106	4.1
Southwest	5,496	3.1
Other(1)	3,851	2.2
<b>Total</b>	<b>\$ 175,399</b>	<b>100.0%</b>

(1) As of December 31, 2021, comprised of our investments in foreign investments.

The following table shows the portfolio composition by geographic location at fair value at September 30, 2021 (dollars in thousands):

	<u>Fair Value</u>	<u>Percentage</u>
Northeast	\$ 54,211	35.8%
West	44,030	29.0
Southeast	28,887	19.0
Southwest	17,418	11.5
Midwest	7,094	4.7
Total	\$ 151,640	100.0%

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements (continued)**  
**December 31, 2021**  
**(Unaudited)**

**Transactions With Affiliated/Controlled Companies**

The Company had investments in portfolio companies designated as Affiliated Investments and Controlled Investments under the 1940 Act. Transactions with Affiliated Investments and Controlled Investments during the three months ended December 31, 2021 and 2020 were as follows:

Name of Investment <sup>(3)(4)</sup>	Type of Investment	Fair Value at September 30, 2021	Purchases/(Sales) of or Advances/(Distributions)	Transfers In/(Out) of Affiliates	Unrealized Gain/(Loss)	Realized Gain/(Loss)	Fair Value at December 31, 2021	Earned Income
<b>Affiliated Investments</b>								
1888 Industrial Services, LLC	Senior Secured First Lien Term Loan B	\$ -	\$ -	\$ -	\$ 19,468,870	\$ (19,468,870)	\$ -	\$ -
	Senior Secured First Lien Term Loan C	24,639	-	-	(24,639)	-	-	-
	Revolving Credit Facility	3,554,069	-	-	-	-	3,554,069	-
Black Angus Steakhouses, LLC	Senior Secured First Lien Delayed Draw Term Loan	758,929	-	-	-	-	758,929	19,395
	Senior Secured First Lien Term Loan	2,279,814	-	-	(529,994)	-	1,749,820	-
	Senior Secured First Lien Super Priority DDTL	1,500,000	-	-	-	-	1,500,000	38,333
Caddo Investors Holdings 1 LLC	Equity	3,454,786	(3,448,219)	-	(925,960)	919,393	-	-
Dynamic Energy Services International LLC	Senior Secured First Lien Term Loan	-	(4,910,671)	-	7,328,568	(2,417,897)	-	-
JFL-NGS Partners, LLC	Equity	26,862,813	(26,807,520)	-	(26,805,513)	26,750,220	-	-
JFL-WCS Partners, LLC	Equity	8,099,949	(8,084,639)	-	(7,970,361)	7,955,051	-	-
Kemmerer Operations, LLC	Senior Secured First Lien Term Loan	2,360,547	91,309	-	4,125	-	2,455,981	91,347
	Senior Secured First Lien Delayed Draw Term Loan	162,441	(129,875)	-	(4,442)	-	28,124	5,665
	Equity	553,746	-	-	(62,347)	-	491,399	-
Path Medical, LLC	Senior Secured First Lien Term Loan A	2,249,835	-	-	(31,984)	-	2,217,851	-
URT Acquisition Holdings Corporation	Warrants	920,000	(1,000,000)	-	(920,000)	1,000,000	-	-
US Multifamily, LLC	Senior Secured First Lien Term Loan	2,577,416	-	-	-	-	2,577,416	64,435
	Equity	2,236,261	-	-	(166)	-	2,236,095	-
<b>Total Affiliated Investments</b>		<b>\$ 57,595,245</b>	<b>\$ (44,289,615)</b>	<b>\$ -</b>	<b>\$ (10,473,843)</b>	<b>\$ 14,737,897</b>	<b>\$ 17,569,686</b>	<b>\$ 219,175</b>

Name of Investment <sup>(3)(4)</sup>	Type of Investment	Fair Value at September 30, 2021	Purchases/(Sales) of or Advances/(Distributions)	Transfers In/(Out) of Affiliates	Unrealized Gain/(Loss)	Realized Gain/(Loss)	Fair Value at December 31, 2021	Earned Income
<b>Controlled Investments</b>								
FlexFIN, LLC	Equity Interest	\$ 2,500,000	\$ 28,000,000	\$ -	\$ -	\$ -	\$ 30,500,000	\$ 398,844
NVTN LLC	Senior Secured First Lien Term Loan	6,414,860	-	-	6,566	-	6,421,426	-
	Super Priority Senior Secured First Lien Term Loan	977,000	(500,000)	-	11,075	925	489,000	154,794
<b>Total Controlled Investments</b>		<b>\$ 9,891,860</b>	<b>\$ 27,500,000</b>	<b>\$ -</b>	<b>\$ 17,641</b>	<b>\$ 925</b>	<b>\$ 37,410,426</b>	<b>\$ 553,638</b>

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements (continued)**  
**December 31, 2021**  
**(Unaudited)**

Name of Investment(3)	Type of Investment	Fair Value at September 30, 2020	Purchases/ (Sales) of or Advances/ (Distributions)	Transfers In/(Out) of Affiliates	Unrealized Gain/ (Loss)	Realized Gain/ (Loss)	Fair Value at December 31, 2020	Earned Income
<b>Affiliated Investments</b>								
1888 Industrial Services, LLC	Senior Secured First Lien Term Loan A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,658
	Senior Secured First Lien Term Loan B	-	-	-	-	-	-	6,484
	Senior Secured First Lien Term Loan C	1,166,763	-	-	65,169	-	1,231,932	37,985
	Revolving Credit Facility	3,554,069	-	-	-	-	3,554,069	54,496
Access Media Holdings, LLC	Senior Secured First Lien Term Loan	1,110,563	(1,239,335)	-	7,335,822	(7,207,049)	-	-
	Preferred Equity Series A	-	-	-	1,600,000	(1,600,000)	-	-
	Preferred Equity Series AA	-	-	-	800,000	(800,000)	-	-
	Preferred Equity Series AAA	-	-	-	971,200	(971,200)	-	-
Black Angus Steakhouses, LLC	Senior Secured First Lien Delayed Draw Term Loan	758,929	-	-	-	-	758,929	19,395
	Senior Secured First Lien Term Loan	5,047,557	-	-	(2,692,030)	-	2,355,527	-
	Senior Secured First Lien Super Priority DDTL Equity	-	1,222,222	-	-	-	1,222,222	6,080
Caddo Investors Holdings 1 LLC	Equity	2,990,776	-	-	207,089	-	3,197,865	-
Dynamic Energy Services International LLC	Senior Secured First Lien Term Loan	905,116	-	-	(775,814)	-	129,302	-
JFL-NGS Partners, LLC	Preferred Equity A-2	1,795,034	(2,110,987)	-	-	315,953	-	(16,377)
	Preferred Equity A-1	232,292	-	-	-	(232,292)	-	(2,119)
	Equity	38,780,067	-	-	(4,468,605)	-	34,311,462	-
JFL-WCS Partners, LLC	Preferred Equity Class A	1,310,649	-	-	(19,792)	-	1,290,857	(53,623)
	Equity	4,535,580	-	-	773,357	-	5,308,937	-
Kemmerer Operations, LLC	Senior Secured First Lien Term Loan	2,051,705	-	-	-	-	2,051,705	(855)
	Senior Secured First Lien Delayed Draw Term Loan	515,699	(135,593)	-	-	-	380,106	(215)
	Equity	962,717	-	-	(936,252)	-	26,465	-
Path Medical, LLC	Senior Secured First Lien Term Loan A	5,905,080	-	-	(112,197)	-	5,792,883	158,453
	Senior Secured First Lien Term Loan B	6,794,514	-	-	(4,474,930)	-	2,319,584	3,027
URT Acquisition Holdings Corporation	Unsecured Debt	-	(500,000)	2,109,590	468,377	41,660	2,119,627	15,480
US Multifamily, LLC	Senior Secured First Lien Term Loan	5,123,913	(1,909,872)	-	-	-	3,214,041	122,422
	Equity	1,332,000	-	-	(401,377)	-	930,623	-
<b>Total Affiliated Investments</b>		<b>\$ 84,873,023</b>	<b>\$ (4,673,565)</b>	<b>\$ 2,109,590</b>	<b>\$ (1,659,984)</b>	<b>\$ (10,452,928)</b>	<b>\$ 70,196,136</b>	<b>\$ 352,291</b>
<b>Controlled Investments</b>								
MCC Senior Loan Strategy JV I LLC(1)(2)	Equity	\$ 41,018,500	\$ (39,739,930)	\$ -	\$ 38,869,000	\$ (40,147,570)	\$ -	\$ -
NVTN LLC	Senior Secured First Lien Term Loan	4,530,078	-	-	(492,065)	-	4,038,013	912
	Super Priority Senior Secured First Lien Term Loan	2,000,000	-	-	(140,000)	-	1,860,000	278
<b>Total Controlled Investments</b>		<b>\$ 47,548,578</b>	<b>\$ (39,739,930)</b>	<b>\$ -</b>	<b>\$ 38,236,935</b>	<b>\$ (40,147,570)</b>	<b>\$ 5,898,013</b>	<b>\$ 1,190</b>

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements (continued)**  
**December 31, 2021**  
**(Unaudited)**

- (1) The Company and GALIC were the members of MCC JV, a joint venture formed as a Delaware limited liability company that was not consolidated by either member for financial reporting purposes. The members of MCC JV made capital contributions as investments by MCC JV were completed, and all portfolio and other material decisions regarding MCC JV were submitted to MCC JV's board of managers, which was comprised of an equal number of members appointed by each of the Company and GALIC. Approval of MCC JV's board of managers required the unanimous approval of a quorum of the board of managers, with a quorum consisting of equal representation of members appointed by each of the Company and GALIC. Because management of MCC JV was shared equally between the Company and GALIC, the Company did not have operational control over MCC JV for purposes of the 1940 Act or otherwise. On October 8, 2020, the Company, GALIC, MCC JV, and an affiliate of Golub entered into a Membership Interest Purchase Agreement pursuant to which a fund affiliated with and managed by Golub concurrently purchased all of the Company's interest in MCC JV and all of GALIC's interest in MCC JV.
- (2) Amount of income earned represents distributions from MCC JV to the Company and is a component of dividend income, net of provisional taxes in the Consolidated Statements of Operations.
- (3) The par amount and additional detail are shown in the consolidated schedule of investments.
- (4) Securities with a zero value at the beginning and end of the period, and those that had no transaction activity were excluded from the roll forward.

Purchases/(sales) of or advances to/(distributions) from Affiliated Investments and Controlled Investments represent the proceeds from sales and settlements of investments, purchases, originations and participations, investment increases due to PIK interest as well as net amortization of premium/(discount) on investments and are included in the purchases and sales presented on the Consolidated Statements of Cash Flows for the three months ended December 31, 2021 and 2020. Transfers in/(out) of Affiliated Investments and Controlled Investments represent the fair value for the month an investment became or was removed as an Affiliated Investment or a Controlled Investment. Income received from Affiliated Investments and Controlled Investments is included in total investment income on the Consolidated Statements of Operations for the three months ended December 31, 2021 and 2020.

#### **Loan Participation Sales**

The Company may sell portions of its investments via participation agreements to a managed account, managed by an affiliate and non-affiliate of the Company. At December 31, and September 30, 2021, there were no participation agreements outstanding. The transfer of the participated portion of the investments met the criteria set forth in ASC 860, *Transfers and Servicing* for treatment as a sale. In each case, the Company's loan participation agreements satisfy the following conditions:

- transferred investments have been isolated from the Company, and put presumptively beyond the reach of the Company and its creditors, even in bankruptcy or other receivership,
- each participant has the right to pledge or exchange the transferred investments it received, and no condition both constrains the participant from taking advantage of its right to pledge or exchange and provides more than a trivial benefit to the Company; and
- the Company, its consolidated affiliates or its agents do not maintain effective control over the transferred investments through either: (i) an agreement that entitles and/or obligates the Company to repurchase or redeem the assets before maturity, or (ii) the ability to unilaterally cause the holder to return specific assets, other than through a cleanup call.

Such investments where the Company has retained proportionate interests are included in the consolidated schedule of investments. All of these investments are classified within Level 3 of the fair value hierarchy, as defined in Note 4.

During the three months ended December 31, 2021 and 2020, the Company did not collect interest and principal payments on behalf of any participant, since there were no participation agreements outstanding.

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements (continued)**  
**December 31, 2021**  
**(Unaudited)**

**Unconsolidated Significant Subsidiaries**

In accordance with the SEC's Regulation S-X and GAAP, the Company evaluated and determined that it had one subsidiary, FlexFIN, LLC, that is deemed to be a "significant subsidiary" as of December 31, 2021 for which summarized financial information is presented below (dollars in thousands):

	<b>December 31, 2021 (Unaudited)</b>	<b>September 30, 2021 (Unaudited)</b>
<b>Balance Sheet</b>		
Total Assets	\$ 30,500	\$ 2,500
Total Liabilities	495	-
		<b>For the Three Months Ended December 31, 2021 (Unaudited)</b>
<b>Income Statement</b>		
Total Income		\$ 399
Total Expenses		109
Net Income		290

**Note 4. Fair Value Measurements**

The Company follows ASC 820 for measuring the fair value of portfolio investments. Fair value is the price that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters, or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation models involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instruments' complexity. The Company's fair value analysis includes an analysis of the value of any unfunded loan commitments. Financial investments recorded at fair value in the consolidated financial statements are categorized for disclosure purposes based upon the level of judgment associated with the inputs used to measure their value. The valuation hierarchical levels are based upon the transparency of the inputs to the valuation of the investment as of the measurement date. Investments which are valued using NAV as a practical expedient are excluded from this hierarchy, and certain prior period amounts have been reclassified to conform to the current period presentation. The three levels are defined below:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 - Valuations based on inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable at the measurement date. This category includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in non-active markets including actionable bids from third parties for privately held assets or liabilities, and observable inputs other than quoted prices such as yield curves and forward currency rates that are entered directly into valuation models to determine the value of derivatives or other assets or liabilities.
- Level 3 - Valuations based on inputs that are unobservable and where there is little, if any, market activity at the measurement date. The inputs for the determination of fair value may require significant management judgment or estimation and are based upon management's assessment of the assumptions that market participants would use in pricing the assets or liabilities. These investments include debt and equity investments in private companies or assets valued using the Market or Income Approach and may involve pricing models whose inputs require significant judgment or estimation because of the absence of any meaningful current market data for identical or similar investments. The inputs in these valuations may include, but are not limited to, capitalization and discount rates, beta and EBITDA multiples. The information may also include pricing information or broker quotes which include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by disclaimer would result in classification as Level 3 information, assuming no additional corroborating evidence.

In addition to using the above inputs in investment valuations, the Company continues to employ a valuation policy approved by the board of directors that is consistent with ASC 820 (see Note 2). Consistent with our valuation policy, we evaluate the source of inputs, including any markets in which our investments are trading, in determining fair value.

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements (continued)**  
**December 31, 2021**  
**(Unaudited)**

The following table presents the fair value measurements of our investments, by major class according to the fair value hierarchy, as of December 31, 2021 (dollars in thousands):

<b>Investments:</b>	<b>Fair Value Hierarchy as of December 31, 2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Senior Secured First Lien Term Loans	\$ -	\$ 14,125	\$ 55,306	\$ 69,431
Senior Secured Second Lien Term Loans	-	-	2,493	2,493
Senior Secured Notes	-	10,892	-	10,892
Equity/Warrants	37,144	4,788	50,651	92,583
<b>Total</b>	<b>\$ 37,144</b>	<b>\$ 29,805</b>	<b>\$ 108,450</b>	<b>\$ 175,399</b>

The following table presents the fair value measurements of our investments, by major class according to the fair value hierarchy, as of September 30, 2021 (dollars in thousands):

<b>Investments:</b>	<b>Fair Value Hierarchy as of September 30, 2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Senior Secured First Lien Term Loans	\$ -	\$ -	\$ 61,934	\$ 61,934
Senior Secured Second Lien Term Loans	-	-	2,490	2,490
Senior Secured Notes	-	9,270	-	9,270
Secured Debt	-	-	2,500	2,500
Equity/Warrants	23,102	-	48,889	71,991
<b>Total</b>	<b>\$ 23,102</b>	<b>\$ 9,270</b>	<b>\$ 115,813</b>	<b>148,185</b>
Investments measured at net asset value <sup>(1)</sup>				3,455
Total Investments, at fair value				<b>\$ 151,640</b>

(1) Certain investments that are measured at fair value using NAV have not been categorized in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the amount presented in the Consolidated Statements of Assets and Liabilities.

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the three months ended December 31, 2021 (dollars in thousands):

	<b>Senior Secured First Lien Term Loans</b>	<b>Senior Secured Second Lien Term Loans</b>	<b>Secured Debt</b>	<b>Unsecured Debt</b>	<b>Equities/Warrants</b>	<b>Total</b>
Balance as of September 30, 2021	\$ 61,934	\$ 2,490	\$ 2,500	\$ -	\$ 48,889	\$ 115,813
Purchases and other adjustments to cost	27,629	-	-	-	38,344	65,973
Sales	(32,951)	-	-	(100)	(40,292)	(73,343)
Net realized gains/(losses) from investments	(21,759)	-	-	(99)	36,153	14,295
Net unrealized gains/(losses)	20,453	3	(2,500)	199	(32,443)	(14,288)
Balance as of December 31, 2021	<b>\$ 55,306</b>	<b>\$ 2,493</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 50,651</b>	<b>\$ 108,450</b>

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements (continued)**  
**December 31, 2021**  
**(Unaudited)**

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the three months ended December 31, 2020 (dollars in thousands):

	<b>Senior Secured First Lien Term Loans</b>	<b>Senior Secured Second Lien Term Loans</b>	<b>Unsecured Debt</b>	<b>MCC Senior Loan Strategy JV I LLC</b>	<b>Equities/Warrants</b>	<b>Total</b>
Balance as of September 30, 2020	\$ 106,463	\$ 13,927	\$ 2,669	\$ 41,019	\$ 67,397	\$ 231,475
Purchases and other adjustments to cost	1,294	-	42	-	-	1,336
Sales	(10,881)	(7,500)	(627)	(39,739)	(1,941)	(60,688)
Net realized gains/(losses) from investments	(7,207)	-	46	(40,148)	(3,288)	(50,597)
Net unrealized gains/(losses)	(1,610)	233	(10)	38,868	(3,977)	33,504
Balance as of December 31, 2020	<u>\$ 88,059</u>	<u>\$ 6,660</u>	<u>\$ 2,120</u>	<u>\$ -</u>	<u>\$ 58,191</u>	<u>\$ 155,030</u>

Net change in unrealized gain (loss) for the three months ended December 31, 2021 and 2020 included in earnings related to investments still held as of December 31, 2021 and 2020, was approximately \$10.3 million and \$(32.1) million, respectively.

Purchases and other adjustments to cost include purchases of new investments at cost, effects of refinancing/restructuring, accretion/amortization of income from discount/premium on debt securities, and PIK.

Sales represent net proceeds received from investments sold.

Settlements represent principal paydowns received.

A review of the fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the quarter in which the reclassifications occur. During the three months ended December 31, 2021, one of our investments transferred out of Level 3 and no investments transferred into Level 3. During the three months ended December 31, 2020, none of our investments transferred into or out of Level 3.

The following table presents the quantitative information about Level 3 fair value measurements of our investments, as of December 31, 2021 (dollars in thousands):

	<b>Fair Value</b>	<b>Valuation Technique</b>	<b>Unobservable Input</b>	<b>Range (Weighted Average)</b>
Senior Secured First Lien Term Loans	\$ 2,578	Market Approach	Capitalization Rate	0.05x - 0.06x (0.05x)
Senior Secured First Lien Term Loans	3,555	Enterprise Value Analysis	Revenue Multiple	\$0.40 - \$0.50 (\$0.45)
Senior Secured First Lien Term Loans	15,486	Market Approach	Market Yield	7.00% - 17.75% (9.25%)
Senior Secured First Lien Term Loans	14,665	Market Approach	EBITDA Multiple	4.00x - 15.60x (11.52x)
Senior Secured First Lien Term Loans	7,085	Market Approach (Guideline Comparable)	Market Yield	5.25% - 8.00% (5.79%)
Senior Secured First Lien Term Loans	7,988	Market Approach	Market Spread	0.05x - 0.06x (0.05x)
Senior Secured First Lien Term Loans	1,731	Market Approach	Market Quotes	9.00x - 15.50x (12.25x)
Senior Secured First Lien Term Loans	2,218	Market Approach	Revenue Multiple	0.25x - 0.40x (0.33x)
Senior Secured Second Lien Term Loans	2,493	Market Approach (Guideline Comparable)	EBITDA multiple	9.50x - 10.50x (10.00x)
Equity/Warrants	30,500	Cost Approach	Replacement Cost	N/A
Equity/Warrants	4,853	Market Approach	Market Yield	7.00% - 17.75% (11.25%)
Equity/Warrants	13,062	Market Approach	EBITDA Multiple	4.00x - 15.60x (14.02x)
Equity/Warrants	2,236	Market Approach	Capitalization Rate	0.05x - 0.06x (0.05x)
Total	<u>\$ 108,450</u>			

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements (continued)**  
**December 31, 2021**  
**(Unaudited)**

The following table presents the quantitative information about Level 3 fair value measurements of our investments, as of September 30, 2021 (dollars in thousands):

	<b>Fair Value</b>	<b>Valuation Methodology</b>	<b>Unobservable Input</b>	<b>Range (Weighted Average)</b>
Senior Secured First Lien Term Loans	\$ 25,783	Market Approach	Market Yield	7.50% - 102.38% (32.78%)
Senior Secured First Lien Term Loans	15,639	Market Approach	Arms Length Transaction	N/A
Senior Secured First Lien Term Loans	7,567	Market Approach (Guideline Comparable)	Market Yield	5.00% - 8.00% (5.55%)
Senior Secured First Lien Term Loans	4,539	Market Approach	EBITDA Multiple	4.50x - 5.50x (5.00x)
Senior Secured First Lien Term Loans	3,579	Enterprise Value Analysis	Revenue Multiple	0.40x - 0.50x (0.45x)
Senior Secured First Lien Term Loans	2,577	Market Approach	Capitalization Rate	4.50% - 5.50% (5.00%)
Senior Secured First Lien Term Loans	2,250	Market Approach	Revenue Multiple	0.25x - 0.40x (0.33x)
Senior Secured Second Lien Term Loans	2,490	Market Approach (Guideline Comparable)	EBITDA Multiple	9.75x - 10.75x (10.25x)
Secured Debt	2,500	Cost Approach	Replacement Cost	N/A
Equity/Warrants	38,939	Market Approach	EBITDA Multiple	1.25x - 12.75x (12.31x)
Equity/Warrants	4,758	Market Approach	Market Yield	10.50% - 12.00% (11.25%)
Equity/Warrants	2,956	Market Approach	Revenue Multiple	0.11x - 0.30x (0.16x)
Equity/Warrants	2,236	Market Approach	Capitalization Rate	4.50% - 5.50% (5.00%)
<b>Total</b>	<b>\$ 115,813</b>			

The significant unobservable inputs used in the fair value measurement of the Company's debt and derivative investments are market yields. Increases in market yields would result in lower fair value measurements.

The significant unobservable inputs used in the fair value measurement of the Company's equity/warrants investments are comparable company multiples of revenue or EBITDA for the latest twelve months ("LTM"), next twelve months ("NTM") or a reasonable period a market participant would consider. Increases in EBITDA multiples in isolation would result in higher fair value measurement.

In September 2017, the Company entered into an agreement with Global Accessories Group, LLC ("Global Accessories"), in which the Company exchanged its full position in Lydell Jewelry Design Studio, LLC for a 3.8% membership interest in Global Accessories, which is included in the Consolidated Schedule of Investments. As part of the agreement, the Company is entitled to contingent consideration in the form of cash payments ("Earnout"), as well as up to an additional 5% membership interest ("AMI"), provided Global Accessories achieves certain financial benchmarks through calendar year ended 2022. The Earnout and AMI were initially recorded with an aggregate fair value of \$2.4 million on the transaction date using the Income Approach and were included on the Consolidated Statements of Assets and Liabilities in other assets. The contingent consideration is remeasured to fair value at each reporting date until the contingency is resolved. Any changes in fair value will be recognized in earnings. As of December 31, 2021 and September 30, 2021, the Company deemed the contingent consideration to be uncollectible.

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements (continued)**  
**December 31, 2021**  
**(Unaudited)**

**Note 5. Borrowings**

As a BDC, we are generally only allowed to employ leverage to the extent that our asset coverage, as defined in the 1940 Act, equals at least 200% after giving effect to such leverage. The amount of leverage that we employ at any time depends on our assessment of the market and other factors at the time of any proposed borrowing.

However, in March 2018, the Small Business Credit Availability Act modified the 1940 Act by allowing a BDC to increase the maximum amount of leverage it may incur from 200% to 150%, if certain requirements under the 1940 Act are met. Under the 1940 Act, we are allowed to increase our leverage capacity if stockholders representing at least a majority of the votes cast, when a quorum is present, approve a proposal to do so. If we receive stockholder approval, we would be allowed to increase our leverage capacity on the first day after such approval. Alternatively, the 1940 Act allows the majority of our independent directors to approve an increase in our leverage capacity, and such approval would become effective after the one-year anniversary of such approval. In either case, we would be required to make certain disclosures on our website and in SEC filings regarding, among other things, the receipt of approval to increase our leverage, our leverage capacity and usage, and risks related to leverage.

As of December 31, 2021, the Company's asset coverage was 291.3% after giving effect to leverage and therefore the Company's asset coverage was greater than 200%, the minimum asset coverage requirement applicable presently to the Company under the 1940 Act.

As of September 30, 2021, the Company's asset coverage was 285.6% after giving effect to leverage and therefore the Company's asset coverage was greater than 200%, the minimum asset coverage requirement applicable presently to the Company under the 1940 Act.

The Company's outstanding debt excluding debt issuance costs as of December 31, 2021 and September 30, 2021 was as follows (dollars in thousands):

	December 31, 2021				September 30, 2021			
	Aggregate Principal Available	Principal Amount Outstanding	Carrying Value	Fair Value	Aggregate Principal Available	Principal Amount Outstanding	Carrying Value	Fair Value
2023 Notes	\$ 22,522	\$ 22,522	\$ 22,405	\$ 22,999	\$ 77,847	\$ 77,847	\$ 77,434	\$ 79,092
2028 Notes	57,500	57,500	55,236	57,845	-	-	-	-
<b>Total debt</b>	<b>\$ 80,022</b>	<b>\$ 80,022</b>	<b>\$ 77,641</b>	<b>\$ 80,844</b>	<b>\$ 77,847</b>	<b>\$ 77,847</b>	<b>\$ 77,434</b>	<b>\$ 79,092</b>

**Unsecured Notes**

**2021 Notes**

On December 17, 2015, the Company issued \$70.8 million in aggregate principal amount of 6.50% unsecured notes that mature on January 30, 2021 (the "2021 Notes"). On January 14, 2016, the Company closed an additional \$3.25 million in aggregate principal amount of the 2021 Notes, pursuant to the partial exercise of the underwriters' option to purchase additional notes. The 2021 Notes bore interest at a rate of 6.50% per year, payable quarterly on January 30, April 30, July 30 and October 30 of each year, beginning January 30, 2016.

On October 21, 2020, the Company caused notices to be issued to the holders of the 2021 Notes regarding the Company's exercise of its option to redeem, in whole, the issued and outstanding 2021 Notes, pursuant to Section 1104 of the Indenture dated as of February 7, 2012, between the Company and U.S. Bank National Association, as trustee, and Section 101(h) of the Third Supplemental Indenture dated as of December 17, 2015. The Company redeemed \$74,012,825 in aggregate principal amount of the issued and outstanding 2021 Notes on November 20, 2020 (the "**Redemption Date**"). The 2021 Notes were redeemed at 100% of their principal amount (\$25 per 2021 Note), plus the accrued and unpaid interest thereon from October 31, 2020, through, but excluding, the Redemption Date. The Company funded the redemption of the 2021 Notes with cash on hand.

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements (continued)**  
**December 31, 2021**  
**(Unaudited)**

**2023 Notes**

On March 18, 2013, the Company issued \$60.0 million in aggregate principal amount of 6.125% unsecured notes that mature on March 30, 2023 (the “2023 Notes”). On March 26, 2013, the Company closed an additional \$3.5 million in aggregate principal amount of the 2023 Notes, pursuant to the partial exercise of the underwriters’ option to purchase additional notes. As of March 30, 2016, the 2023 Notes may be redeemed in whole or in part at any time or from time to time at the Company’s option. The 2023 Notes bear interest at a rate of 6.125% per year, payable quarterly on March 30, June 30, September 30 and December 30 of each year, beginning June 30, 2013.

On December 12, 2016, the Company entered into an “At-The-Market” (“ATM”) debt distribution agreement with FBR Capital Markets & Co., through which the Company could offer for sale, from time to time, up to \$40.0 million in aggregate principal amount of the 2023 Notes. The Company sold 1,573,872 of the 2023 Notes at an average price of \$25.03 per note, and raised \$38.6 million in net proceeds, through the ATM debt distribution agreement.

On March 10, 2018, the Company redeemed \$13.0 million in aggregate principal amount of the 2023 Notes. On December 31, 2018, the Company redeemed \$12.0 million in aggregate principal amount of the 2023 Notes. The redemption was accounted for as a debt extinguishment in accordance with ASC 470-50, Modifications and Extinguishments, which resulted in a realized loss of \$0.3 million and was recorded on the Consolidated Statements of Operations as a loss on extinguishment of debt.

On December 21, 2020, the Company announced that it completed the application process for and was authorized to transfer the listing of the 2023 Notes to the NASDAQ Global Market. The listing and trading of the 2023 Notes on the NYSE ceased at the close of trading on December 31, 2020. Effective January 4, 2021, the 2023 Notes began trading on the NASDAQ Global Market under the trading symbol “PFXNL.”

On November 15, 2021, the Company caused notices to be issued to the holders of the 2023 Notes regarding the Company’s exercise of its option to redeem \$55,325,000 in aggregate principal amount of the issued and outstanding 2023 Notes on December 16, 2021. On December 16, 2021, the Company redeemed \$55,325,000 in aggregate principal amount of the issued and outstanding 2023 Notes. The redemption was accounted for as a debt extinguishment in accordance with ASC 470-50, Modifications and Extinguishments, which resulted in a realized loss of \$0.3 million and was recorded on the Consolidated Statements of Operations as a loss on extinguishment of debt.

**2028 Notes**

On November 9, 2021, the Company entered into an underwriting agreement, by and between the Company and Oppenheimer & Co. Inc., as representative of the several underwriters named in Exhibit A thereto, in connection with the issuance and sale (the “Offering”) of \$57,500,000 (including the underwriters’ option to purchase up to \$7,500,000 aggregate principal amount) in aggregate principal amount of its 5.25% Notes due 2028 (the “2028 Notes” and collectively with the 2023 Notes, the “Notes”). The Offering occurred on November 15, 2021, pursuant to the Company’s effective shelf registration statement on Form N-2 previously filed with the SEC, as supplemented by a preliminary prospectus supplement dated November 8, 2021, the pricing term sheet dated November 9, 2021 and a final prospectus supplement dated November 9, 2021. Effective November 16, 2021, the 2028 Notes began trading on the NASDAQ Global Market under the trading symbol “PFXNZ.”

On November 15, 2021, the Company and U.S. Bank National Association, as trustee, entered into a Fourth Supplemental Indenture to its base Indenture, dated February 7, 2012, between the Company and the Trustee. The Fourth Supplemental Indenture relates to the Offering of the 2028 Notes.

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements (continued)**  
**December 31, 2021**  
**(Unaudited)**

*Fair Value of Debt Obligations*

The fair values of our debt obligations are determined in accordance with ASC 820, which defines fair value in terms of the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value of the Notes, which are publicly traded, is based upon closing market quotes as of the measurement date. As of December 31, 2021 and September 30, 2021, the Notes would be deemed to be Level 1 in the fair value hierarchy, as defined in Note 4.

In accordance with ASU 2015-03, the debt issuance costs related to the Notes are reported on the Consolidated Statements of Assets and Liabilities as a direct deduction from the face amount of the Notes. As of December 31, 2021 and September 30, 2021, debt issuance costs related to the Notes were as follows (dollars in thousands):

	<b>December 31, 2021</b>			<b>September 30, 2021</b>	
	<b>2023 Notes</b>	<b>2028 Notes</b>	<b>Total</b>	<b>2023 Notes</b>	<b>Total</b>
Total debt issuance costs	\$ 3,102	\$ 2,306	\$ 5,408	\$ 3,102	\$ 3,102
Amortized debt issuance costs	2,985	42	3,027	2,689	2,689
<b>Unamortized debt issuance costs</b>	<b>\$ 117</b>	<b>\$ 2,264</b>	<b>\$ 2,381</b>	<b>\$ 413</b>	<b>\$ 413</b>

For the three months ended December 31, 2021 and 2020, the components of interest expense, amortized debt issuance costs, weighted average stated interest rate and weighted average outstanding debt balance for the Notes were as follows (dollars in thousands):

	<b>For the Three Months Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
2021 Notes Interest	\$ —	\$ 668
2023 Notes Interest	715	1,192
2028 Notes Interest	731	—
Amortization of debt issuance costs	42	158
<b>Total</b>	<b>\$ 1,488</b>	<b>\$ 2,018</b>
Weighted average stated interest rate	7.5%	6.8%
Weighted average outstanding balance	\$ 80,022	\$ 118,513

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements (continued)**  
**December 31, 2021**  
**(Unaudited)**

**Note 6. Agreements**

**Investment Management Agreement**

We had entered into an investment management agreement with MCC Advisors on January 11, 2011 (the “Investment Management Agreement”), which expired on December 31, 2020.

Under the terms of the Investment Management Agreement, MCC Advisors:

- determined the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes;
- identified, evaluated and negotiated the structure of the investments we made (including performing due diligence on our prospective portfolio companies); and
- executed, closed, monitored and administered the investments we made, including the exercise of any voting or consent rights.

MCC Advisors’ services under the Investment Management Agreement were not exclusive, and it was free to furnish similar services to other entities so long as its services to us were not impaired.

Pursuant to the Investment Management Agreement, we paid MCC Advisors a fee for investment advisory and management services consisting of a base management fee and a two-part incentive fee.

On December 3, 2015, MCC Advisors recommended and, in consultation with the Board, agreed to reduce fees under the Investment Management Agreement. Beginning January 1, 2016, the base management fee was reduced to 1.50% on gross assets above \$1 billion. In addition, MCC Advisors reduced its incentive fee from 20% on pre-incentive fee net investment income over an 8% hurdle, to 17.5% on pre-incentive fee net investment income over a 6% hurdle. Moreover, the revised incentive fee includes a netting mechanism and is subject to a rolling three-year look back from January 1, 2016 forward. Under no circumstances would the new fee structure result in higher fees to MCC Advisors than fees under the prior investment management agreement.

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements (continued)**  
**December 31, 2021**  
**(Unaudited)**

The following discussion of our base management fee and two-part incentive fee reflect the terms of the fee waiver agreement executed by MCC Advisors on February 8, 2016 (the “Fee Waiver Agreement”). The terms of the Fee Waiver Agreement were effective as of January 1, 2016 and were a permanent reduction in the base management fee and incentive fee on net investment income payable to MCC Advisors for the investment advisory and management services it provided under the Investment Management Agreement. The Fee Waiver Agreement did not change the second component of the incentive fee, which was the incentive fee on capital gains.

On January 15, 2020, the Company’s board of directors, including all of the independent directors, approved the renewal of the Investment Management Agreement through the later of April 1, 2020 or so long as the Amended and Restated Agreement and Plan of Merger, dated as of July 29, 2019 (the “Amended MCC Merger Agreement”), by and between the Company and Sierra (the “Amended MCC Merger Agreement”) was in effect, but no longer than a year; provided that, if the Amended MCC Merger Agreement was terminated by Sierra, then the termination of the Investment Management Agreement would be effective on the 30th day following receipt of Sierra’s notice of termination to the Company. On May 1, 2020, the Company received a notice of termination of the Amended MCC Merger Agreement from Sierra. Under the Amended MCC Merger Agreement, either party was permitted, subject to certain conditions, to terminate the Amended MCC Merger Agreement if the merger was not consummated by March 31, 2020. Sierra elected to do so on May 1, 2020. As result of the termination by Sierra of the Amended MCC Merger Agreement on May 1, 2020, the Investment Management Agreement would have been terminated effective as of May 31, 2020. On May 21, 2020, the Board, including all of the independent directors, extended the term of the Investment Management Agreement through the end of the then-current quarter, June 30, 2020. On June 12, 2020, the Board, including all of the independent directors, extended the term of the Investment Management Agreement through September 30, 2020. On September 29, 2020, the Board, including all of the independent directors, extended the term of the Investment Management Agreement through December 31, 2020. Mr. Brook Taube, our Chairman and Chief Executive Officer through December 31, 2020 and one of our directors through January 21, 2021 and Mr. Seth Taube, one of our directors through January 21, 2021 are both affiliated with MCC Advisors and Medley.

On November 18, 2020, the Board approved the adoption of an internalized management structure effective January 1, 2021. The new management structure replaces the current Investment Management and Administration Agreements with MCC Advisors LLC, which expired on December 31, 2020. To lead the internalized management team, the Board approved the appointment of David Lorber, who had served as an independent director of the Company since April 2019, as interim Chief Executive Officer, and Ellida McMillan as Chief Financial Officer of the Company, each effective January 1, 2021. In connection with his appointment, Mr. Lorber stepped down from the Compensation Committee of the Board, the Nominating and Corporate Governance Committee of the Board, and the Special Committee of the Board.

#### **Base Management Fee**

Through December 31, 2020, for providing investment advisory and management services to us, MCC Advisors received a base management fee. The base management fee was calculated at an annual rate of 1.75% (0.4375% per quarter) of up to \$1.0 billion of the Company’s gross assets and 1.50% (0.375% per quarter) of any amounts over \$1.0 billion of the Company’s gross assets and was payable quarterly in arrears. The base management fee was calculated based on the average value of the Company’s gross assets at the end of the two most recently completed calendar quarters. Since January 1, 2021, the Company no longer incurs management fees under its current internalized structure. During the three months ended December 31, 2020, the Company incurred \$1.1 million in base management fees.

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements (continued)**  
**December 31, 2021**  
**(Unaudited)**

**Incentive Fee**

Through December 31, 2020, the incentive fee had two components, as follows:

***Incentive Fee Based on Income***

The first component of the incentive fee was payable quarterly in arrears and was based on our pre-incentive fee net investment income earned during the calendar quarter for which the incentive fee was being calculated. MCC Advisors was entitled to receive the incentive fee on net investment income from us if our Ordinary Income (as defined below) exceeded a quarterly “hurdle rate” of 1.5%. The hurdle amount was calculated after making appropriate adjustments to the Company’s net assets, as determined as of the beginning of each applicable calendar quarter, in order to account for any capital raising or other capital actions as a result of any issuances by the Company of its common stock (including issuances pursuant to our dividend reinvestment plan), any repurchase by the Company of its own common stock, and any dividends paid by the Company, each as may have occurred during the relevant quarter.

The second component of the incentive fee was determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement as of the termination date) and equaled 20.0% of our cumulative aggregate realized capital gains less cumulative realized capital losses, unrealized capital depreciation (unrealized depreciation on a gross investment-by-investment basis at the end of each calendar year) and all capital gains upon which prior performance-based capital gains incentive fee payments were previously made to the investment adviser.

For the three months ended December 31, 2020, the Company did not incur any incentive fees on net investment income because pre-incentive fee net investment income did not exceed the hurdle amount under the formula set forth in the Investment Management Agreement. The Investment Management Agreement terminated as of December 31, 2020, and the Company no longer incurs incentive fees under the Investment Management Agreement as a result.

***Administration Agreement***

On January 19, 2011, the Company entered into an administration agreement with MCC Advisors. Pursuant to the administration agreement, MCC Advisors furnished us with office facilities and equipment, clerical, bookkeeping, recordkeeping and other administrative services related to the operations of the Company. We reimbursed MCC Advisors for our allocable portion of overhead and other expenses incurred by it performing its obligations under the administration agreement, including rent and our allocable portion of the cost of our Chief Financial Officer and Chief Compliance Officer and their respective staffs. From time to time, our administrator was able to pay amounts owed by us to third-party service providers and we would subsequently reimburse our administrator for such amounts paid on our behalf. In connection with the adoption by the board of directors of an internalized management structure, on November 19, 2020, the Company entered into a Fund Accounting Servicing Agreement and an Administration Servicing Agreement on customary terms with U.S. Bancorp Fund Services, LLC d/b/a U.S. Bank Global Fund Services (“U.S. Bancorp”). The administration agreement with MCC Advisors terminated by its terms on December 31, 2020. Effective January 1, 2021, US Bancorp serves as custodian and provides us with fund accounting and financial reporting services pursuant to the Fund Accounting Servicing Agreement and Administration Servicing Agreement. For the three months ended December 31, 2021, we incurred \$68,866 in administrator expenses. For the three months ended December 31, 2020, we incurred \$0.5 million in administrator expenses.

As of December 31, 2021 and September 30, 2021, \$0.1 million and \$0.1 million, respectively, were included in “administrator expenses payable” in the accompanying Consolidated Statements of Assets and Liabilities.

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements (continued)**  
**December 31, 2021**  
**(Unaudited)**

***Expense Support Agreement***

On June 12, 2020, the Company entered into an expense support agreement (the “Expense Support Agreement”) with MCC Advisors and Medley LLC, pursuant to which MCC Advisors and Medley LLC agreed (jointly and severally) to cap the management fee and all of the Company’s other operating expenses (except interest expenses, certain extraordinary strategic transaction expenses and other expenses approved by the Special Committee (as defined in Note 10)) at \$667,000 per month (the “Cap”). Under the Expense Support Agreement, the Cap became effective on June 1, 2020. On September 29, 2020, the board of directors, including all of the independent directors, extended the term of the Expense Support Agreement through the end of quarter ending December 31, 2020. The Expense Support Agreement expired by its terms at the close of business on December 31, 2020, in connection with the adoption of the internalized management structure by the board of directors.

**Note 7. Related Party Transactions**

***Due to Affiliate***

Due to affiliate consists of certain general and administrative expenses paid by an affiliate on behalf of the Company.

**Note 8. Commitments**

***Insurance Reimbursements Related to Professional Fees***

The Company has received insurance proceeds under its insurance policy primarily relating to the legal expenses associated with the dismissed stockholder class action, captioned as FrontFour Capital Group LLC, et al. v Brook Taube et al. During the three months ended December 31, 2021 the Company did not receive any insurance proceeds. During the three months ended December 31, 2020, the Company received \$0.9 million of insurance proceeds. The reimbursements have been recorded as an offset or reduction in professional fees and expenses on the Consolidated Statements of Operations.

***Unfunded commitments***

As of December 31, 2021 and September 30, 2021, we had commitments under loan and financing agreements to fund up to \$8.2 million to seven portfolio companies and \$4.9 million to six portfolio companies, respectively. These commitments are primarily composed of senior secured term loans and revolvers, and the determination of their fair value is included in the Consolidated Schedule of Investments. The commitments are generally subject to the borrowers meeting certain criteria such as compliance with covenants and certain operational metrics. The terms of the borrowings and financings subject to commitment are comparable to the terms of other loan and equity securities in our portfolio. A summary of the composition of the unfunded commitments as of December 31, 2021 and September 30, 2021 is shown in the table below (dollars in thousands):

	<b>December 31, 2021</b>	<b>September 30, 2021</b>
SS Acquisition, LLC - Delayed Draw Term Loan	\$ 4,000	\$ -
Redwood Services Group, LLC - Revolver	1,575	1,575
1888 Industrial Services, LLC - Revolver	1,078	1,078
Kemmerer Operations, LLC - Delayed Draw Term Loan	908	908
Secure Acquisition Inc. - Delayed Draw Term Loan	259	-
NVTN LLC - DDTL	220	220
Black Angus Steakhouses, LLC - Super Priority DDTL	167	167
Alpine SG - Revolver	-	1,000
<b>Total unfunded commitments</b>	<b>\$ 8,207</b>	<b>\$ 4,948</b>

***Lease obligations***

Effective January 1, 2019, ASC 842 required that a lessee evaluate its leases to determine whether they should be classified as operating or financing leases. PhenixFIN identified one operating lease for its office space. The lease commenced September 1, 2021 and expires November 30, 2026.

Upon entering into the lease on September 1, 2021, PhenixFIN recorded a right-of-use asset and a lease liability as of that date.

As of December 31, 2021, the asset related to the operating lease was \$0.6 million and is included in the Other assets balance on the Consolidated Balance Sheet. The lease liability was \$0.6 million and is included in the Other liabilities balance on the Consolidated Balance Sheet. As of December 31, 2021, the remaining lease term was five years and the implied borrowing rate was 5.25%.

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements (continued)**  
**December 31, 2021**  
**(Unaudited)**

The following table shows future minimum payments under PhenixFIN’s operating lease as of December 31, 2021:

<b>For the Years Ended December 31,</b>	<b>Amount</b>
2022	\$ 84,000
2023	144,000
2024	144,000
2025	144,000
2026	144,000
Thereafter	24,000
	<u>684,000</u>
Difference between undiscounted and discounted cash flows	(70,466)
	<u>\$ 613,534</u>

**Note 9. Fee Income**

Fee income consists of origination/closing fees, amendment fees, prepayment penalty and other miscellaneous fees which are non-recurring in nature as well as administrative agent fees, which are recurring in nature. The following tables summarizes the Company’s fee income for the three months ended December 31, 2021 and 2020 (dollars in thousands):

	<b>For the Three Months Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Prepayment fee	\$ 209	\$ -
Other fees	38	11
Administrative agent fee	19	304
Amendment fee	4	26
Fee income	<u>\$ 270</u>	<u>\$ 341</u>

**Note 10. Directors Fees**

During calendar year 2021, the Company’s independent directors each receive an annual fee of \$100,000. In addition, the lead independent director receives an annual retainer of \$30,000; the chair of the Audit Committee receives an annual retainer of \$25,000, and each of its other members receives an annual retainer of \$12,500; and the chairs of the Nominating and Corporate Governance Committee and of the Compensation Committee each receive an annual retainer of \$15,000 and each of the other members of these committees receive annual retainers of \$8,000. The Company’s independent directors also receive a fee of \$3,000 for each board meeting and \$2,500 for each committee meeting that they attend. Prior to calendar year 2021, the Company’s independent directors each received an annual fee of \$90,000. They also received \$3,000, plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each board meeting, and \$2,500, plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each Audit Committee, Nominating and Corporate Governance Committee, Transition Committee and Compensation Committee meeting. The chair of the Audit Committee received an annual fee of \$25,000 and the chair of the Nominating and Corporate Governance Committee and the Compensation Committee received an annual fee of \$10,000 for their additional services in these capacities. In addition, other members of the Audit Committee received an annual fee of \$12,500, and other members of the Nominating and Corporate Governance Committee and the Compensation Committee received an annual fee of \$6,000.

No board service compensation is paid to directors who are ‘interested persons’ of the Company (as such term is defined in the 1940 Act). For the three months ended December 31, 2021 and 2020, we accrued \$0.2 million and \$0.5 million for directors’ fees expense, respectively.

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements (continued)**  
**December 31, 2021**  
**(Unaudited)**

**Note 11. Earnings Per Share**

In accordance with the provisions of ASC Topic 260 - Earnings per Share, basic earnings per share is computed by dividing earnings available to common stockholders by the weighted average number of shares outstanding during the period. Other potentially dilutive common shares, and the related impact to earnings, are considered when calculating earnings per share on a diluted basis. The Company does not have any potentially dilutive common shares as of December 31, 2021.

The following information sets forth the computation of the weighted average basic and diluted net increase/(decrease) in net assets per share from operations for the three months ended December 31, 2021 and 2020 (dollars in thousands, except share and per share amounts):

	<b>For the Three Months Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Basic and diluted:		
Net increase (decrease) in net assets resulting from operations	\$ 4,803	\$ (6,438)
Weighted average shares of common stock outstanding - basic and diluted	2,517,221	2,723,709
Earnings (loss) per share of common stock - basic and diluted	\$ 1.91	\$ (2.36)

**Note 12. Financial Highlights**

The following is a schedule of financial highlights for the three months ended December 31, 2021 and 2020:

	<b>For the Three Months Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Per share data		
Net Asset Value per share at Beginning of Period	\$ 57.08	\$ 55.30
Results of Operations:		
Net Investment Income/(Loss) <sup>(1)</sup>	0.08	3.06
Net Realized Gain/(Loss) on Investments	6.05	(17.15)
Net Unrealized Gain/(Loss) on Investments	(4.10)	11.77
Net loss on extinguishment of debt	(0.12)	(0.04)
Net Increase (Decrease) in Net Assets Resulting from Operations	1.91	(2.36)
Net Asset Value per share at End of Period	\$ 58.99	\$ 52.94
Net Assets at End of Period	\$ 148,496,991	\$ 144,181,666
Shares Outstanding at End of Period	2,517,221	2,723,709
Per share market value at end of period	\$ 41.83	\$ 28.31
Total return based on market value <sup>(2)</sup>	134.60%	58.78%
Total return based on net asset value <sup>(3)</sup>	(1.41)%	(4.27)%
Portfolio turnover rate <sup>(5)</sup>	188.23%	2.61%

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements (continued)**  
**December 31, 2021**  
**(Unaudited)**

The following is a schedule of ratios and supplemental data for the three months ended December 31, 2021 and 2020:

Ratios:

Ratio of net investment/(loss) income to average net assets after waivers, discounts and reimbursements <sup>(4)(5)</sup>	(0.08)%	22.56%
Ratio of total expenses to average net assets after waivers, discounts and reimbursements <sup>(4)(5)(6)</sup>	7.76%	12.11%

Supplemental Data:

Ratio of net operating expenses and credit facility related expenses to average net assets <sup>(4)(5)(9)</sup>	7.76%	12.11%
Percentage of non-recurring fee income <sup>(4)(6)</sup>	9.31%	2.67%
Average debt outstanding <sup>(7)</sup>	\$ 78,934,300	\$ 118,513,187
Average debt outstanding per common share	\$ 31.36	\$ 43.51
Asset coverage ratio per unit <sup>(8)</sup>	\$ 2,913	\$ 2,867
Total Debt Outstanding <sup>(9)</sup>		
2023 Notes	\$ 22,521,800	\$ 77,227,633
2028 Notes	\$ 57,500,000	\$ -
Average market value per unit:		
2023 Notes	\$ 25.44	\$ 23.98
2028 Notes	\$ 25.13	\$ -

- (1) Net investment income/(loss) excluding management and incentive fee waivers, discounts and reimbursements based on total weighted average common stock outstanding equals \$0.12 and \$3.06 per share for the three months ended December 31, 2021 and 2020 respectively.
- (2) Total return is historical and assumes changes in share price, reinvestments of all dividends and distributions at prices obtained under the Company's dividend reinvestment plan, and no sales charge for the period. Calculation is not annualized.
- (3) Total return is historical and assumes changes in NAV, reinvestments of all dividends and distributions at prices obtained under the Company's dividend reinvestment plan, and no sales charge for the period. Calculation is not annualized.
- (4) Ratios are annualized during interim periods.
- (5) For the three months ended December 31, 2021, prior to the effect of Expense Support Agreement, the ratio of net investment income/(loss), total expenses, and operating expenses and credit facility related expenses to average net assets is (0.08)%, 7.76%, and 7.76%, respectively. For the three months ended December 31, 2020, prior to the effect of Expense Support Agreement, the ratio of net investment income/(loss), total expenses, and operating expenses and credit facility related expenses to average net assets is 22.42%, 9.75%, and 12.04%, respectively.
- (6) Represents the impact of the non-recurring fees as a percentage of total investment income.
- (7) Based on daily weighted average carrying value of debt outstanding during the period.
- (8) Asset coverage per unit is the ratio of the carrying value of our total consolidated assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness. Asset coverage per unit is expressed in terms of dollar amounts per \$1,000 of indebtedness.  
As of December 31, 2021, the Company's asset coverage was 291.3% after giving effect to leverage and therefore the Company's asset coverage was above 200%, the minimum asset coverage requirement under the 1940 Act.
- (9) Total amount of each class of senior securities outstanding at the end of the period excluding debt issuance costs.

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements (continued)**  
**December 31, 2021**  
**(Unaudited)**

**Note 13. Dividends**

Dividends and distributions to common stockholders are recorded on the ex-dividend date. The amount to be paid out as a dividend is determined by our board of directors.

We have adopted an “opt out” dividend reinvestment plan for our common stockholders. As a result, if we declare a cash dividend or other distribution, each stockholder that has not “opted out” of our dividend reinvestment plan will have its dividends automatically reinvested in additional shares of our common stock rather than receiving cash dividends. Stockholders who receive distributions in the form of shares of common stock will be subject to the same federal, state and local tax consequences as if they received cash distributions.

The Company did not make any distributions during the three months ended December 31, 2021 and 2020.

**Note 14. Share Transactions**

On January 11, 2021, the Company announced that its board of directors approved a share repurchase program.

The following table sets forth the number of shares of common stock repurchased by the Company at a weighted average price of \$39.72 per share under its share repurchase program from February 10, 2021 through December 31, 2021:

<b>Month Ended</b>	<b>Shares Repurchased</b>	<b>Repurchase Price Per Share</b>	<b>Aggregate Consideration for Repurchased Shares</b>
February 2021	13,082	\$30.25 - \$30.96	\$ 397,384
March 2021	12,241	\$30.25 - \$34.42	393,938
April 2021	14,390	\$33.11 - \$34.89	491,469
May 2021	25,075	\$34.56 - \$39.93	976,440
August 2021	141,700	\$41.03 - \$42.28	5,944,212
<b>Total</b>	<b>206,488</b>		<b>\$ 8,203,444</b>

**Note 15. Subsequent Events**

Management has evaluated subsequent events through the date of issuance of the consolidated financial statements included herein. Other than the items disclosed herein, there have been no subsequent events that occurred during such period that would require disclosure in this Form 10-Q or would be required to be recognized in the Consolidated Financial Statements as of and for the three months ended December 31, 2021.

On February 9, 2022, the Board of Directors approved the expansion of the amount authorized for repurchase under the Company’s share repurchase program from \$15 million to \$25 million. Since announcing this share repurchase program on January 11, 2021, the Company has repurchased an aggregate of 219,964 shares of common stock through February 8, 2022 with a total cost of approximately \$8.7 million, or 8.08% of shares outstanding as of the program’s inception. Taking into account such prior repurchases, the total remaining amount authorized under the expanded share repurchase program is approximately \$11.2 million.

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

The following discussion and analysis should be read in conjunction with our financial statements and related notes and other financial information appearing elsewhere in this quarterly report on Form 10-Q.

Except as otherwise specified, references to "we," "us," "our," or the "Company," refer to PhenixFIN Corporation.

### 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:

- the introduction, withdrawal, success and timing of business initiatives and strategies;
- changes in political, economic or industry conditions, the interest rate environment or conditions affecting the financial and capital markets, which could result in changes in the value of our assets;
- the impact of increased competition;
- the impact of future acquisitions and divestitures;
- our business prospects and the prospects of our portfolio companies;
- the impact of legislative and regulatory actions and reforms and regulatory, supervisory or enforcement actions of government agencies relating to us;
- our contractual arrangements and relationships with third parties;
- any future financings by us;
- fluctuations in foreign currency exchange rates;
- the impact of changes to tax legislation and, generally, our tax position;
- our ability to locate suitable investments for us and to monitor and administer our investments;
- our ability to attract and retain highly talented professionals;
- market conditions and our ability to access alternative debt markets and additional debt and equity capital;
- the unfavorable resolution of legal proceedings;
- uncertainties associated with the impact from the COVID-19 pandemic and any variants thereof: including its impact on the global and U.S. capital markets and the global and U.S. economy; the length and duration of the COVID-19 outbreak in the United States as well as worldwide and the magnitude of the economic impact of that outbreak; the effect of the COVID-19 pandemic on our business prospects and the operational and financial performance of our portfolio companies, including our and their ability to achieve their respective objectives; and the effect of the disruptions caused by the COVID-19 pandemic on our ability to continue to effectively manage our business; and
- risks and uncertainties relating to the possibility that the Company may explore strategic alternatives, including, but are not limited to: the timing, benefits and outcome of any exploration of strategic alternatives by the Company; potential disruptions in the Company's business and stock price as a result of our exploration of any strategic alternatives; the ability to realize anticipated efficiencies, or strategic or financial benefits; potential transaction costs and risks; and the risk that any exploration of strategic alternatives may have an adverse effect on our existing business arrangements or relationships, including our ability to retain or hire key personnel. There is no assurance that any exploration of strategic alternatives will result in a transaction or other strategic change or outcome.

Such forward-looking statements may include statements preceded by, followed by or that otherwise include the words “trend,” “opportunity,” “pipeline,” “believe,” “comfortable,” “expect,” “anticipate,” “current,” “intention,” “estimate,” “position,” “assume,” “potential,” “outlook,” “continue,” “remain,” “maintain,” “sustain,” “seek,” “achieve,” and similar expressions, or future or conditional verbs such as “will,” “would,” “should,” “could,” “may,” or similar expressions. The forward looking statements contained in this quarterly report on Form 10-Q involve risks and uncertainties. Our actual results could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth as “Risk Factors” and elsewhere in this quarterly report on Form 10-Q.

We have based the forward-looking statements included in this report on information available to us on the date of this report, and we assume no obligation to update any such forward-looking statements. Actual results could differ materially from those anticipated in our forward-looking statements, and future results could differ materially from historical performance. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we have filed or in the future may file with the Securities and Exchange Commission (“SEC”), including annual reports on Form 10-K, registration statements on Form N-2, quarterly reports on Form 10-Q and current reports on Form 8-K.

### **COVID-19 Developments**

COVID-19 and variants thereof have severely impacted global economic activity and caused significant volatility and negative pressure in financial markets. The global impact of COVID-19 continues to evolve and many countries, including the United States, have reacted at various stages of the pandemic by instituting quarantines, restricting travel, and temporarily closing or limiting capacity at many corporate offices, retail stores, restaurants, fitness clubs and manufacturing facilities and factories in affected jurisdictions. Such actions have created disruption in global supply chains and adversely impacted a number of industries. The outbreak has had and could continue to have an adverse impact on economic and market conditions and trigger a period of global economic slowdown.

We are closely monitoring the impact of the outbreak of COVID-19 on all aspects of our business, including how it will impact our portfolio companies, employees, due diligence and underwriting processes, and financial markets. Given the continuing development and fluidity of this situation, we cannot estimate the long-term impact of COVID-19 on our business, future results of operations, financial position or cash flows at this time. Further, the operational and financial performance of the portfolio companies in which we make investments may be significantly impacted by COVID-19, which may in turn impact the valuation of our investments. We believe our portfolio companies have taken actions to effectively and efficiently respond to the challenges posed by COVID-19 and related orders imposed by state and local governments, including developing liquidity plans supported by internal cash reserves, shareholder support, and, as appropriate, accessing their ability to participate in the government Paycheck Protection Program. The Company’s performance has been negatively impacted during the pandemic. The longer-term impact of COVID-19 on the operations and the performance of the Company (including certain portfolio companies) is difficult to predict, but may also be adverse. The longer-term potential impact on such operations and performance could depend to a large extent on future developments and actions taken by authorities and other entities to mitigate COVID-19 and its economic impact. The impacts, as well as the uncertainty over impacts to come, of COVID-19 have adversely affected the performance of the Company (including certain portfolio companies) and may continue to do so in the future. Furthermore, the impacts of a potential worsening of global economic conditions and the continued disruptions to and volatility in the financial markets remain unknown. COVID-19 presents material uncertainty and risks with respect to the underlying value of the Company’s portfolio companies, the Company’s business, financial condition, results of operations and cash flows, such as the potential negative impact to financing arrangements, increased costs of operations, changes in law and/or regulation, and uncertainty regarding government and regulatory policy.

We have evaluated subsequent events from December 31, 2021 through the filing date of this quarterly report on Form 10-Q. However, as the discussion in this Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations relates to the Company's financial statements for the quarterly period ended December 31, 2021, the analysis contained herein may not fully account for impacts relating to the COVID-19 pandemic. In that regard, for example, as of December 31, 2021, the Company valued its portfolio investments in conformity with U.S. generally accepted accounting principles ("GAAP") based on the facts and circumstances known by the Company at that time, or reasonably expected to be known at that time. Due to the overall volatility that the COVID-19 pandemic may have caused during the months following our most recent valuation (as of December 31, 2021), any valuations conducted now or in the future in conformity with U.S. GAAP could result in a lower fair value of our portfolio. The longer-term impact of COVID-19 on the operations and the performance of the Company (including certain portfolio companies) is difficult to predict, but may also be adverse. The longer-term potential impact on such operations and performance could depend to a large extent on future developments and actions taken by authorities and other entities to contain COVID-19 and its economic impact. The impacts, as well as the uncertainty over impacts to come, of COVID-19 (including any variants thereof) have adversely affected the performance of the Company and may continue to do so in the future. Further, the potential exists for additional variants of COVID-19, including the Omicron variant, to impede the global economic recovery and exacerbate geographic differences in the spread of, and response to, COVID-19.

## Overview

We are an internally-managed non-diversified closed-end management investment company that has elected to be regulated as a BDC under the 1940 Act. In addition, we have elected, and intend to qualify annually, to be treated for U.S. federal income tax purposes as a RIC under Subchapter M of the Code. Through December 31, 2020, we were an externally managed company. On November 18, 2020, the board of directors of the Company approved the adoption of an internalized management structure, effective January 1, 2021. Since January 1, 2021, we have operated under such internalized management structure.

We commenced operations and completed our initial public offering on January 20, 2011. Under our internalized management structure, our activities are managed by our senior professionals and are supervised by our board of directors, of which a majority of the members are independent of us.

The Company's investment objective is to generate current income and capital appreciation. The management team seeks to achieve this objective primarily through making loans, private equity or other investments in privately-held companies. The Company may also make debt, equity or other investments in publicly-traded companies. (These investments may also include investments in other BDCs, closed-end funds or REITS.) We may also pursue other strategic opportunities and invest in other assets or operate other businesses to achieve our investment objective. The portfolio generally consists of senior secured first lien term loans, senior secured second lien term loans, senior secured bonds, preferred equity and common equity. Occasionally, we will receive warrants or other equity participation features which we believe will have the potential to increase total investment returns. Our loan and other debt investments are primarily rated below investment grade or are unrated. Investments in below investment grade securities are considered predominantly speculative with respect to the issuer's capacity to pay interest and repay principal when due.

As a BDC, we are required to comply with certain regulatory requirements. For instance, we generally have to 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 200% (or 150% if, pursuant to the 1940 Act, certain requirements are met) after such borrowing, with certain limited exceptions. To maintain our RIC tax treatment, we must meet specified source-of-income and asset diversification requirements. In addition, to maintain our RIC tax treatment, we must timely 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.

## **Reverse Stock Split; Authorized Share Reduction**

At the Company's 2020 Annual Meeting of Stockholders held on June 30, 2020 (the "Annual Meeting"), stockholders approved a proposal to grant discretionary authority to the Company's board of directors to amend the Company's Certificate of Incorporation (the "Certificate of Incorporation") to effect a reverse stock split of its common stock, of 1-20 (the "Reverse Stock Split") and with the Reverse Stock Split to be effective at such time and date, if at all, as determined by the board of directors, but not later than 60 days after stockholder approval thereof and, if and when the reverse stock split is effected, reduce the number of authorized shares of common stock by the approved reverse stock split ratio (the "Authorized Share Reduction").

Following the Annual Meeting, on July 7, 2020, the board of directors determined that it was in the best interests of the Company and its stockholders to implement the Reverse Stock Split and the Authorized Share Reduction. Accordingly, on July 13, 2020, the Company filed a Certificate of Amendment (the "Certificate of Amendment") to the Certificate of Incorporation with the Secretary of State of the State of Delaware to effect the Reverse Stock Split and the Authorized Share Reduction.

Pursuant to the Certificate of Amendment, effective as of 5:00 p.m., Eastern Time, on July 24, 2020 (the "Effective Time"), each twenty (20) shares of common stock issued and outstanding, immediately prior to the Effective Time, automatically and without any action on the part of the respective holders thereof, were combined and converted into one (1) share of common stock. In connection with the Reverse Stock Split, the Certificate of Amendment provided for a reduction in the number of authorized shares of common stock from 100,000,000 to 5,000,000 shares of common stock. No fractional shares were issued as a result of the Reverse Stock Split. Instead, any stockholder who would have been entitled to receive a fractional share as a result of the Reverse Stock Split received cash payments in lieu of such fractional shares (without interest and subject to backup withholding and applicable withholding taxes).

On December 21, 2020, the Company announced that it completed the application process for and was authorized to transfer the listing of its shares of common stock to the NASDAQ Global Market. The listing and trading of the common stock on the NYSE ceased at the close of trading on December 31, 2020. Since January 4, 2021, the common stock trades on the NASDAQ Global Market under the trading symbol "PFX."

## **Revenues**

We generate revenue in the form of interest income on the debt that we hold and capital gains, if any, on warrants or other equity interests that we may acquire in portfolio companies. We invest our assets primarily in privately held companies with enterprise or asset values between \$25 million and \$250 million and generally focus on investment sizes of \$10 million to \$50 million. We believe that pursuing opportunities of this size offers several benefits including reduced competition, a larger investment opportunity set and the ability to minimize the impact of financial intermediaries. We expect our debt investments to bear interest at either a fixed or floating rate. Interest on debt will be payable generally either monthly or quarterly. In some cases our debt investments may provide for a portion of the interest to be PIK. To the extent interest is PIK, it will be payable through the increase of the principal amount of the obligation by the amount of interest due on the then-outstanding aggregate principal amount of such obligation. The principal amount of the debt and any accrued but unpaid interest will generally become due at the maturity date. In addition, we may generate revenue in the form of commitment, origination, structuring or diligence fees, fees for providing managerial assistance or investment management services and possibly consulting fees. Any such fees will be generated in connection with our investments and recognized as earned.

## Expenses

In periods prior to December 31, 2020, our primary operating expenses included management and incentive fees pursuant to the investment management agreement we had with MCC Advisors and overhead expenses, including our allocable portion of our administrator's overhead under the administration agreement, which were paid during the quarter ended March 31, 2021. Our management and incentive fees compensated MCC Advisors for its work in identifying, evaluating, negotiating, closing and monitoring our investments. On November 18, 2020, the board of directors adopted an internally managed structure, effective January 1, 2021, under which we bear all costs and expenses of our operations and transactions, including those relating to:

- our organization and continued corporate existence;
- calculating our NAV (including the cost and expenses of any independent valuation firms);
- salaries, compensation and benefits for our employees and any consultants, including investment professionals;
- interest payable on debt, if any, incurred to finance our investments;
- the costs of all offerings of common stock and other securities, if any;
- distributions on our shares;
- administration fees payable under our administration agreement with U.S. Bancorp;
- amounts payable to third parties relating to, or associated with, making investments;
- transfer agent and custodial fees;
- registration fees and listing fees;
- U.S. federal, state and local taxes;
- independent director fees and expenses;
- costs of preparing and filing reports or other documents with the SEC or other regulators;
- the costs of any reports, proxy statements or other notices to our stockholders, including printing costs;
- our fidelity bond;
- directors and officers/errors and omissions liability insurance, and any other insurance premiums;
- indemnification payments;
- direct costs and expenses of administration, including audit and legal costs; and
- all other expenses reasonably incurred by us in connection with administering our business, such as rent for our office space.

## Expense Support Agreement

On June 12, 2020, the Company entered into an expense support agreement (the "Expense Support Agreement") with MCC Advisors and Medley LLC, pursuant to which MCC Advisors and Medley LLC agreed (jointly and severally) to cap the management fee and all of the Company's other operating expenses (except interest expenses, certain extraordinary strategic transaction expenses, and other expenses approved by the Special Committee of the Board (as described in Note 10)), at \$667,000 per month (the "Cap"). Under the Expense Support Agreement, the Cap became effective on June 1, 2020 and was to expire on September 30, 2020. On September 29, 2020, the board of directors, including all of the independent directors, extended the term of the Expense Support Agreement through the end of quarter ending December 31, 2020. The Expense Support Agreement expired by its terms at the close of business on December 31, 2020, in connection with the adoption of the internalized management structure by the board of directors.

For the three months ended December 31, 2020, the total management fee and the other operating expenses subject to the Cap (as described above) were \$2.5 million, which resulted in \$0.3 million of expense support incurred during the quarter ended December 31, 2020 and due from MCC Advisors. The \$0.3 million of expense support due was netted against Administrator expenses payable in the accompanying Consolidated Statements of Assets and Liabilities and paid during the quarter ended March 31, 2021. See "Note 6" for more information.

## Portfolio and Investment Activity

As of December 31, 2021 and September 30, 2021, our portfolio had a fair market value of approximately \$175.4 million and \$151.6 million, respectively.

During the three months ended December 31, 2021, we received proceeds from sale and settlements of investments of \$77.6 million, including principal and dividend proceeds, realized net gain (losses) on investments of \$15.2 million, and invested \$96.2 million, of which \$37.7 million was invested in nine new portfolio companies during the quarter.

During the three months ended December 31, 2020, we received proceeds from sale and settlements of investments of \$74.1 million, including principal and dividend proceeds, realized net gain (losses) on investments of \$(46.7) million, and invested \$1.3 million.

The following table summarizes the amortized cost and the fair value of our average portfolio company:

	December 31, 2021		September 30, 2021	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Average portfolio company	\$ 3,899	\$ 4,079	\$ 3,100	\$ 2,263
Largest portfolio company	30,500	30,500	19,469	26,863

The following table summarizes the amortized cost and the fair value of investments as of December 31, 2021 (dollars in thousands):

	Amortized Cost	Percentage	Fair Value	Percentage
Senior Secured First Lien Term Loans	\$ 117,857	48.7%	\$ 69,431	39.6%
Senior Secured Second Lien Term Loans	2,600	1.1	2,493	1.4
Senior Secured Notes	11,043	4.6	10,892	6.2
Unsecured Debt	1,362	0.6	-	-
Equity/Warrants	108,889	45.0	92,583	52.8
<b>Total Investments</b>	<b>\$ 241,751</b>	<b>100.0%</b>	<b>\$ 175,399</b>	<b>100.0%</b>

The following table summarizes the amortized cost and the fair value of investments as of September 30, 2021 (dollars in thousands):

	Amortized Cost	Percentage	Fair Value	Percentage
Senior Secured First Lien Term Loans	\$ 136,740	65.7%	\$ 61,934	40.9%
Senior Secured Second Lien Term Loans	2,600	1.3	2,490	1.6
Senior Secured Notes	9,306	4.5	9,270	6.1
Secured Debt	2,500	1.2	2,500	1.6
Unsecured Debt	1,561	0.8	-	-
Equity/Warrants	54,961	26.5	75,446	49.8
<b>Total Investments</b>	<b>\$ 207,668</b>	<b>100.0%</b>	<b>\$ 151,640</b>	<b>100.0%</b>

As of December 31, 2021, our income-bearing investment portfolio based upon cost represented 66.3% of our total portfolio of which 72.0% bore interest based on floating rates, such as the London Interbank Offering Rate ("LIBOR"), while 28.0% bore interest at fixed rates. As of December 31, 2021, the Company had a weighted average yield to maturity on debt at fair market value of 8.78% on its yield-oriented debt investments. This yield does not represent the total return to our stockholders.

We rate the risk profile of each of our investments based on the following categories:

<b>Credit Rating</b>	<b>Definition</b>
1	Investments that are performing above expectations.
2	Investments that are performing within expectations, with risks that are neutral or favorable compared to risks at the time of origination. All new loans are rated '2'.
3	Investments that are performing below expectations and that require closer monitoring, but where no loss of interest, dividend or principal is expected. Companies rated '3' may be out of compliance with financial covenants, however, loan payments are generally not past due.
4	Investments that are performing below expectations and for which risk has increased materially since origination. Some loss of interest or dividend is expected but no loss of principal. In addition to the borrower being generally out of compliance with debt covenants, loan payments may be past due (but generally not more than 180 days past due).
5	Investments that are performing substantially below expectations and whose risks have increased substantially since origination. Most or all of the debt covenants are out of compliance and payments are substantially delinquent. Some loss of principal is expected.

The COVID-19 pandemic impacted our investment ratings, causing downgrades of certain portfolio companies. As the COVID-19 situation continues to evolve, we continue to maintain close communications with our portfolio companies to proactively assess and manage potential risks across our investment portfolio. We have also increased oversight and analysis of credits in vulnerable industries in an attempt to improve loan performance and reduce credit risk.

The following table shows the distribution of our investments on the 1 to 5 investment performance rating scale at fair value as of December 31, 2021 and September 30, 2021 (dollars in thousands):

	<b>December 31, 2021</b>		<b>September 30, 2021</b>	
	<b>Fair Value</b>	<b>Percentage</b>	<b>Fair Value</b>	<b>Percentage</b>
1	\$ -	0.0%	\$ -	0.0%
2	148,838	84.9%	121,508	80.1%
3	13,444	7.7%	13,416	8.8%
4	6,913	3.9%	9,925	6.6%
5	6,204	3.5%	6,791	4.5%
<b>Total</b>	<b>\$ 175,399</b>	<b>100.0%</b>	<b>\$ 151,640</b>	<b>100.0%</b>

## Results of Operations

Operating results for three months ended December 31, 2021 and 2020 are as follows (dollars in thousands):

	<b>For the Three Months Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Total investment income	\$ 3,133	\$ 12,801
Less: Net expenses	2,933	4,471
Net investment income/(loss)	200	8,330
Net realized gains (losses) on investments	15,223	(46,707)
Net change in unrealized gains (losses) on investments	(10,324)	32,062
Loss on extinguishment of debt	(296)	(122)
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$ 4,803</b>	<b>\$ (6,437)</b>

## Investment Income

For the three months ended December 31, 2021, investment income totaled \$3.1 million, of which \$1.9 million was attributable to portfolio interest, \$0.9 million was attributable to dividend and other income, and \$0.3 million was attributable to fee income. Dividend income was received from 3 investments.

For the three months ended December 31, 2020, investment income totaled \$12.8 million, of which \$2.2 million was attributable to portfolio interest, \$10.3 million was attributable to dividend income, and \$0.3 million was attributable to fee income. Dividend income was received primarily from one investment.

## Operating Expenses

Operating expenses for the three months ended December 31, 2021 and 2020 are as follows (dollars in thousands):

	For the Three Months Ended December 31	
	2021	2020
Base management fees	\$ -	\$ 1,146
Interest and financing expenses	1,488	2,018
General and administrative	196	378
Salary and Benefit	506	-
Administrator expenses	69	484
Insurance	159	485
Directors fees	208	476
Professional fees, net	307	(516)
Total Expenses	<u>\$ 2,933</u>	<u>\$ 4,471</u>

For the three months ended December 31, 2021, total operating expenses before any management and incentive fee waivers and expense support reimbursements decreased by \$1.5 million, or 34.3%, compared to the three months ended December 31, 2020.

Effective beginning January 1, 2021, the Company did not incur any management or incentive fees, nor was it subject to expense support arrangements due to its transition to an internal management structure. As a result, there were no management or incentive fee waivers or expense support reimbursements for such period.

## Interest and Financing Expenses

Interest and financing expenses for the three months ended December 31, 2021 decreased by \$0.5 million, or 26.3%, compared to the three months ended December 31, 2020. The decrease in interest and financing expenses was primarily due to the partial repayment of the 2023 Notes on December 16, 2021, the full repayment of the 2021 Notes on November 20, 2020 and the completion of the repayment of the Israeli Notes on April 14, 2020, partially offset by an increase due to the issuance of the 2028 Notes which became effective on November 16, 2021.

## Base Management Fees and Incentive Fees

Base management fees for the three months ended December 31, 2021 decreased by \$1.1 million to zero, or 100.0%, compared to the three months ended December 31, 2020 as, since January 1, 2021, the Company no longer incurs management fees under its current internalized structure.

No incentive fees were paid for the three months ended December 31, 2021 or the three months ended December 31, 2020. Since January 1, 2021, the Company no longer incurs incentive fees under its current internalized structure.

### **Professional Fees and Other General and Administrative Expenses**

Professional fees and general and administrative expenses for the three months ended December 31, 2021 increased by \$0.6 million compared to the three months ended December 31, 2020 primarily due to a decrease in the insurance proceeds received in 2021 which offset legal expenses.

### **Net Realized Gains/Losses from Investments**

We measure realized gains or losses by the difference between the net proceeds from the disposition and the amortized cost basis of an investment, without regard to unrealized gains or losses previously recognized.

During the three months ended December 31, 2021, we recognized \$15.2 million of realized gains on our portfolio investments. The realized gains were primarily due to the restructuring of three investments.

During the three months ended December 31, 2020, we recognized \$46.7 million of realized losses on our portfolio investments. The realized losses were primarily due to the sale one investment.

### **Realized loss on extinguishment of debt**

In the event that we modify or extinguish our debt prior to maturity, we account for it in accordance with ASC 470-50, Modifications and Extinguishments, in which we measure the difference between the reacquisition price of the debt and the net carrying amount of the debt, which includes any unamortized debt issuance costs.

During the three months ended December 31, 2021, the Company recognized a net loss on extinguishment of debt of \$0.3 million, which was due to the Company's \$55.3 million repayment of the 2023 Notes on December 16, 2021.

### **Net Unrealized Appreciation/Depreciation on Investments**

Net change in unrealized appreciation or depreciation on investments reflects the net change in the fair value of our investment portfolio.

For the three months ended December 31, 2021, we had \$10.3 million of net unrealized depreciation on investments. The net unrealized depreciation was comprised of \$10.4 million of net unrealized depreciation on investments and \$0.1 million of net unrealized appreciation that resulted from the reversal of previously recorded unrealized depreciation on investments that were realized, partially sold, or written-off during the year.

For the three months ended December 31, 2020, we had \$32.1 million of net unrealized appreciation on investments. The net unrealized appreciation comprised of \$14.7 million of net unrealized depreciation on investments and \$46.8 million of net unrealized appreciation that resulted from the reversal of previously recorded unrealized depreciation on investments that were realized, partially sold, or written-off during the year.

### ***Provision for Deferred Taxes on Unrealized Depreciation on Investments***

Certain consolidated subsidiaries of ours are subject to U.S. federal and state income taxes. These taxable subsidiaries are not consolidated with the Company for income tax purposes, but are consolidated for GAAP purposes, and may generate income tax liabilities or assets from temporary differences in the recognition of items for financial reporting and income tax purposes at the subsidiaries. For the three months ended December 31, 2021 and 2020, the Company did not record a change in provision for deferred taxes on the unrealized (appreciation)/depreciation on investments.

### **Changes in Net Assets from Operations**

For the three months ended December 31, 2021, we recorded a net increase in net assets resulting from operations of \$4.8 million compared to a net decrease in net assets resulting from operations of \$6.4 million for the three months ended December 31, 2020. This increase takes into account increased net income and net capital appreciation for the period, each as described above. Based on 2,517,221 and 2,723,709 weighted average common shares outstanding for the three months ended December 31, 2021 and 2020, respectively, our per share net increase (decrease) in net assets resulting from operations was \$1.91 for the three months ended December 31, 2021 and \$(2.36) for the three months ended December 31, 2020.

### **Financial Condition, Liquidity and Capital Resources**

As a RIC, we distribute substantially all of our net income to our stockholders and have an ongoing need to raise additional capital for investment purposes. To fund growth, we have a number of alternatives available to increase capital, including raising equity, increasing debt, and funding from operational cash flow.

Our liquidity and capital resources historically have been generated primarily from the net proceeds of public offerings of common stock, advances from the Revolving Credit Facility (which the Company voluntarily satisfied and terminated) and net proceeds from the issuance of notes as well as cash flows from operations. In the future, we may generate cash from future offerings of securities, future borrowings and cash flows from operations, including interest earned from the temporary investment of cash in U.S. government securities and other high-quality debt investments that mature in one year or less. Our primary use of funds is investments in our targeted asset classes, cash distributions to our stockholders, and other general corporate purposes.

As of December 31, 2021, we had \$59.4 million in cash and cash equivalents.

In order to maintain our RIC tax treatment under the Code, we intend to distribute to our stockholders substantially all of our taxable income, but we may also elect to periodically spill over certain excess undistributed taxable income from one tax year into the next tax year. In addition, as a BDC, for each taxable year we generally are required to meet a coverage ratio of total assets to total senior securities, which include borrowings and any preferred stock we may issue in the future, of at least 200% (or 150% if, pursuant to the 1940 Act, certain requirements are met). This requirement limits the amount that we may borrow.

### **Unsecured Notes**

#### *2021 Notes*

On December 17, 2015, the Company issued \$70.8 million in aggregate principal amount of 6.50% unsecured notes that mature on January 30, 2021 (the "2021 Notes"). On January 14, 2016, the Company closed an additional \$3.25 million in aggregate principal amount of the 2021 Notes, pursuant to the partial exercise of the underwriters' option to purchase additional notes. The 2021 Notes bore interest at a rate of 6.50% per year, payable quarterly on January 30, April 30, July 30 and October 30 of each year, beginning January 30, 2016.

On October 21, 2020, the Company caused notices to be issued to the holders of the 2021 Notes regarding the Company's exercise of its option to redeem, in whole, the issued and outstanding 2021 Notes, pursuant to Section 1104 of the Indenture dated as of February 7, 2012, between the Company and U.S. Bank National Association, as trustee, and Section 101(h) of the Third Supplemental Indenture dated as of December 17, 2015. The Company redeemed \$74,012,825 in aggregate principal amount of the issued and outstanding 2021 Notes on November 20, 2020 (the "Redemption Date"). The 2021 Notes were redeemed at 100% of their principal amount (\$25 per 2021 Note), plus the accrued and unpaid interest thereon from October 31, 2020, through, but excluding, the Redemption Date. The Company funded the redemption of the 2021 Notes with cash on hand.

## *2023 Notes*

On March 18, 2013, the Company issued \$60.0 million in aggregate principal amount of 2023 Notes. As of March 30, 2016, the 2023 Notes may be redeemed in whole or in part at any time or from time to time at the Company's option. On March 26, 2013, the Company closed an additional \$3.5 million in aggregate principal amount of 2023 Notes, pursuant to the partial exercise of the underwriters' option to purchase additional notes. The 2023 Notes bear interest at a rate of 6.125% per year, payable quarterly on March 30, June 30, September 30 and December 30 of each year, beginning June 30, 2013.

On December 12, 2016, the Company entered into an "At-The-Market" ("ATM") debt distribution agreement with FBR Capital Markets & Co., through which the Company could offer for sale, from time to time, up to \$40.0 million in aggregate principal amount of the 2023 Notes. The Company sold 1,573,872 of the 2023 Notes at an average price of \$25.03 per note, and raised \$38.6 million in net proceeds, through the ATM debt distribution agreement.

On March 10, 2018, the Company redeemed \$13.0 million in aggregate principal amount of the 2023 Notes. The redemption was accounted for as a debt extinguishment in accordance with ASC 470-50, Modifications and Extinguishments, which resulted in a realized loss of \$0.3 million and was recorded on the Consolidated Statements of Operations as a loss on extinguishment of debt.

On December 31, 2018, the Company redeemed \$12.0 million in aggregate principal amount of the 2023 Notes. The redemption was accounted for as a debt extinguishment in accordance with ASC 470-50, Modifications and Extinguishments, which resulted in a realized loss of \$0.2 million and was recorded on the Consolidated Statements of Operations as a loss on extinguishment of debt.

On December 21, 2020, the Company announced that it completed the application process for and was authorized to transfer the listing of the 2023 Notes to the NASDAQ Global Market. The listing and trading of the 2023 Notes on the NYSE ceased at the close of trading on December 31, 2020. Effective January 4, 2021, the 2023 Notes trade on the NASDAQ Global Market under the trading symbol "PFXNL."

On November 15, 2021, the Company caused notices to be issued to the holders of the 2023 Notes regarding the Company's exercise of its option to redeem \$55,325,000 in aggregate principal amount of the issued and outstanding 2023 Notes on December 16, 2021. The redemption was accounted for as a debt extinguishment in accordance with ASC 470-50, Modifications and Extinguishments, which resulted in a realized loss of \$0.3 million and was recorded on the Consolidated Statements of Operations as a loss on extinguishment of debt.

## *2028 Notes*

On November 9, 2021, the Company entered into an underwriting agreement, by and between the Company and Oppenheimer & Co. Inc., as representative of the several underwriters named in Exhibit A thereto, in connection with the issuance and sale (the "Offering") of \$57,500,000 (including the underwriters' option to purchase up to \$7,500,000 aggregate principal amount) in aggregate principal amount of its 5.25% Notes due 2028 (the "2028 Notes"). The Offering occurred on November 15, 2021, pursuant to the Company's effective shelf registration statement on Form N-2 previously filed with the SEC, as supplemented by a preliminary prospectus supplement dated November 8, 2021, the pricing term sheet dated November 9, 2021 and a final prospectus supplement dated November 9, 2021. Effective November 16, 2021, the 2028 Notes began trading on the NASDAQ Global Market under the trading symbol "PFXNZ."

On November 15, 2021, the Company and U.S. Bank National Association, as trustee entered into a Fourth Supplemental Indenture to its base Indenture, dated February 7, 2012, between the Company and the Trustee. The Fourth Supplemental Indenture relates to the Offering of the 2028 Notes.

## Contractual Obligations and Off-Balance Sheet Arrangements

As of December 31, 2021 and September 30, 2021, we had commitments under loan and financing agreements to fund up to \$8.2 million to seven portfolio companies and \$4.9 million to six portfolio companies, respectively. These commitments are primarily composed of senior secured term loans and revolving, and the determination of their fair value is included in the Consolidated Schedule of Investments. The commitments are generally subject to the borrowers meeting certain criteria such as compliance with covenants and certain operational metrics. The terms of the borrowings and financings subject to commitment are comparable to the terms of other loan and equity securities in our portfolio. A summary of the composition of the unfunded commitments as of December 31, 2021 and September 30, 2021 is shown in the table below (dollars in thousands):

	December 31, 2021	September 30, 2021
SS Acquisition, LLC - Delayed Draw Term Loan	\$ 4,000	\$ -
Redwood Services Group, LLC - Revolver	1,575	1,575
1888 Industrial Services, LLC - Revolver	1,078	1,078
Kemmerer Operations, LLC - Delayed Draw Term Loan	908	908
Secure Acquisition Inc. - Delayed Draw Term Loan	259	-
NVTN LLC - DDTL	220	220
Black Angus Steakhouses, LLC - Super Priority DDTL	167	167
Alpine SG - Revolver	-	1,000
<b>Total unfunded commitments</b>	<b>\$ 8,207</b>	<b>\$ 4,948</b>

We entered into an investment management agreement with MCC Advisors on January 11, 2011 (the "Investment Management Agreement") in accordance with the 1940 Act. The Investment Management Agreement became effective upon the pricing of our initial public offering. Under the Investment Management Agreement, MCC Advisors agreed to provide us with investment advisory and management services. For these services, we agreed to pay a base management fee equal to a percentage of our gross assets and an incentive fee based on our performance.

We also entered into an administration agreement with MCC Advisors as our administrator. The administration agreement became effective upon the pricing of our initial public offering. Under the administration agreement, MCC Advisors agreed to furnish us with office facilities and equipment, provide us clerical, bookkeeping and record keeping services at such facilities and provide us with other administrative services necessary to conduct our day-to-day operations. MCC Advisors also provided on our behalf significant managerial assistance to those portfolio companies to which we are required to provide such assistance while the Investment Management Agreement and administration agreement were in effect.

The Investment Management Agreement and administration agreement expired at the close of business on December 31, 2020, in connection with the Company's adoption of an internalized management structure.

The following table shows our payment obligations for repayment of debt and other contractual obligations at December 31, 2021 (dollars in thousands):

	Payments Due by Period						
	2022	2023	2024	2025	2026	Thereafter	Total
2023 Notes	\$ -	\$22,521,800	\$ -	\$ -	\$ -	\$ -	\$22,521,800
2028 Notes	-	-	-	-	-	57,500,000	57,500,000
Operating Lease Obligation <sup>(1)</sup>	84,000	144,000	144,000	144,000	144,000	24,000	684,000
<b>Total contractual obligations</b>	<b>\$ 84,000</b>	<b>\$22,665,800</b>	<b>\$ 144,000</b>	<b>\$ 144,000</b>	<b>\$ 144,000</b>	<b>\$57,524,000</b>	<b>\$80,705,800</b>

(1) Operating Lease Obligation means a rent payment obligation under a lease classified as an operating lease and disclosed pursuant to ASC 842, as may be modified or supplemented.

On March 27, 2015, the Company and Great American Life Insurance Company (“GALIC”) entered into a limited liability company operating agreement to co-manage MCC Senior Loan Strategy JV I LLC (“MCC JV”). The Company and GALIC had committed to provide \$100 million of equity to MCC JV, with the Company providing \$87.5 million and GALIC providing \$12.5 million.

MCC JV commenced operations on July 15, 2015. On August 4, 2015, MCC JV entered into a senior secured revolving credit facility (the “JV Facility”) led by Credit Suisse, AG with commitments of \$100 million. On March 30, 2017, the Company amended the JV Facility previously administered by CS and facilitated the assignment of all rights and obligations of CS under the JV Facility to Deutsche Bank AG, New York Branch, (“DB”) and increased the total loan commitments to \$200 million. The JV Facility bears interest at a rate of LIBOR (with no minimum + 2.75% per annum. On March 29, 2019, the JV Facility reinvestment period was extended to June 28, 2019 from March 30, 2019. On June 28, 2019, the JV Facility reinvestment period was extended to October 28, 2019. On October 28, 2019, the JV Facility reinvestment period was further extended from October 28, 2019 to March 31, 2020, the maturity date was extended to March 31, 2023 and the interest rate was modified from bearing an interest rate of LIBOR (with no minimum) + 2.50% per annum to LIBOR (with no minimum) + 2.75% per annum.

The Company has determined that MCC JV is an investment company under ASC 946, however in accordance with such guidance, the Company will generally not consolidate its investment in a company other than a wholly owned investment company subsidiary or a controlled operating company whose business consists of providing services to the Company. Accordingly, the Company does not consolidate its interest in MCC JV.

On October 8, 2020, the Company, GALIC, MCC JV, and an affiliate of Golub entered into a Membership Interest Purchase Agreement pursuant to which a fund affiliated with and managed by Golub concurrently purchased all of the Company’s interest in the MCC JV and all of GALIC’s interest in the MCC JV for a pre-adjusted gross purchase price of \$156.4 million and an adjusted gross purchase price (which constitutes the aggregate consideration for the membership interests) of \$145.3 million (giving effect to adjustments primarily for principal and interest payments from portfolio companies of MCC JV from July 1, 2020 through October 7, 2020), resulting in net proceeds (before transaction expenses) of \$41.0 million and \$6.6 million for MCC and GALIC, respectively, on the terms and subject to the conditions set forth in the Membership Interest Purchase Agreement, including the representations, warranties, covenants and indemnities contained therein. In connection with the closing of the transaction on October 8, 2020, MCC JV repaid in full all outstanding borrowings under, and terminated, its senior secured revolving credit facility, dated as of August 4, 2015, as amended, administered by Deutsche Bank AG, New York Branch.

## Distributions

We have elected, and intend to qualify annually, to be treated for U.S. federal income tax purposes as a RIC under Subchapter M of the Code. As a RIC, in any taxable year with respect to which we timely distribute at least 90 percent of the sum of our (i) investment company taxable income (which is generally our net ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses) determined without regard to the deduction for dividends paid and (ii) net tax exempt interest income (which is the excess of our gross tax exempt interest income over certain disallowed deductions), we (but not our stockholders) generally will not be subject to U.S. federal income tax on investment company taxable income and net capital gains that we distribute to our stockholders. We intend to distribute annually all or substantially all of such income, but we may also elect to periodically spill over certain excess undistributed taxable income from one tax year to the next tax year. To the extent that we retain our net capital gains or any investment company taxable income, we will be subject to U.S. federal income tax. We may choose to retain our net capital gains or any investment company taxable income, and pay the associated federal corporate income tax or excise tax, described below.

Amounts not distributed on a timely basis in accordance with a calendar year distribution requirement are subject to a nondeductible 4% U.S. federal excise tax payable by us. To avoid this tax, we must distribute (or be deemed to have distributed) during each calendar year an amount equal to the sum of:

- 1) at least 98.0% of our ordinary income (not taking into account any capital gains or losses) for the calendar year;
- 2) at least 98.2% of the amount by which our capital gains exceed our capital losses (adjusted for certain ordinary losses) for a one-year period ending on October 31st of the calendar year; and
- 3) income realized, but not distributed, in preceding years and on which we did not pay federal income tax.

While we intend to distribute any income and capital gains in the manner necessary to minimize imposition of the 4% U.S. federal excise tax, sufficient amounts of our taxable income and capital gains may not be distributed to avoid entirely the imposition of the tax. In that event, we will be liable for the tax only on the amount by which we do not meet the foregoing distribution requirement.

We intend to pay quarterly dividends to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to pay a specified level of dividends or year-to-year increases in dividends. In addition, the inability to satisfy the asset coverage test applicable to us as a BDC could limit our ability to pay dividends. All dividends will be paid at the discretion of our board of directors and will depend on our earnings, our financial condition, maintenance of our RIC tax treatment, compliance with applicable BDC regulations and such other factors as our board of directors may deem relevant from time to time. We cannot assure you that we will pay dividends to our stockholders in the future.

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

We have adopted an “opt out” dividend reinvestment plan for our common stockholders. As a result, if we declare a cash dividend or other distribution, each stockholder that has not “opted out” of our dividend reinvestment plan will have their dividends automatically reinvested in additional shares of our common stock rather than receiving cash dividends. Stockholders who receive distributions in the form of shares of common stock will be subject to the same federal, state and local tax consequences as if they received cash distributions.

There were no dividend distributions during the three months ended December 31, 2021.

## Related Party Transactions

Concurrent with the pricing of our IPO, we entered into a number of business relationships with affiliated or related parties, including the following:

- We entered into the Investment Management Agreement with MCC Advisors, which expired December 31, 2020. Mr. Brook Taube, Chairman and Chief Executive Officer through December 31, 2020 and director through January 21, 2021 and Mr. Seth Taube, director through January 21, 2021, are both affiliated with MCC Advisors and Medley.
- Through December 31, 2020, MCC Advisors provided us with the office facilities and administrative services necessary to conduct day-to-day operations pursuant to our administration agreement. We reimbursed MCC Advisors for the allocable portion (subject to the review and approval of our board of directors) of overhead and other expenses incurred by it in performing its obligations under the administration agreement, including rent, the fees and expenses associated with performing compliance functions, and our allocable portion of the cost of our Chief Financial Officer and Chief Compliance Officer and their respective staffs.

On June 12, 2020, the Company entered into the Expense Support Agreement with MCC Advisors and Medley LLC, pursuant to which MCC Advisors and Medley LLC agreed (jointly and severally) to cap the management fee and all of the Company's other operating expenses (except interest expenses, certain extraordinary strategic transaction and expenses, and other expenses approved by the Special Committee) at \$667,000 per month (the "Cap"). Under the Expense Support Agreement, the Cap became effective on June 1, 2020 and was to expire on September 30, 2020. On September 29, 2020, the board of directors, including all of the independent directors, extended the term of the Expense Support Agreement through the end of quarter ending December 31, 2020. The Expense Support Agreement expired by its terms at the close of business on December 31, 2020, in connection with the adoption of the internalized management structure by the board of directors.

In addition, we have adopted a formal business code of conduct and ethics that governs the conduct of our CEO, CFO, chief accounting officer (which role is currently fulfilled by our CFO) and controller (Covered Officers). Our officers and directors also remain subject to the duties imposed by both the 1940 Act and the Delaware General Corporation Law. Our Code of Business Conduct and Ethics requires that all Covered Officers promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between an individual's personal and professional relationships. Pursuant to our Code of Business Conduct and Ethics, each Covered Officer must disclose to the Company's CCO any conflicts of interest, or actions or relationships that might give rise to a conflict. Any approvals or waivers under our Code of Business Conduct and Ethics must be considered by the disinterested directors.

## Investment Management Agreement

We entered into an investment management agreement with MCC Advisors on January 11, 2011 (the "Investment Management Agreement"), which expired December 31, 2020.

Under the terms of the Investment Management Agreement, MCC Advisors:

- determined the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes;
- identified, evaluated and negotiated the structure of the investments we made (including performing due diligence on our prospective portfolio companies); and
- executed, closed, monitored and administered the investments we made, including the exercise of any voting or consent rights.

MCC Advisors' services under the Investment Management Agreement were not exclusive, and it was free to furnish similar services to other entities so long as its services to us were not impaired.

Pursuant to the Investment Management Agreement, we paid MCC Advisors a fee for investment advisory and management services consisting of a base management fee and a two-part incentive fee.

On December 3, 2015, MCC Advisors recommended and, in consultation with the Board, agreed to reduce fees under the Investment Management Agreement. Beginning January 1, 2016, the base management fee was reduced to 1.50% on gross assets above \$1 billion. In addition, MCC Advisors reduced its incentive fee from 20% on pre-incentive fee net investment income over an 8% hurdle, to 17.5% on pre-incentive fee net investment income over a 6% hurdle. Moreover, the revised incentive fee includes a netting mechanism and is subject to a rolling three-year look back from January 1, 2016 forward. Under no circumstances would the new fee structure result in higher fees to MCC Advisors than fees under the prior investment management agreement.

The following discussion of our base management fee and two-part incentive fee reflect the terms of the fee waiver agreement executed by MCC Advisors on February 8, 2016 (the "Fee Waiver Agreement"). The terms of the Fee Waiver Agreement were effective as of January 1, 2016, and were a permanent reduction in the base management fee and incentive fee on net investment income payable to MCC Advisors for the investment advisory and management services it provided under the Investment Management Agreement. The Fee Waiver Agreement did not change the second component of the incentive fee, which was the incentive fee on capital gains.

On January 15, 2020, the Company's board of directors, including all of the independent directors, approved the renewal of the Investment Management Agreement through the later of April 1, 2020 or so long as the Amended and Restated Agreement and Plan of Merger, dated as of July 29, 2019 (the "Amended MCC Merger Agreement"), by and between the Company and Sierra (the "Amended MCC Merger Agreement") was in effect, but no longer than a year; provided that, if the Amended MCC Merger Agreement is terminated by Sierra, then the termination of the Investment Management Agreement would be effective on the 30th day following receipt of Sierra's notice of termination to the Company. On May 1, 2020, the Company received a notice of termination of the Amended MCC Merger Agreement from Sierra. Under the Amended MCC Merger Agreement, either party was permitted, subject to certain conditions, to terminate the Amended MCC Merger Agreement if the merger was not consummated by March 31, 2020. Sierra elected to do so on May 1, 2020. As result of the termination by Sierra of the Amended MCC Merger Agreement on May 1, 2020, the Investment Management Agreement would have been terminated effective as of May 31, 2020. On May 21, 2020, the Board, including all of the independent directors, extended the term of the Investment Management Agreement through the end of the then-current quarter, June 30, 2020. On June 12, 2020, the Board, including all of the independent directors, extended the term of the Investment Management Agreement through September 30, 2020. On September 29, 2020, the Board, including all of the independent directors, extended the term of the Investment Management Agreement through December 31, 2020. Mr. Brook Taube, Chairman and Chief Executive Officer through December 31, 2020 and director through January 21, 2021 and Mr. Seth Taube, director through January 21, 2021 are affiliated with MCC Advisors and Medley.

On November 18, 2020, the Board approved the adoption of an internalized management structure effective January 1, 2021. The new management structure replaces the current Investment Management and Administration Agreements with MCC Advisors LLC, which expired on December 31, 2020. To lead the internalized management team, the Board approved the appointment of David Lorber, who had served as an independent director of the Company since April 2019, as interim Chief Executive Officer, and Ellida McMillan as Chief Financial Officer of the Company, each effective January 1, 2021. In connection with his appointment, Mr. Lorber stepped down from the Compensation Committee of the Board, the Nominating and Corporate Governance Committee of the Board, and the Special Committee of the Board.

## **Base Management Fee**

Through December 31, 2020, for providing investment advisory and management services to us, MCC Advisors received a base management fee. The base management fee was calculated at an annual rate of 1.75% (0.4375% per quarter) of up to \$1.0 billion of the Company's gross assets and 1.50% (0.375% per quarter) of any amounts over \$1.0 billion of the Company's gross assets and was payable quarterly in arrears. The base management fee was to be calculated based on the average value of the Company's gross assets at the end of the two most recently completed calendar quarters and was to be appropriately pro-rated for any partial quarter.

## **Incentive Fee**

Through December 31, 2020, the incentive fee had two components, as follows:

### ***Incentive Fee Based on Income***

The first component of the incentive fee was payable quarterly in arrears and was based on our pre-incentive fee net investment income earned during the calendar quarter for which the incentive fee was being calculated. MCC Advisors was entitled to receive the incentive fee on net investment income from us if our Ordinary Income (as defined below) exceeded a quarterly "hurdle rate" of 1.5%. The hurdle amount was calculated after making appropriate adjustments to the Company's net assets, as determined as of the beginning of each applicable calendar quarter, in order to account for any capital raising or other capital actions as a result of any issuances by the Company of its common stock (including issuances pursuant to our dividend reinvestment plan), any repurchase by the Company of its own common stock, and any dividends paid by the Company, each as may have occurred during the relevant quarter.

The second component of the incentive fee was determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement as of the termination date) and equaled 20.0% of our cumulative aggregate realized capital gains less cumulative realized capital losses, unrealized capital depreciation (unrealized depreciation on a gross investment-by-investment basis at the end of each calendar year) and all capital gains upon which prior performance-based capital gains incentive fee payments were previously made to the investment adviser.

## **Critical Accounting Policies**

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the periods reported. Actual results could materially differ from those estimates. We have identified the following items as critical accounting policies.

### ***Valuation of Portfolio Investments***

The Company follows ASC 820 for measuring the fair value of portfolio investments. Fair value is the price that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters, or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation models involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instruments' complexity. The Company's fair value analysis includes an analysis of the value of any unfunded loan commitments. Financial investments recorded at fair value in the consolidated financial statements are categorized for disclosure purposes based upon the level of judgment associated with the inputs used to measure their value. The valuation hierarchical levels are based upon the transparency of the inputs to the valuation of the investment as of the measurement date. Investments which are valued using NAV as a practical expedient are excluded from this hierarchy, and certain prior period amounts have been reclassified to conform to the current period presentation. The three levels are defined below:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 - Valuations based on inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable at the measurement date. This category includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in non-active markets including actionable bids from third parties for privately held assets or liabilities, and observable inputs other than quoted prices such as yield curves and forward currency rates that are entered directly into valuation models to determine the value of derivatives or other assets or liabilities.

- Level 3 - Valuations based on inputs that are unobservable and where there is little, if any, market activity at the measurement date. The inputs for the determination of fair value may require significant management judgment or estimation and are based upon management's assessment of the assumptions that market participants would use in pricing the assets or liabilities. These investments include debt and equity investments in private companies or assets valued using the Market or Income Approach and may involve pricing models whose inputs require significant judgment or estimation because of the absence of any meaningful current market data for identical or similar investments. The inputs in these valuations may include, but are not limited to, capitalization and discount rates, beta and EBITDA multiples. The information may also include pricing information or broker quotes which include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by disclaimer would result in classification as Level 3 information, assuming no additional corroborating evidence.

We value investments for which market quotations are readily available at their market quotations, which are generally obtained from an independent pricing service or multiple broker-dealers or market makers. We weight the use of third-party broker quotes, if any, in determining fair value based on our understanding of the level of actual transactions used by the broker to develop the quote and whether the quote was an indicative price or binding offer. However, a readily available market value is not expected to exist for many of the investments in our portfolio, and we value these portfolio investments at fair value as determined in good faith by our board of directors under our valuation policy and process. We may seek pricing information with respect to certain of our investments from pricing services or brokers or dealers in order to value such investments.

Valuation methods may include comparisons of financial ratios of the portfolio companies that issued such private equity securities to peer companies that are public, the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flows, the markets in which the portfolio company does business, and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we will consider the pricing indicated by the external event to corroborate the private equity valuation. 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 the investments may differ significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

Our board of directors is ultimately and solely responsible for determining the fair value of the investments in our portfolio that are not publicly traded, whose market prices are not readily available on a quarterly basis or any other situation where portfolio investments require a fair value determination.

With respect to investments for which market quotations are not readily available, our board of directors undertake a multi-step valuation process each quarter, as described below:

- Our quarterly valuation process generally begins with each investment being initially valued by a Valuation Firm.
- Preliminary valuation conclusions will then be documented and discussed with senior management.
- The audit committee of the board of directors reviews the preliminary valuations with management and the Valuation Firms.
- The board of directors discusses the valuations and determines the fair value of each investment in the Company's portfolio in good faith based on the input of management, the respective Valuation Firms and the audit committee.

In following these approaches, the types of factors that are taken into account in fair value pricing investments include available current market data, including relevant and applicable market trading and transaction comparables; applicable market yields and multiples; security covenants; call protection provisions; information rights; the nature and realizable value of any collateral; the portfolio company's ability to make payments; the portfolio company's earnings and discounted cash flows; the markets in which the portfolio company does business; comparisons of financial ratios of peer companies that are public; comparable merger and acquisition transactions; and the principal market and enterprise values.

Determination of fair values involves subjective judgments and estimates made by management. The notes to our financial statements refer to the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, on our consolidated financial statements.

### **Revenue Recognition**

Our revenue recognition policies are as follows:

*Investments and Related Investment Income* We account for investment transactions on a trade-date basis and interest income, adjusted for amortization of premiums and accretion of discounts, is recorded on an accrual basis. For investments with contractual PIK interest, which represents contractual interest accrued and added to the principal balance that generally becomes due at maturity, we will not accrue PIK interest if the portfolio company valuation indicates that the PIK interest is not collectible. Origination, closing and/or commitment fees associated with investments in portfolio companies are recognized as income when the investment transaction closes. Other fees are capitalized as deferred revenue and recorded into income over the respective period. Prepayment penalties received by the Company for debt instruments paid back to the Company prior to the maturity date are recorded as income upon receipt. Realized gains or losses on investments are measured by the difference between the net proceeds from the disposition and the amortized cost basis of investment, without regard to unrealized gains or losses previously recognized. We report changes in the fair value of investments that are measured at fair value as a component of the net change in unrealized appreciation/(depreciation) on investments in our Consolidated Statements of Operations.

*Non-accrual* We place loans on non-accrual status when principal and interest payments are past due by 90 days or more, or when there is reasonable doubt that we will collect principal or interest. Accrued interest is generally reversed when a loan is placed on non-accrual. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in our management's judgment, are likely to remain current. At December 31, 2021, certain investments in six portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately \$10.4 million, or 5.9% of the fair value of our portfolio. At September 30, 2021, certain investments in nine portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately \$13.9 million, or 9.2% of the fair value of our portfolio.

### ***Federal Income Taxes***

The Company has elected, and intends to qualify annually, to be treated for U.S. federal income tax purposes as a RIC under Subchapter M of the Code and it intends to operate in a manner so as to maintain its RIC tax treatment. To do so, among other things, the Company is required to meet certain source of income and asset diversification requirements and must timely distribute to its stockholders at least 90% of the sum of investment company taxable income ("ICTI") including PIK, as defined by the Code, and net tax exempt interest income (which is the excess of our gross tax exempt interest income over certain disallowed deductions) for each taxable year. The Company will be subject to a nondeductible U.S. federal excise tax of 4% on undistributed income if it does not distribute at least 98% of its net ordinary income for any calendar year and 98.2% of its capital gain net income for each one-year period ending on October 31 of such calendar year and any income realized, but not distributed, in preceding years and on which it did not pay federal income tax. Depending on the level of ICTI earned in a tax year, the Company may choose to carry forward ICTI in excess of current year dividend distributions into the next tax year and pay a 4% 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 excise tax purposes, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. Any such carryover ICTI must be distributed before the end of that next tax year through a dividend declared prior to filing the final tax return related to the year which generated such ICTI.

Because federal income tax requirements differ from GAAP, distributions in accordance with tax requirements may differ from net investment income and realized gains recognized for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the consolidated financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain or loss are recognized at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

### **Recent Developments**

On February 9, 2022, the Board of Directors approved the expansion of the amount authorized for repurchase under the Company's share repurchase program from \$15 million to \$25 million. Since announcing this share repurchase program on January 11, 2021, the Company has repurchased an aggregate of 219,964 shares of common stock through February 8, 2022 with a total cost of approximately \$8.7 million, or 8.08% of shares outstanding as of the program's inception. Taking into account such prior repurchases, the total remaining amount authorized under the expanded share repurchase program is approximately \$11.2 million.

### 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. Our investment income will be affected by changes in various interest rates, including LIBOR, to the extent our debt investments include floating interest rates. In the future, we expect other loans in our portfolio will have floating interest rates. In addition, U.S. and global capital markets and credit markets have experienced a higher level of stress due to the global COVID-19 pandemic, which has resulted in an increase in the level of volatility across such markets. 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 three months ended December 31, 2021, we did not engage in hedging activities.

As of December 31, 2021, 61.0% of our income-bearing investment portfolio bore interest based on floating rates based upon fair value. In connection with the COVID-19 pandemic, the U.S. Federal Reserve and other central banks have reduced certain interest rates and LIBOR has decreased. A prolonged reduction in interest rates will reduce our gross investment income and could result in a decrease in our net investment income if such decreases in LIBOR are not offset by a corresponding increase in the spread over LIBOR that we earn on any portfolio investments, a decrease in our operating expenses, including with respect to any income incentive fee, or a decrease in the interest rate of our floating interest rate liabilities tied to LIBOR. In contrast, a rise in the general level of interest rates can be expected to lead to higher interest rates applicable to any variable rate investments we hold and to declines in the value of any fixed rate investments we hold. In addition, a rise in interest rates may increase the likelihood that a portfolio company defaults on a loan. However, many of our variable rate investments provide for an interest rate floor, which may prevent our interest income from increasing until benchmark interest rates increase beyond a threshold amount. The composition of our floating rate debt investments by cash interest rate LIBOR floor as of December 31, 2021 was as follows (dollars in thousands):

LIBOR Floor	December 31, 2021	
	Fair Value	% of Floating Rate Portfolio
Under 1%	\$ -	-%
1% to under 2%	66,862	100.0
2% to under 3%	-	-
No Floor	-	-
Total	\$ 66,862	100.0%

Based on our Consolidated Statements of Assets and Liabilities as of December 31, 2021, the following table (dollars in thousands) shows the approximate increase/(decrease) in components of net assets resulting from operations of hypothetical LIBOR base rate changes in interest rates, assuming no changes in our investment and capital structure.

Change in Interest Rates	Increase (Decrease) Interest Income <sup>(1)(2)</sup>	(Increase) Decrease Interest Expense	Increase (Decrease) in Net Investment Income	Increase (Decrease) in Net Investment Income per Share
	(\$ in thousands)			
Down 100 basis points	\$ (6)	\$ -	\$ (6)	\$ (0.00)
Down 50 basis points	(6)	-	(6)	(0.00)
Down 25 basis points	(6)	-	(6)	(0.00)
Up 25 basis points	7	-	7	0.00
Up 50 basis points	31	-	31	0.01
Up 100 basis points	355	-	355	0.14
Up 200 basis points	1,598	-	1,598	0.63
Up 300 basis points	2,841	-	2,841	1.13
Up 400 basis points	4,084	-	4,084	1.62

(1) Assumes no defaults or prepayments by portfolio companies during the three months ended December 31, 2021.

(2) Investments are assuming the December 31, 2021 ending 3 month LIBOR of 0.21%.

### Item 4. Controls and Procedures

#### Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2021. The term “disclosure controls and procedures” is defined under Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”), as amended. Based on the evaluation of our disclosure controls and procedures as of December 31, 2021, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective.

#### Changes in Internal Controls Over Financial Reporting

There were no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter covered by this report that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## PART II

### Item 1. Legal Proceedings

From time to time, we are involved in various legal proceedings, lawsuits and claims incidental to the conduct of our business. Our businesses are also subject to extensive regulation, which may result in regulatory proceedings against us. Except as described below, we are not currently party to any material legal proceedings.

### Item 1A. Risk Factors

In addition to other information set forth in this report, you should carefully consider the “Risk Factors” discussed in our annual report on Form 10-K for the fiscal year ended September 30, 2021, filed with the SEC on December 20, 2021, which could materially affect our business, financial condition and/or operating results. Other than the items disclosed below, there have been no material changes during the three months ended December 31, 2021 to the risk factors discussed in “Item 1A. Risk Factors” of our annual report on Form 10-K. Additional risks or uncertainties not currently known to us or that we currently deem to be immaterial also may materially affect our business, financial condition and/or operating results.

#### Risks Related to our Business

*We may not be able to pay you distributions and our distributions may not grow over time.*

When possible, we may pay quarterly distributions to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to pay a specified level of cash distributions or year-to-year increases in cash distributions. Our ability to pay distributions might be adversely affected by, among other things, the impact of one or more of the risk factors described herein. In addition, the inability to satisfy the asset coverage test applicable to us as a BDC could limit our ability to pay distributions. As of December 31, 2021, the Company’s asset coverage was 291.3% after giving effect to leverage and therefore the Company’s asset coverage is above 200%, the minimum asset coverage requirement under the 1940 Act. All distributions will be paid at the discretion of our board of directors and will depend on our earnings, our financial condition, maintenance of our RIC tax treatment, compliance with applicable BDC regulations, and such other factors as our board of directors may deem relevant from time to time. We cannot assure you that we will pay distributions to our stockholders in the future.

#### Risks Related to our Operations as a BDC and RIC

*Regulations governing our operation as a BDC affect our ability to, and the way in which we, raise additional capital which could have a material adverse impact on our liquidity, financial condition and results of operations.*

We may only issue senior securities up to the maximum amount permitted by the 1940 Act. The 1940 Act permits us to issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% (or 150% if, pursuant to the 1940 Act, certain requirements are met) after such issuance or incurrence.

As of December 31, 2021, the Company’s asset coverage was 291.3% after giving effect to leverage and therefore the Company’s asset coverage is above 200%, the minimum asset coverage requirement under the 1940 Act.

## Risks Relating to an Investment in our Securities

### *The indentures under which the 2023 Notes and 2028 Notes are issued place restrictions on our and/or our subsidiaries' activities.*

The terms of the indentures under which the 2023 Notes and 2028 Notes were issued place restrictions on our and/or our subsidiaries' ability to, among other things issue securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to the 2023 Notes and 2028 Notes, (2) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the 2023 Notes and 2028 Notes to the extent of the values of the assets securing such debt, (3) indebtedness of ours that is guaranteed by one or more of our subsidiaries and which therefore is structurally senior to the 2023 Notes or 2028 Notes and (4) securities, indebtedness or obligations issued or incurred by our subsidiaries that would be senior to our equity interests in our subsidiaries and therefore rank structurally senior to the 2023 Notes with respect to the assets of our subsidiaries, in each case other than an incurrence of indebtedness or other obligation that would cause a violation of Section 18(a)(1)(A) of the 1940 Act, as modified by Section 61(a)(1) of the 1940 Act, or any successor provisions and, with respect to the 2028 Notes, except as would cause our asset coverage to be below 200% as a result of such borrowings and/or issuances, whether or not we continue to be subject to the regulations of the 1940 Act. These provisions generally prohibit us from making additional borrowings, including through the issuance of additional debt or the sale of additional debt securities, unless our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowings. As of December 31, 2021, the Company's asset coverage was 291.3% after giving effect to leverage. These provisions generally prohibit us from declaring any cash dividend or distribution upon any class of our capital stock or purchasing any such capital stock if our asset coverage, as defined in the 1940 Act, is below 200% at the time of the declaration of the dividend or distribution or the purchase and after deducting the amount of such dividend, distribution or purchase.

### Certain Risks in the Current Environment

*We are currently operating in a period of capital markets disruptions and economic uncertainty. Such market conditions may materially and adversely affect debt and equity capital markets, which may have a negative impact on our business, financial condition and operations.*

From time to time, capital markets may experience periods of disruption and instability. The U.S. capital markets have experienced extreme volatility and disruption following the global outbreak of coronavirus ("COVID-19") that began in December 2019. Some economists and major investment banks have expressed concern that the continued spread of the COVID-19 globally could lead to a world-wide economic downturn. Even after the COVID-19 pandemic subsides, the U.S. economy, as well as most other major economies, may continue to experience a recession, and we anticipate our businesses would be materially and adversely affected by a prolonged recession in the United States and other major markets. Disruptions in the capital markets have increased the spread between the yields realized on risk-free and higher risk securities, resulting in illiquidity in parts of the capital markets. The COVID-19 outbreak continues to have, and any future outbreaks could have, an adverse impact on the ability of lenders to originate loans, the volume and type of loans originated, the ability of borrowers to make payments and the volume and type of amendments and waivers granted to borrowers and remedial actions taken in the event of a borrower default, each of which could negatively impact the amount and quality of loans available for investment by the Company and returns to the Company, among other things. With respect to the U.S. credit markets, the COVID-19 outbreak has resulted in, and until fully resolved is likely to continue to result in, the following among other things: (i) increased draws by borrowers on revolving lines of credit and other financing instruments; (ii) increased requests by borrowers for amendments and waivers of their credit agreements to avoid default, increased defaults by such borrowers and/or increased difficulty in obtaining refinancing at the maturity dates of their loans; (iii) greater volatility in pricing and spreads and difficulty in valuing loans during periods of increased volatility; and rapidly evolving proposals and/or actions by state and federal governments to address problems being experienced by the markets and by businesses and the economy in general which will not necessarily adequately address the problems facing the loan market and businesses. These and future market disruptions and/or illiquidity could have an adverse effect on our business, financial condition, results of operations and cash flows. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could limit our investment originations, limit our ability to grow and have a material negative impact on our operating results and the fair values of our debt and equity investments. We may have to access, if available, alternative markets for debt and equity capital, and a severe disruption in the global financial markets, deterioration in credit and financing conditions or uncertainty regarding U.S. government spending and deficit levels or other global economic conditions could have a material adverse effect on our business, financial condition and results of operations.

For example, between 2008 and 2009, the U.S. and global capital markets were unstable as evidenced by periodic disruptions in liquidity in the debt capital markets, significant write-offs in the financial services sector, the re-pricing of credit risk in the broadly syndicated credit market and the failure of major financial institutions. Despite actions of the U.S. federal government and foreign governments, these events contributed to worsening general economic conditions that materially and adversely impacted the broader financial and credit markets and reduced the availability of debt and equity capital for the market as a whole and financial services firms in particular.

Equity capital may be difficult to raise during periods of adverse or volatile market conditions because, subject to some limited exceptions, as a BDC, we are generally not able to issue additional shares of our common stock at a price less than NAV without first obtaining approval for such issuance from our stockholders and our independent directors. Volatility and dislocation in the capital markets can also create a challenging environment in which to raise or access debt capital. The current market and future market conditions similar to those experienced from 2008 through 2009 for any substantial length of time could make it difficult to extend the maturity of or refinance our existing indebtedness or obtain new indebtedness with similar terms and any failure to do so could have a material adverse effect on our business. The debt capital that will be available to us in the future, if at all, may be at a higher cost and on less favorable terms and conditions than what we currently experience, including being at a higher cost in a rising interest rate environment. If any of these conditions appear, they may have an adverse effect on our business, financial condition, and results of operations. These events could limit our investment originations, limit our ability to increase returns to equity holders through the effective use of leverage, and negatively impact our operating results.

In addition, significant changes or volatility in the capital markets may also have a negative effect on the valuations of our investments. While most of our investments are not publicly traded, applicable accounting standards require us to assume as part of our valuation process that our investments are sold in a principal market to market participants (even if we plan on holding an investment through its maturity). Significant changes in the capital markets may also affect the pace of our investment activity and the potential for liquidity events involving our investments. Thus, the illiquidity of our investments may make it difficult for us to sell our investments to access capital if required, and as a result, we could realize significantly less than the value at which we have recorded our investments if we were required to sell them for liquidity purposes. An inability to raise or access capital could have a material adverse effect on our business, financial condition or results of operations.

Governmental authorities worldwide have taken increased measures to stabilize the markets and support economic growth. The success of these measures is unknown and they may not be sufficient to address the market dislocations or avert severe and prolonged reductions in economic activity.

We also face an increased risk of investor, creditor or portfolio company disputes, litigation and governmental and regulatory scrutiny as a result of the effects of COVID-19 on economic and market conditions.

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

Periods of market volatility have occurred and could continue to occur in response to pandemics or other events outside of our control. These types of events have adversely affected and could continue to adversely affect operating results for us and for our portfolio companies. In December 2019, COVID-19 surfaced in China and has since spread and continues to spread to other countries, including the United States. COVID-19 spread quickly and has been identified as a global pandemic by the World Health Organization. COVID-19 and variants thereof continue to adversely impact global commercial activity and has contributed to significant volatility in financial markets. In affected jurisdictions including the United States, unprecedented actions were and continue to be taken by governmental authorities and businesses, including quarantines, “stay at home” orders, travel and hospitality restrictions and bans, and the temporary closures and limited operations of many businesses (including corporate offices, retail stores, restaurants, fitness clubs, manufacturing facilities and factories, and other businesses). The actions to contain the COVID-19 pandemic vary by country and by state in the United States. While certain state and local governments across the United States have taken steps to re-open their economies by lifting “stay at home” orders and re-opening businesses, a number of states and local governments have needed to pause or slow the re-opening or impose new shutdown orders as variants of COVID-19 have continued to emerge. COVID-19 and the resulting economic dislocations have had and continue to have adverse consequences for the business operations and financial performance of some of our portfolio companies, which may in turn impact the valuation of our investments and have adversely affected, and threaten to continue to adversely affect, our operations. Local, state and federal and numerous non-U.S. governmental authorities have imposed travel and hospitality restrictions and bans, business closures or limited business operations and other quarantine measures on businesses and individuals that remain in effect on the date of this Quarterly Report on Form 10-Q. We cannot predict the full impact of COVID-19, including the duration and the impact of the closures and restrictions described above. As a result, we are unable to predict the duration of these business and supply-chain disruptions, the extent to which COVID-19 will negatively affect our portfolio companies’ operating results or the impact that such disruptions may have on our results of operations and financial condition. With respect to loans to portfolio companies, the Company will be impacted if, among other things, (i) amendments and waivers are granted (or are required to be granted) to borrowers permitting deferral of loan payments or allowing for PIK interest payments, (ii) borrowers default on their loans, are unable to refinance their loans at maturity, or go out of business, or (iii) the value of loans held by the Company decreases as a result of such events and the uncertainty they cause. Portfolio companies may also be more likely to seek to draw on unfunded commitments we have made, and the risk of being unable to fund such commitments is heightened during such periods. Depending on the duration and extent of the disruption to the business operations of our portfolio companies, we expect some portfolio companies, particularly those in vulnerable industries, such as travel and hospitality, to experience financial distress and possibly to default on their financial obligations to us and/or their other capital providers. In addition, if such portfolio companies are subjected to prolonged and severe financial distress, we expect some of them to substantially curtail their operations, defer capital expenditures and lay off workers. These developments would be likely to permanently impair their businesses and result in a reduction in the value of our investments in them.

The Company will also be negatively affected if the operations and effectiveness of our portfolio companies (or any of the key personnel or service providers of the foregoing) are compromised or if necessary or beneficial systems and processes are disrupted as a result of stay-at-home orders or other related interruptions to business operations.

***We may be subject to risks associated with significant investments in one or more economic sectors and/or industries, including the banking, finance, insurance and real estate sector and business services sector, which includes our investment in an asset based lending business.***

At times, the Company may have a significant portion of its assets invested in securities of companies conducting business within one or more economic sectors and/or industries, including the banking, finance, insurance and real estate sector and the business services sector, which includes our investment in an asset based lending business. Companies in the same sector or industry may be similarly affected by economic, regulatory, political or market events or conditions, which may make the Company more vulnerable to unfavorable developments in that sector or industry than companies that invest more broadly. Generally, the more broadly the Company invests, the more it spreads risk and potentially reduces the risks of loss and volatility.

The Company presently has significant exposure to the banking, finance, insurance & real estate sector (its investments in such sector comprise 26.7% of investment assets as of December 31, 2021), which subjects the Company to the particular risks of such sector to a greater degree than others not similarly concentrated. Companies in this sector are subject to certain risks, including the risk of regulatory change, decreased liquidity in credit markets and unstable interest rates. Such companies may have concentrated portfolios, such as a high level of loans to one or more industries or sectors, which makes them vulnerable to economic conditions that affect such industries or sectors. Performance of such companies may be affected by competitive pressures and exposure to investments, agreements and counterparties, including credit products that, under certain circumstances, may lead to losses (e.g., subprime loans). These companies may be subject to extensive governmental regulation that may limit the amount and types of loans and other financial commitments they can make, and the interest rates and fees they may charge. In addition, profitability of such companies is largely dependent upon the availability and the cost of capital. In addition, the risks associated with investments in the real estate industry may subject the Company to risks similar to those of direct investments in real estate and the real estate industry in general. These include risks related to general and local economic conditions, possible lack of availability of financing and changes in interest rates or property values. The value of such investments may be affected by, among other factors, changes in the value of the underlying properties owned by the issuer, changes in the prospect for earnings and/or cash flow growth of the investment, defaults by borrowers or tenants, market saturation, decreases in market rates for rents, and other economic, political, or regulatory occurrences affecting the real estate industry.

The Company presently has significant exposure to an asset based lending business (its investments in such business comprise 17.4% of investment assets as of December 31, 2021), which subjects the Company to the particular risks of such business to a greater degree than others not similarly concentrated. The Company's affiliate's asset based lending activity within the gemstone and jewelry industry is exposed to factors that can impact price of gemstones and jewelry, including supply and demand of gemstones; political, economic, and global financial events; movement of the U.S. dollar versus other currencies; and the activity of large speculators and other participants. The gemstones and jewelry industry is exposed to the risk of loss as a result of fraud in its various forms. A significant decline in market prices of gemstones could result in reduced collateral value and losses, i.e., a lower balance of asset-based loans outstanding for the Company's affiliate.

***The interest rates of some of our loans to our portfolio companies may be priced using a spread over LIBOR, which is scheduled to be phased out.***

On July 27, 2017, the Financial Conduct Authority ("FCA") announced that it would phase out LIBOR as a benchmark by the end of 2021. It is unclear whether new methods of calculating LIBOR will be established such that it continues to exist after 2021 and the FCA has indicated that market participants should not rely on LIBOR being available after 2021. The FCA and the ICE Benchmark Administration have since announced that most LIBOR settings will no longer be published after December 31, 2021 and a majority of U.S. dollar LIBOR settings will cease publication after June 30, 2023. Regulators continue to emphasize the importance of LIBOR transition planning. As an alternative to LIBOR, for example, the U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S.-dollar LIBOR with the Secured Overnight Financing Rate ("SOFR"), a new index calculated by short-term repurchase agreements, backed by Treasury securities. Abandonment of or modifications to LIBOR could have adverse impacts on newly issued financial instruments and our existing financial instruments which reference LIBOR. While some instruments may contemplate a scenario where LIBOR is no longer available by providing for an alternative rate setting methodology, not all instruments may have such provisions and there is significant uncertainty regarding the effectiveness of any such alternative methodologies. Abandonment of or modifications to LIBOR could lead to significant short-term and long-term uncertainty and market instability. In the event of changes to or cessation of LIBOR, we and our portfolio companies may need to amend or restructure our existing LIBOR-based debt instruments and any related hedging arrangements that extend beyond 2021, which may be difficult, costly and time consuming. In addition, from time to time we invest in floating rate loans and investment securities whose interest rates are indexed to LIBOR. Uncertainty as to the nature of alternative reference rates and as to potential changes or other reforms to LIBOR, or any changes announced with respect to such reforms, may result in a sudden or prolonged increase or decrease in the reported LIBOR rates and the value of LIBOR-based loans and securities, including those of other issuers we or our funds currently own or may in the future own. It remains uncertain how such changes would be implemented and the effects such changes would have on us, issuers of instruments in which we invest and financial markets generally.

The expected discontinuation of LIBOR could have an impact on our business. We may experience operational challenges for the transition away from LIBOR including, but not limited to, amending existing loan agreements with borrowers on investments that may have not been modified with fallback language and adding effective fallback language to new agreements in the event that LIBOR is discontinued before maturity. There may be additional risks to our current processes and information systems that will need to be identified and evaluated by us. Due to the uncertainty of the replacement for LIBOR, the potential effect of any such event on our cost of capital and net investment income cannot yet be determined. In addition, the cessation of LIBOR could:

- Adversely impact the pricing, liquidity, value of, return on and trading for a broad array of financial products, including any LIBOR-linked securities, loans and derivatives that are included in our assets and liabilities;
- Require changes to documentation that governs or references LIBOR or LIBOR-based products, including, for example, pursuant to renegotiations of existing documentation to modify the terms of outstanding investments;
- Result in inquiries or other actions from regulators in respect of our preparation and readiness for the replacement of LIBOR with one or more alternative reference rates;
- Result in disputes, litigation or other actions with portfolio companies, or other counterparties, regarding the interpretation and enforceability of provisions in our LIBOR-based investments, such as fallback language or other related provisions, including, in the case of fallbacks to the alternative reference rates, any economic, legal, operational or other impact resulting from the fundamental differences between LIBOR and the various alternative reference rates;
- Require the transition and/or development of appropriate systems and analytics to effectively transition our risk management processes from LIBOR-based products to those based on one or more alternative reference rates, which may prove challenging given the limited history of the proposed alternative reference rates; and
- Cause us to incur additional costs in relation to any of the above factors.

There is no guarantee that a transition from LIBOR to an alternative will not result in financial market disruptions, significant increases in benchmark rates, or borrowing costs to borrowers, any of which could have an adverse effect on our business, result of operations, financial condition, and unit price.

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

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

None.

**Item 5. Other Information**

None.

## Item 6. Exhibits

- 3.1 [Certificate of Incorporation \(Incorporated by reference to Exhibit 99.A.3 to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2 \(File No. 333-166491\), filed on November 23, 2010\).](#)
- 3.2 [Certificate of Amendment to the Certificate of Incorporation \(Incorporated by reference to the Current Report on Form 8-K filed on July 13, 2020\).](#)
- 3.3 [Certificate of Amendment to Certificate of Incorporation \(Incorporated by reference to the Current Report on Form 8-K filed December 28, 2020\).](#)
- 3.4 [Form of Bylaws \(Incorporated by reference to Exhibit 99.B.3 to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2 \(File No. 333-166491\), filed on November 23, 2010\).](#)
- 3.5 [Amendment No. 1 to Bylaws \(Incorporated by reference to the Current Report on Form 8-K filed February 7, 2019\).](#)
- 3.6 [Amendment No. 2 to Bylaws \(Incorporated by reference to the Current Report on Form 8-K filed December 28, 2020\).](#)
- 3.7 [Amendment No. 3 to the Bylaws \(Incorporated by reference to the Current Report on Form 8-K filed February 16, 2021\).](#)
- 4.1 [Form of Stock Certificate \(Incorporated by reference to Exhibit 99.D to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2 \(File No. 333-166491\), filed on November 23, 2010\).](#)
- 4.2 [Indenture, dated February 7, 2012, between Medley Capital Corporation and U.S. Bank National Association, as Trustee \(Incorporated by reference to Exhibit 99.D.2 to the Registrant's Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 \(File No. 333-179237\), filed on February 13, 2012\).](#)
- 4.3 [First Supplemental Indenture, dated March 21, 2012, between Medley Capital Corporation and U.S. Bank National Association, as Trustee \(Incorporated by reference to Exhibit 99.D.4 to the Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2 \(File No. 333-179237\), filed on March 21, 2012\).](#)
- 4.4 [Second Supplemental Indenture, dated March 18, 2013, between Medley Capital Corporation and U.S. Bank National Association, as Trustee \(Incorporated by reference to Exhibit 99.D.4 to the Registrant's Post-Effective Amendment No. 7 to the Registration Statement on Form N-2 \(File No. 333-179237\), filed on March 15, 2013\).](#)
- 4.5 [Third Supplemental Indenture, dated December 17, 2015, between Medley Capital Corporation and U.S. Bank National Association, as Trustee \(Incorporated by reference to Exhibit 99.D.6 to the Registrant's Post-Effective Amendment No. 11 to the Registration Statement on Form N-2 \(File No. 333-187324\), filed December 17, 2015\).](#)
- 4.6 [Description of PhenixFIN Corporation's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 \(Incorporated by reference to the Registrant's Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 \(File No. 333-258913\), filed on October 15, 2021\).](#)
- 10.1 [Form of Custody Agreement \(Incorporated by reference to Exhibit 99.J.1 to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2 \(File No. 333-166491\), filed on November 23, 2010\).](#)
- 10.2 [Form of Dividend Reinvestment Plan \(Incorporated by reference to Exhibit 99.E to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2 \(File No. 333-166491\), filed on November 23, 2010\).](#)
- 10.3 [Settlement Term Sheet, dated April 15, 2019 \(Incorporated by reference to the Current Report on Form 8-K, filed on April 17, 2019\).](#)

- 10.4 [Stipulation of Settlement, dated July 29, 2019, by and among Medley Capital Corporation, Brook Taube, Seth Taube, Jeff Tonkel, Mark Lerdal, Karin Hirtler-Garvey, John E. Mack, Arthur S. Ainsberg, Medley Management Inc., MCC Advisors LLC, Medley LLC and Medley Group LLC, on the one hand, and FrontFour Capital Group LLC and FrontFour Master Fund, Ltd., on behalf of themselves and a class of similarly situated stockholders of Medley Capital Corporation, on the other hand, in connection with the action styled In re Medley Capital Corporation Stockholder Litigation, Cons. C.A. No. 2019-0100-KSJM \(Incorporated by reference to the Current Report on Form 8-K, filed on August 2, 2019\).](#)
- 10.5 [Governance Agreement, dated July 29, 2019, by and among, Medley Capital Corporation, on the one hand, and FrontFour Capital Group LLC, FrontFour Master Fund, Ltd., FrontFour Capital Corp., FrontFour Opportunity Fund, David A. Lorber, Stephen E. Loukas and Zachary R. George, on the other hand \(Incorporated by reference to the Current Report on Form 8-K, filed on August 2, 2019\).](#)
- 10.6 [Standstill Agreement, dated as of August 19, 2020, by and between the Medley Capital Corporation and Howard Amster and the other persons and entities identified therein \(Incorporated by reference to the Current Report on Form 8-K filed on August 21, 2020\).](#)
- 10.7 [Fund Accounting Servicing Agreement, dated November 19, 2020, by and between Medley Capital Corporation and U.S. Bancorp Fund Services, LLC \(Incorporated by reference to Exhibit 10.16 to the Annual Report on Form 10-K filed on December 11, 2020\).](#)
- 10.8 [Administration Servicing Agreement, dated November 19, 2020, by and between Medley Capital Corporation and U.S. Bancorp Fund Services, LLC \(Incorporated by reference to Exhibit 10.17 to the Annual Report on Form 10-K filed on December 11, 2020\).](#)
- 14.1 [Code of Ethics & Insider Trading Policy of the Registrant \(Incorporated by reference to Exhibit 99.R to the Registrant's Registration Statement on Form N-2 \(File No. 333-258913\), filed on August 19, 2021.](#)
- 21.1 [List of Subsidiaries\\*](#)
- 31.1 [Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.\\*](#)
- 31.2 [Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.\\*](#)
- 32.1 [Certification of Chief Executive Officer and Chief Financial Officer pursuant to section 906 of The Sarbanes-Oxley Act of 2002.\\*](#)

\* Filed herewith.

**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.

Dated: February 10, 2022

**PhenixFIN Corporation**

By /s/ David Lorber  
David Lorber  
Chief Executive Officer  
(Principal Executive Officer)

By /s/ Ellida McMillan  
Ellida McMillan  
Chief Financial Officer  
(Principal Accounting and Financial Officer)

## SUBSIDIARIES OF PHENIXFIN CORPORATION

<b>Name</b>	<b>Jurisdiction</b>
PhenixFIN Small Business Fund GP, LLC	Delaware
PhenixFIN Small Business Fund, LP	Delaware
PhenixFIN SLF Funding I LLC	Delaware
PhenixFIN Investment Holdings LLC	Delaware
PhenixFIN Investment Holdings AAR LLC	Delaware
PhenixFIN Investment Holdings AmveStar LLC	Delaware
PhenixFIN Investment Holdings Omnivere LLC	Delaware
PhenixFIN Investments, LLC	Delaware
FlexFIN, LLC	Delaware

**Certification of Chief Executive Officer  
of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a)**

I, David Lorber, certify that:

1) I have reviewed this Quarterly Report on Form 10-Q of PhenixFIN Corporation (the "Company");

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4) The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in 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 Company 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 Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the Company'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; and

d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5) The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company'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 Company'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 Company's internal control over financial reporting.

Date: February 10, 2022

/s/ David Lorber

David Lorber

Chief Executive Officer

(Principal Executive Officer)

**Certification of Chief Financial Officer  
of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a)**

I, Ellida McMillan, certify that:

1) I have reviewed this Quarterly Report on Form 10-Q of PhenixFIN Corporation (the "Company");

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4) The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in 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 Company 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 Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the Company'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; and

d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5) The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company'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 Company'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 Company's internal control over financial reporting.

Date: February 10, 2022

/s/ Ellida McMillan

Ellida McMillan

Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
AND CHIEF FINANCIAL OFFICER PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of PhenixFIN Corporation, (the "Company") for the quarterly period ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, David Lorber and Ellida McMillan, Chief Executive Officer and Chief Financial Officer, respectively, of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to our knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Dated: February 10, 2022

By /s/ David Lorber  
David Lorber  
*Chief Executive Officer*

By /s/ Ellida McMillan  
Ellida McMillan  
*Chief Financial Officer*