UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

Form 10-K

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

For the Fiscal Year Ended September 30, 2023

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	**27-4576073**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
445 Park Avenue, 10th Floor, New York, NY	**10022**
(Address of Principal Executive Offices)	(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
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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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

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

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

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

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

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

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

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

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

The aggregate market value of the registrant's common stock held by non-affiliates of the Registrant as of March 31, 2023 was $60,578,642. The Registrant had 2,072,590 shares of common stock, $0.001 par value, outstanding as of December 22, 2023.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the registrant's 2024 Annual Meeting of Stockholders, which will be filed subsequent to the date hereof, are incorporated by reference in to Part III of this Form 10-K. Such proxy statement will be filed with the Securities and Exchange Commission not later than 120 days following the end of the registrant's fiscal year ended September 30, 2023.

PHENIXFIN CORPORATION

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PART I

Item 1. Business

GENERAL

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 (the “Board”) 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 was a wholly owned subsidiary of Medley LLC, which was controlled by Medley Management Inc. (OTCM: MDLM), a publicly traded asset management firm (“MDLM”).

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 to qualify as 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 real estate investment trusts (“REITs”).) We 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.

We believe the private debt market is undergoing structural shifts that are creating significant opportunities for non-bank lenders and investors. The underlying drivers of these structural changes include reduced participation by banks in the private debt markets and demand for private debt created by committed and uninvested private equity capital. We focus on taking advantage of this structural shift by lending directly to companies that are underserved by the traditional banking system and generally seek to avoid broadly marketed investment opportunities. We source investment opportunities primarily through direct relationships with financial sponsors, industry specialists, as well as financial intermediaries such as investment banks and commercial banks.

Our Investment Team is responsible for sourcing investment opportunities, conducting industry research, performing diligence on potential investments, structuring our investments and monitoring our portfolio companies on an ongoing basis. Our Investment Team draws on its expertise in lending to predominantly privately held borrowers in a range of sectors, including industrials, transportation, energy and natural resources, financials, gemstones/jewelry and real estate.

As a BDC, we are required to comply with regulatory requirements, including limitations on our use of debt. We are permitted to, and expect to continue to, finance our investments through borrowings. However, as a BDC, we are only generally allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% (or 150% if certain requirements under the 1940 Act are met) after such borrowing. The amount of leverage that we employ will depend on our assessment of market conditions and other factors at the time of any proposed borrowing.

As of September 30, 2023, the Company’s asset coverage was 270.7% 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.

Our principal executive office is located at 445 Park Avenue, 10th Floor, New York, NY and our telephone number is (212) 859-0390.

Investment Process Overview

Sourcing and Origination. We typically source investment opportunities through our management team's network of long-standing relationships. Our sourcing efforts are led by our senior investment professionals, who leverage their experience in the sourcing and origination of investments.

Initial Evaluation. We use a systematic, consistent approach to credit evaluation, which typically consists of (i) a preliminary due diligence review conducted by the Company, (ii) an initial diligence meeting with the portfolio company's management team, investment bank or private equity sponsor, (iii) an initial indication of interest and terms, and (iv) preparation of memoranda including potential portfolio company overviews, investment considerations and risks, financial model and return information.

Due Diligence & Underwriting. We typically undertake continued diligence, which expands on the investment thesis, risks and mitigants, and competition factors of our potential investment opportunities. We may conduct third party reviews, on-site visits and/or background checks in connection with our potential investments in portfolio companies.

Portfolio Management. We undertake a proactive monitoring process of our portfolio companies, whereby we conduct monthly financial review and monitoring of compliance with covenants, maintain ongoing dialogue with portfolio company management and owners, and exercise board observer rights where appropriate.

Rating Criteria. We generally use an investment rating system to characterize and monitor the credit profile and our expected level of returns on each debt investment in our portfolio. We use a five-level numeric rating scale. The following is a description of the conditions associated with each investment rating:

Credit Rating	Definition
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.

Investment Structure

Once we have determined that a prospective portfolio company is suitable for investment, we work with the management of that company and its other capital providers to structure an investment. We negotiate among these parties to agree on how our investment is expected to perform relative to the other capital in the portfolio company's capital structure.

We typically structure our investments as follows:

Senior Secured First Lien Term Loans We structure these investments as senior secured loans. We obtain security interests in the assets of the portfolio companies that serve as collateral in support of the repayment of such loans. This collateral generally takes the form of first-priority liens on the assets of the portfolio company borrower. Our senior secured loans may provide for amortization of principal with the majority of the amortization due at maturity.

Senior Secured Second Lien Term Loans We structure these investments as junior, secured loans. We obtain security interests in the assets of these portfolio companies that serve as collateral in support of the repayment of such loans. This collateral generally takes the form of second-priority liens on the assets of a portfolio company. These loans typically provide for amortization of principal in the initial years of the loans, with the majority of the amortization due at maturity.

Senior Secured First Lien Notes We structure these investments as senior secured loans. We obtain security interests in the assets of these portfolio companies that serve as collateral in support of the repayment of such loans. This collateral generally takes the form of priority liens on the assets of a portfolio company. These loans typically have interest-only payments (often representing a combination of cash pay and payment-in-kind, or ("PIK"), interest), with amortization of principal due at maturity. PIK interest represents contractually deferred interest added to the loan balance that is generally due at the end of the loan term and recorded as interest income on an accrual basis to the extent such amounts are expected to be collected.

Warrants and Minority Equity Securities In some cases, we may also receive nominally priced warrants or options to buy a minority equity interest in the portfolio company in connection with a debt investment. As a result, as a portfolio company appreciates in value, we may achieve additional investment return from this equity interest. We may structure such warrants to include provisions protecting our rights as a minority-interest holder, as well as a "put," or right to sell such securities back to the issuer, upon the occurrence of specified events. In many cases, we may also seek to obtain registration rights in connection with these equity interests, which may include demand and "piggyback" registration rights.

Unitranche Loans We structure our unitranche loans, which combine the characteristics of traditional senior secured first lien term loans and subordinated notes as senior secured loans. We obtain security interests in the assets of these portfolio companies that serve as collateral in support of the repayment of these loans. This collateral generally takes the form of first-priority liens on the assets of a portfolio company. Unitranche loans typically provide for amortization of principal in the initial years of the loans, with the majority of the amortization due at maturity.

Unsecured Debt We structure these investments as unsecured, subordinated loans that provide for relatively high, fixed interest rates that provide us with significant current interest income. These loans typically have interest-only payments (often representing a combination of cash pay and payment-in-kind, or PIK, interest), with amortization of principal due at maturity. Subordinated notes generally allow the borrower to make a large lump sum payment of principal at the end of the loan term, and there is a risk of loss if the borrower is unable to pay the lump sum or refinance the amount owed at maturity. The valuation of subordinated notes are generally more volatile than secured loans and may involve a greater risk of loss of principal. Subordinated notes often include a PIK feature, which effectively operates as negative amortization of loan principal.

We expect to hold most of our investments to maturity or repayment, but we may realize or sell some of our investments earlier if a liquidity event occurs, such as a sale or recapitalization transaction, or the worsening of the credit quality of the portfolio company.

The Company has invested in its affiliate, FlexFIN, LLC ("FlexFIN"), which operates an asset-based lending business under which it enters into secured loans and secured financing structures with borrowers engaged in the gemstone/jewelry industry. FlexFIN will generally structure these loans as sale/repurchase transactions under which the collateral (that is, the gemstones/jewelry) remains under FlexFIN's ownership during the entire term of the loan.

Managerial Assistance

As a BDC, we offer, and must provide upon request, managerial assistance to certain of our portfolio companies. This assistance could involve, among other things, monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. We may receive fees for these services.

Leverage

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. We are also subject to certain regulatory requirements relating to our borrowings. For a discussion of such requirements, see "Regulation - Senior Securities."

We may, from time to time, seek to retire or repurchase our common stock through cash purchases, as well as retire, cancel or purchase our outstanding debt through cash purchases and/or exchanges, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors. The amounts involved may be material.

Competition

Our primary competitors to provide financing to private companies are public and private funds, commercial and investment banks, commercial finance companies, other BDCs, SBICs and private equity and hedge funds. Some competitors may have access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC or to the distribution and other requirements we must satisfy to maintain our favorable RIC tax treatment.

Human Capital Resources

As of September 30, 2023, the internalized management team consists of 3 investment professionals and 6 employees/consultants overall. This team includes our executive officers, investment and finance professionals, and administrative staff. Our senior management team consists of David Lorber, our chief executive officer, and Ellida McMillan, our chief financial officer.

As an internally managed BDC, the success of our business and investment strategy, including achieving our investment objective, depends in material part on our professional team. We depend upon the members of our management team and our investment professionals for the identification, final selection, structuring, closing and monitoring of our investments. Our professional team has critical experience and relationships on which we rely to implement our business plan. We expect that the members of our management team and our investment professionals will maintain key informal relationships, which we will use to help identify and gain access to investment opportunities. If we do not attract, develop and retain highly talented professionals, we may not be able to operate our business as we expect and our operating results could be adversely affected. See “Item 1A. Risk Factors.”

Administration

Prior to January 1, 2021, we operated pursuant to an investment management agreement with MCC Advisors. Since January 1, 2021, we have operated pursuant to an internalized management structure. 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 Chief Executive Officer, and Ellida McMillan as Chief Financial Officer of the Company, each effective January 1, 2021.

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”). A U.S. Bancorp affiliate also served as the Company’s custodian. The Company’s administrative and custodial relationship with U.S. Bancorp terminated on August 9, 2022. SS&C Technologies, Inc. (“SS&C”) has since served as administrator of the Company and has provided us with fund accounting and financial reporting services pursuant to its Services Agreement with the Company. Effective September 12, 2022, Computershare Trust Company, N.A. (“Computershare”) serves as custodian for the Company pursuant to its Loan Administration and Custodial Agreement with the Company.

Information Available

We maintain a website at *http://www.phenixfc.com*. We make available, free of charge, on our website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file such material with, or furnish it to, the U.S. Securities and Exchange Commission, or the SEC. Information contained on our website is not incorporated by reference into this annual report on Form 10-K and you should not consider information contained on our website to be part of this annual report on Form 10-K or any other report we file with the SEC.

Summary of Risk Factors

Investing in our securities involves a high degree of risk. You should carefully consider the information in “Item 1A. Risk Factors”, including, but not limited to, the following risks:

Certain Risks in the Current Environment

- We are operating in a period of market disruption and economic uncertainty, which may adversely affect the yields, and increase the risks of, our investment, and make it more difficult for us to raise equity capital.
- Events outside of our control could negatively affect the portfolio companies in which we invest and make the valuation of those investments more uncertain.
- Rising interest rates may increase our borrowing costs and reduce the net return that we are able to achieve on our debt investments in portfolio companies, and may also increase the risk of default on our portfolio company loans. Further downgrades of the U.S. credit rating, automatic spending cuts, or another government shutdown could negatively impact our cost of borrowing and the net return on our investments.
- Economic downturns could impair our portfolio companies, increase funding costs and limit access to capital.

Risks Related to our Business

- We operate under an internalized operating structure, including our management and investment functions, with the expectation that we will be able to operate more efficiently, but this may not be the case. We are dependent upon our management team, and may not realize the anticipated benefits of the internalization.

- We may suffer credit and capital losses. Because we use borrowed funds to make investments or fund our business operations, we are exposed to risks typically associated with leverage which increase the risk of investing in us. The lack of liquidity in our investments may adversely affect our business.

- A substantial portion of our portfolio investments will be recorded at fair value as determined in good faith by our valuation designee under the oversight of our board of directors and, as a result, there may be uncertainty regarding the value of our portfolio investments.

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

- We are exposed to risks associated with changes in interest rates. Loans under our credit facility and the financial credit we extend to our portfolio companies bear interest based on the Secured Overnight Financing Rate ("SOFR") but experience with SOFR based loans is limited. In addition, because we use debt to finance various investments, changes in interest rates will affect our cost of capital and net investment income.

- If our investments are not managed effectively, we may be unable to achieve our investment objective. We may experience fluctuations in our periodic operating results. Any failure on our part to maintain our status as a BDC could reduce our operating flexibility.

- We may have difficulty paying our required distributions if we recognize income before or without receiving cash representing such income. We may not be able to pay distributions to our shareholders.

- Our board of directors may change our investment objective, operating policies and strategies without notice.

- Because we borrow money, the potential for loss on amounts invested in us will be magnified and may increase the risk of investing in us.

- We are dependent on information systems and systems failures could significantly disrupt our business. A failure of cybersecurity systems, as well as the occurrence of events unanticipated in our disaster recovery systems and management continuity planning could impair our business.

Risks Related to our Investments

- We may not realize gains from our equity investments. Our investments are risky and highly speculative. Our investments in private portfolio companies may be risky, and shareholders could lose their investment.

- Our portfolio companies may prepay loans, which prepayment may reduce stated yields if capital returned cannot be invested in transactions with equal or greater expected yields.

- Our failure to make follow-on investments in our portfolio companies could impair the value of our portfolio and our ability to make follow-on investments in certain portfolio companies may be restricted.

- As a BDC, our ability to invest in public companies and foreign companies is limited by the 1940 Act. Investments in foreign securities may involve significant risks in addition to the risks inherent in U.S. investments.

- 16.2% of the Company's total assets are invested in our affiliate's asset-based lending business and its activities are influenced by volatility in prices of gemstones/jewelry, and the gemstones and jewelry business is subject to the risk of fraud and counterfeiting.

- We may invest in "unitranche" debt instruments that combine both senior and subordinated debt into one debt instrument, which typically pay a higher rate of interest but may also pose greater risk.

- We may invest in, or obtain exposure to, obligations that may be "covenant-lite," which means such obligations lack certain financial maintenance covenants. The disposition of our investments may result in contingent liabilities. If we invest in the securities and obligations of distressed and bankrupt issuers, we might not receive interest or other payments. Hedging transactions may expose us to additional risks.

- We are subject to risks associated with significant investments in one or more economic sectors and/or industries, including the business services sector, which includes our investment in our affiliate's asset-based lending business.

Risks Related to our Operations as a BDC and a RIC

- Regulations governing our operation as a BDC may limit our ability to raise additional capital, which could have a material adverse impact on our liquidity, financial condition and results of operations.

- As an internally managed BDC, we are subject to certain restrictions that may adversely affect our ability to offer certain compensation structures. Also, we are dependent upon our management team and investment professionals for their time availability. If we are not able to hire and retain qualified personnel, or if we lose key personnel, our ability to implement our business strategy could be significantly harmed.

- The impact of financial reform legislation on us is uncertain. We also cannot predict how tax reform legislation will affect the Company, our investments, or our stockholders, and any such legislation could adversely affect our business. Legislation that became effective in 2018 may allow the Company to incur additional leverage, which could increase the risk of investing in the Company.

- If we do not invest a sufficient portion of our assets in qualifying assets, we could fail to qualify as a BDC, which would have a material adverse effect on our business, financial condition and results of operations. We would become subject to corporate-level U.S. federal income tax if we are unable to maintain our qualification as a RIC under Subchapter M of the Code or satisfy RIC distribution requirements.

Risks Relating to an Investment in our Securities

- Investing in our securities may involve an above average degree of risk. Shares of closed-end investment companies often trade at a discount to their net asset value ("NAV") and our shares have not traded at or above NAV since the first quarter of 2015. The market price of our common stock fluctuates.

- Certain provisions of the Delaware General Corporation Law and our certificate of incorporation and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.

- Our NAV per share may be diluted if we sell shares of our common stock at prices below the then current NAV per share of our common stock or securities to subscribe for or convertible into shares of our common stock.

- If we issue preferred stock, the NAV and market value of our common stock may become more volatile. Holders of any preferred stock might have the right to elect board members and have class voting rights. The terms of the Credit Facility place restrictions on our and/or our subsidiaries activities.

- Our business and operations could be negatively affected if we become subject to any securities class actions and derivative lawsuits.

INVESTMENTS

We have built a diverse portfolio that includes senior secured first lien term loans, senior secured second lien term loans, equity, unitranche loans, senior secured first lien notes, subordinated notes, warrants and minority equity securities by investing approximately $10 million to $50 million of capital, on average, in the securities of portfolio companies.

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

	Fair Value	Percentage
Services: Business	$ 47,083	20.7%
Banking, Finance, Insurance & Real Estate	43,755	19.3
Hotel, Gaming & Leisure	34,158	15.1
Services: Consumer	18,292	8.1
High Tech Industries	15,472	6.8
Construction & Building	14,676	6.5
Metals & Mining	12,517	5.5
Media: Broadcasting & Subscription	11,665	5.2
Automotive	9,520	4.2
Consumer Discretionary	6,920	3.1
Energy: Oil & Gas	5,384	2.4
Packaging	3,396	1.5
Aerospace & Defense	2,645	1.2
Retail	978	0.4
Total	$ 226,461	100.0%

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

	Fair Value	Percentage
Services: Business	$ 52,851	27.4%
Hotel, Gaming & Leisure	31,947	16.6
Banking, Finance, Insurance & Real Estate	31,910	16.5
Services: Consumer	21,243	11.0
Construction & Building	17,724	9.2
Automotive	8,075	4.2
Consumer Discretionary	6,208	3.2
High Tech Industries	5,465	2.8
Media: Broadcasting & Subscription	4,220	2.2
Energy: Oil & Gas	4,152	2.2
Packaging	3,361	1.7
Metals & Mining	3,073	1.6
Aerospace & Defense	2,607	1.3
Retail	121	0.1
Total	$ 192,957	100.0%

The following table sets forth certain information as of September 30, 2023 for each portfolio company in which we had an investment. Other than these investments, our only formal relationship with our portfolio companies is the managerial assistance that we provide upon request and the board observer or participation rights we may receive in connection with our investment.

Name of Portfolio Company	Sector	Security Owned	Maturity	Interest Rate [1]	Par Amount/ Shares/Units	Fair Value	% of Net Assets
Altisource S.A.R.L.	Services: Business	Senior Secured First Lien Term Loan B	4/30/2025	5.00%	$ 9,565,710	$ 7,805,619	5.3%
Altisource S.A.R.L.	Services: Business	Warrants	5/22/2027		75,080	206,470	0.1%
Arcline FM Holdings, LLC	Aerospace & Defense	First Lien Term Loan	6/23/2028	4.75%	2,679,494	2,644,660	1.8%
Be Green Packaging, LLC	Containers, Packaging & Glass	Equity			417	-	0.0%
Boostability Seotowncenter, Inc.	Services: Business	Equity			833,152	-	0.0%
CB&L Associates Holdco I, LLC	Banking, Finance, Insurance & Real Estate	First Lien Term Loan	11/1/2025	2.75%	5,916,102	5,191,380	3.5%
Chimera Investment Corp.	Banking, Finance, Insurance & Real Estate	Equity			117,310	2,116,271	1.4%
Chimera Investment Corp.	Banking, Finance, Insurance & Real Estate	Equity			163,601	3,414,353	2.3%
Copper Property CTL Pass Through Trust	Banking, Finance, Insurance & Real Estate	Equity Certificates			597,795	6,217,067	4.2%
DataOnline Corp.	High Tech Industries	Senior Secured First Lien Term Loan	11/13/2025	5.50%	4,812,500	4,764,375	3.2%
DataOnline Corp.	High Tech Industries	Revolving Credit Facility	11/13/2025	5.50%	714,286	707,143	0.5%
Deer Management Systems LLC	Consumer Discretionary	First Lien Term Loan	5/1/2028	8.25%	3,357,500	3,323,925	2.3%
DirecTV Financing, LLC	Media: Broadcasting & Subscription	Senior Secured First Lien Term Loan	8/2/2027	5.00%	4,100,000	4,003,908	2.7%
First Brands Group, LLC	Automotive	Senior Secured First Lien Term Loan	3/30/2027	5.00%	3,919,598	3,880,402	2.6%
Franklin BSP Realty Trust, Inc.	Banking, Finance, Insurance & Real Estate	Equity			226,107	2,993,657	2.0%
Global Accessories Group, LLC	Consumer goods: Non-durable	Equity			380	-	0.0%
Innovate Corp.	Construction & Building	Senior Secured Notes	2/1/2026		2,750,000	2,076,250	1.4%
Invesco Mortgage Capital, Inc.	Banking, Finance, Insurance & Real Estate	Equity			205,000	3,989,300	2.7%
JFL-NGS-WCS Partners, LLC	Construction & Building	Senior Secured First Lien Term Loan B	11/12/2026	5.50%	861,605	865,913	0.6%
JFL-NGS-WCS Partners, LLC	Construction & Building	Equity			10,000,000	11,733,525	8.0%
Lighting Science Group Corporation	Containers, Packaging & Glass	Warrants			5,000,000	-	0.0%
Lucky Bucks, LLC	Consumer Discretionary	Equity			180,739	1,545,318	1.1%
Lucky Bucks, LLC	Consumer Discretionary	Second Out Exit Term Loan	10/2/2029	7.50%	1,361,240	1,361,240	0.9%
Lucky Bucks, LLC	Consumer Discretionary	First Out Exit Term Loan	10/2/2028	7.50%	689,541	689,541	0.5%
McKissock Investment Holdings, LLC (dba Colibri)	Services: Consumer	Senior Secured First Lien Term Loan	3/10/2029	5.00%	4,924,535	4,776,799	3.3%
MFA Financial, Inc.	Banking, Finance, Insurance & Real Estate	Equity			97,426	1,856,940	1.3%
New York Mortgage Trust, Inc.	Banking, Finance, Insurance & Real Estate	Equity			165,000	3,677,850	2.5%
PennyMac Financial Services, Inc.	Banking, Finance, Insurance & Real Estate	Equity			29,500	1,964,700	1.3%
PHH Mortgage Corp.	Banking, Finance, Insurance & Real Estate	Senior Secured Notes	3/15/2026	7.88%	7,686,000	6,845,344	4.7%
Point.360	Services: Business	Senior Secured First Lien Term Loan	7/8/2020	6.00%	2,777,366	-	0.0%
Power Stop LLC	Automotive	Senior Secured First Lien Term Loan	1/26/2029	4.75%	6,919,937	5,639,748	3.8%
Rithm Capital Corp.	Banking, Finance, Insurance & Real Estate	Equity			206,684	4,695,860	3.2%
Secure Acquisition Inc. (dba Paragon Films)	Packaging	Senior Secured First Lien Term Loan	12/16/2028	5.00%	3,430,517	3,396,212	2.3%
SS Acquisition, LLC (dba Soccer Shots Franchising)	Services: Consumer	Senior Secured First Lien Term Loan	12/30/2026	6.50%	6,666,667	6,666,667	4.5%
SS Acquisition, LLC (dba Soccer Shots Franchising)	Services: Consumer	Senior Secured First Lien Delayed Draw Term Loan	12/30/2026	6.50%	3,200,000	3,200,000	2.2%
SMART Financial Operations, LLC	Retail	Equity			700,000	978,140	0.7%
Stancor (dba Industrial Flow Solutions Holdings, LLC)	Services: Business	Equity			338,736	200,566	0.1%
Staples, Inc.	Services: Consumer	First Lien Term Loan	9/12/2024	4.50%	3,692,159	3,648,315	2.5%
Tamarix Capital Partners II, L.P.	Banking, Finance, Insurance & Real Estate	Fund Investment			N/A	792,346	0.5%
Thryv Holdings, Inc.	Media: Broadcasting & Subscription	Senior Secured First Lien Term Loan B	3/1/2026	8.50%	7,656,442	7,661,227	5.2%
Velocity Pooling Vehicle, LLC	Automotive	Equity			5,441	-	0.0%
Velocity Pooling Vehicle, LLC	Automotive	Warrants	3/30/2028		6,506	-	0.0%
Wingman Holdings, Inc.	Aerospace & Defense	Equity			350	-	0.0%
1888 Industrial Services, LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan A	8/31/2024	5.00%	9,946,741	-	0.0%
1888 Industrial Services, LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan C	8/31/2024	5.00%	1,231,932	751,479	0.5%
1888 Industrial Services, LLC	Energy: Oil & Gas	Revolving Credit Facility	8/31/2024	5.00%	4,632,177	4,632,177	3.2%
1888 Industrial Services, LLC	Energy: Oil & Gas	Equity			21,562	-	0.0%
Black Angus Steakhouses, LLC	Hotel, Gaming & Leisure	Senior Secured First Lien Delayed Draw Term Loan	1/31/2024	9.00%	875,749	875,749	0.6%
Black Angus Steakhouses, LLC	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan	1/31/2024	9.00%	13,029,115	1,459,249	1.0%
Black Angus Steakhouses, LLC	Hotel, Gaming & Leisure	Senior Secured First Lien Super Priority Delayed Draw Term Loan	1/31/2024	9.00%	1,920,960	1,920,960	1.3%
FST Holdings Parent, LLC	High Tech Industries	Equity			625,548	10,000,003	6.8%
Maritime Wireless Holdings LLC	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan C	5/31/2027	9.00%	7,500,000	7,500,000	5.1%
Maritime Wireless Holdings LLC	Hotel, Gaming & Leisure	Equity			5,000,000	10,150,000	6.9%
FlexFIN, LLC	Services: Business	Equity Interest			38,870,711	38,870,711	26.5%
Kemmerer Holdings, LLC	Metals & Mining	Senior Secured First Lien Term Loan	6/21/2025	15.00%	3,383,877	3,383,877	2.3%
Kemmerer Holdings, LLC	Metals & Mining	Equity			31	9,133,052	6.2%
NVTN LLC	Hotel, Gaming & Leisure	Senior Secured First Lien Delayed Draw Term Loan	12/31/2024	4.00%	7,309,552	7,214,856	4.9%
NVTN LLC	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan B	12/31/2024	9.25%	17,552,420	5,037,547	3.4%
NVTN LLC	Hotel, Gaming & Leisure	Senior Secured First Lien	12/31/2024	12.00%	11,506,159	-	0.0%

		Term Loan C			
NVTN LLC	Hotel, Gaming & Leisure	Equity	1,000	-	0.0%

(1) All interest is payable in cash and/or PIK, and all SOFR or LIBOR represents 1 Month and 3 Month respective rates unless otherwise indicated. For each debt investment, we have provided the current spread over index interest rate as of September 30, 2023.

As of September 30, 2023, our income-bearing investment portfolio, which represented 88.2% of our total portfolio, had a weighted average yield based upon cost of our portfolio investments of approximately 13.3% and 59.5% of our income-bearing investment portfolio bore interest based on floating rates, such LIBOR or SOFR, 13.9% of our income-bearing investment portfolio bore interest at fixed rates, and 26.6% of our income-bearing investment portfolio are income-producing equity investments. As of September 30, 2022, our income-bearing investment portfolio, which represented 62.0% of our total portfolio, had a weighted average yield based upon cost of our portfolio investments of approximately 4.9%, and 81.9% of our income-bearing investment portfolio bore interest based on floating rates, such as LIBOR or SOFR, while 18.1% of our income-bearing investment portfolio bore interest at fixed rates. The weighted average yield of our total portfolio does not represent the total return to our stockholders. The weighted average yield on income producing investments is computed based upon a combination of the cash flows to date and the contractual interest payments, principal amortization and fee notes due at maturity without giving effect to closing fees received, base management fees, incentive fees or general fund related expenses. For each floating rate loan, the projected fixed-rate equivalent coupon rate used to forecast the interest cash flows was calculated by adding the interest rate spread specified in the relevant loan document to the fixed-rate equivalent floating rate, duration-matched to the specific loan, adjusted by the floating rate floor and/or cap in place on that loan.

Overview of Portfolio Companies

Set forth below is a brief description of the business of our portfolio companies as of September 30, 2023:

Portfolio Company	Brief Description of Portfolio Company
1888 Industrial Services, LLC	1888 Industrial Services, LLC ("1888") provides field support services to oil and gas independent producers, drilling companies and midstream companies in the Denver-Julesburg Basin and Permian Basin. 1888 builds, repairs, modifies and maintains oil and gas production equipment, sites, wells and pipelines.
Altisource S.A.R.L.	Altisource operates as an integrated service provider and marketplace for the real estate and mortgage industries. It provides property preservation and inspection services, payment management technologies, and a vendor management oversight software-as-a-service ("SaaS") platform.
Arcline FM Holdings, LLC	Arcline FM Holdings, LLC (d/b/a Fairbanks Morse Defense) is a provider of propulsion systems, ancillary power, motors, and controllers for the US Navy and Coast Guard, and provides necessary parts and maintenance, repair and overhaul (MRO) services to its long lived installed base of equipment.
Be Green Packaging, LLC	Be Green Packaging, LLC, founded in 2007 and headquartered in Thousand Oaks, CA, designs and manufactures the sustainable, tree-free, molded fiber products and packaging for food service and consumer packaged goods end markets.
Black Angus Steakhouses, LLC	Black Angus Steakhouses, LLC, founded in 1964 and headquartered in Los Altos, CA, operates restaurants across six states including California, Arizona, Alaska, New Mexico, Washington, and Hawaii.
Boostability Seotowncenter, Inc.	Seotowncenter, Inc. is a tech-enabled business services company that delivers white label search engine optimization and local search and digital campaign fulfillment to the small and midsize business market.
CB&L Associates Holdco I, LLC	CBL owns, develops, acquires, leases, manages, and operates regional shopping malls, open-air and mixed-use centers, outlet centers, associated centers, community centers, office and other properties. Properties are in 24 states, primarily in the southeastern and midwestern United States.
Chimera Investment Corp.	Chimera Investment Corp. is an internally managed REIT that is primarily engaged in the business of investing in a diversified portfolio of mortgage assets, including residential mortgage loans, Agency residential mortgage-backed securities ("RMBS"), Non-Agency RMBS, Agency commercial mortgage-backed securities ("CMBS"), and other real estate-related assets.
Copper Property CTL Pass Through Trust	Copper Property CTL Pass Through Trust was established to acquire 160 retail properties and 6 warehouse distribution centers (the "Properties") from J.C. Penney as part of its Chapter 11 plan of reorganization. The Trust's operations consist solely of owning, leasing and selling the Properties.
DataOnline Corp.	DataOnline Corp. ("DataOnline") is a global provider of M2M solutions specifically for the monitoring of both fixed and mobile remote industrial assets. DataOnline specializes in robust and reliable devices & sensors, remote data collection, global wireless communications & web-based applications.
Deer Management Systems LLC	Deer Management Systems LLC (d/b/a Reveal Cellular Cameras) is a provider of subscription-based, cellular trail cameras, which are used extensively by hunters and outdoorsmen.
DirecTV Financing, LLC	DirecTV offers digital entertainment services in the United States using satellite and IP-based technologies as well as streaming options that do not require either satellite or wired IP services. The Company's customer base primarily consists of residential customers.
First Brands Group, LLC	First Brands Group, LLC is an automotive aftermarket platform offering comprehensive solutions for consumable maintenance and mission-critical repair parts under a portfolio of brands.
FlexFIN, LLC	FlexFIN operates an asset-based lending business under which it enters into secured loans and secured financing structures with borrowers engaged in the gemstone/jewelry industry.
Franklin BSP Realty Trust, Inc.	Franklin BSP Realty Trust, Inc. is a real estate finance company that primarily originates, acquires and manages a diversified portfolio of commercial real estate debt investments secured by properties located within and outside the United States.

FST Holdings Parent, LLC	FST is a privately held provider of diversified technical services to the semiconductor / microelectronics, life sciences, data center, government, and higher-education industries.
Global Accessories Group, LLC	Global Accessories Group, LLC, headquartered in New York City, designs, manufactures, and sells custom-themed jewelry and accessory collections. These collections are tailored to leading retailers in the specialty, department store, off-price and juniors markets.
Innovate Corp.	Innovate is a diversified holding company that has a portfolio of subsidiaries in a variety of operating segments, infrastructure, life sciences, and broadcasting.
Invesco Mortgage Capital, Inc.	Invesco Mortgage Capital Inc. is a Maryland corporation primarily focused on investing in, financing and managing mortgage-backed securities (“MBS”) and other mortgage-related assets.
JFL-NGS-WCS Partners, LLC	JFL-NGS-WCS Partners, LLC was formed in November 2020 when NorthStar Group Services, a provider of environmental remediation and deconstruction services, merged with Waste Control Specialists, a leading provider of hazardous and radioactive waste disposal, storage, and treatment for commercial and government customers.
Kemmerer Operations, LLC	Kemmerer Operations, LLC, location in Wyoming, is a producer of high-value thermal coal and surface-mined coal.
Lighting Science Group Corporation	Lighting Science Group Corporation (“LSG”) is a light emitting diode (“LED”) lighting technology company. LSG designs, develops and markets general illumination products that exclusively use LEDs as their light source. LSG’s product portfolio includes LED-based retrofit lamps (replacement bulbs) used in existing light fixtures as well as purpose-built LED-based luminaires (light fixtures).

Portfolio Company	Brief Description of Portfolio Company
Lucky Bucks, LLC	Lucky Bucks, LLC owns and operates digital gaming terminals, or Coin Operated Amusement Machines, in the state Georgia.
Maritime Wireless Holdings LLC	Wireless Maritime Services LLC is a leading provider of on-board cellular communications solutions for the ocean-going cruise industry and other maritime sectors.
McKissock Investment Holdings, LLC (dba Colibri)	Colibri is a provider of career lifecycle management for mandatory professional education solutions across various end markets including Financial & Accounting Services, Real Estate, Healthcare, Valuation & Property Services and Teaching.
MFA Financial, Inc.	MFA Financial, Inc. is an internally-managed REIT primarily engaged in investing in residential mortgage assets, with a focus on residential whole loans, residential mortgage securities, and mortgage servicing rights-related assets.
New York Mortgage Trust, Inc.	NY Mortgage Trust is a REIT that acquires, invests in, finances and manages mortgage-related single-family and multi-family residential assets in the US.
NVTN LLC	NVTN LLC (d/b/a “Dick’s Last Resort”), established in 1985 and headquartered in Nashville, TN, is a “eatertainment” restaurant concept with locations throughout the US, mostly in budget friendly tourist destinations. NVTN LLC has developed an identifiable brand for its high-energy, unique themed restaurant concept that targets tourists and business travelers in high foot traffic locations.
PennyMac Financial Services, Inc.	PennyMac Financial Services, Inc. isa specialty financial services firm with a comprehensive mortgage platform and integrated business primarily focused on the production and servicing of U.S. residential mortgage loans and the management of investments related to the U.S. mortgage market.
PHH Mortgage Corp.	PHH Mortgage Corp. services and originates forward and reverse mortgage loans. The Company has been servicing mortgages since 1988 and commenced origination of forward mortgage loans in 2012 and reverse mortgage loans in 2013.
Point.360	Point.360, headquartered in Los Angeles, CA is a full-service content management company with several facilities strategically located throughout Los Angeles supporting all aspects of postproduction.
Power Stop LLC	Power Stop LLC manufactures and distributes braking systems for cars, trucks, SUVs, performance vehicles, and severe duty trucks and tows. The Company offers brake kits, caliper kits, brake pads, brake rotors, calipers, brake shoes, and pad wear sensors. It provides products through a network of distributors in Europe, North America, South America, the Middle East, and Africa; and online retailers.
Rithm Capital Corp.	Rithm Capital Corp. (“RITM”) is a vertically integrated investment management and mortgage platform externally managed by Fortress Investment Group. RITM’s investments focus on servicing and origination, residential securities and loans, and consumer loans.
Secure Acquisition Inc. (dba Paragon Films)	Paragon Films, Inc. manufactures and supplies stretch film products to customers in various industries in the United States, Canada, Mexico, South America, and internationally.
SS Acquisition, LLC (dba Soccer Shots Franchising)	Soccer Shots Franchising is a franchised-based system operating in the U.S. and Canada that provides children’s enrichment programs with a unique emphasis on social, cognitive, and linguistic skill through soccer.
SMART Financial Operations, LLC	SMART Financial Operations, LLC, headquartered in Orlando, FL, is a specialty retail platform initially comprised of three distinct retail pawn store chains and a pawn industry consulting firm.
Stancor (dba Industrial Flow Solutions Holdings, LLC)	Stancor, founded in 1985 and based out of Monroe, CT, is a designer and manufacturer of electric submersible pumps, control, accessories, and parts.
Staples, Inc.	Staples is a B2B distributor of office supplies in North America and provider of e-commerce via Staples.com.
Tamarix Capital Partners II, L.P.	Tamarix Capital Partners II, L.P. is a licensed Small Business Investment Company (“SBIC”) formed to generate attractive-risk adjusted returns by making debt and preferred equity investments in United States-based, lower middle market companies operating across a broad cross-section of industries and sectors.
Thryv Holdings, Inc.	Thryv Holdings, Inc. is a provider of print and digital marketing solutions to small and medium sized businesses and SaaS end-to-end customer experience tools.
Velocity Pooling Vehicle, LLC	Velocity Pooling Vehicle, LLC, headquartered in Coppell, TX, is a manufacturer, distributor and retailer of branded aftermarket products for the powersports industry. The Company’s brands include Vance & Hines, Kuryakyn, Mustang, Performance Machine, and others.
Wingman Holdings, Inc.	Wingman Holdings, Inc. (f/k/a Crow Precision Components, LLC) is a Fort Worth, TX based forger of aluminum and steel used for mission critical aircraft components, among other end markets.

Payment of Our Expenses

Since January 1, 2021, we are internally managed and do not pay any external investment advisory fees, but instead directly incur the operating costs associated with employing professionals and staff. We bear all costs and expenses of our operations and transactions, including, but not limited to those related to:

- our organization and continued corporate existence;
- calculating our net asset value ("NAV") (including the cost and expenses of any independent valuation firms);
- expenses, including travel expense, incurred by our professionals or payable to third parties performing due diligence on prospective portfolio companies, monitoring our investments and, if necessary, enforcing our rights;
- interest payable on debt incurred to finance our investments;
- the costs of all offerings of common shares and other securities;
- operating costs associated with employing investment professionals and other staff;
- distributions on our shares;
- administration fees payable under our administration agreement;
- custodial fees related to our assets
- amounts payable to third parties relating to, or associated with, making investments;
- transfer agent and custodial fees;
- all registration and listing fees;
- U.S. federal, state and local taxes;
- independent directors' 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;
- the operating lease of our office space;
- directors and officers/errors and omissions liability insurance, and any other insurance premiums;
- indemnification payments; and
- direct costs and expenses of administration, including audit and legal costs.

Administration Agreement

On January 19, 2011, the Company entered into an administration agreement with MCC Advisors. 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. A U.S. Bancorp affiliate also served as the Company's custodian. The Company's administrative and custodial relationship with U.S. Bancorp terminated on August 9, 2022. SS&C has since served as administrator of the Company and has provided us with fund accounting and financial reporting services pursuant to its Services Agreement with the Company. Effective September 12, 2022, Computershare serves as custodian for the Company pursuant to its Loan Administration and Custodial Agreement with the Company. For the years ended September 30, 2023, 2022 and 2021, we incurred $0.3 million, $0.3 million and $0.6 million in administrator expenses, respectively.

Internalized Management Structure

On November 18, 2020, the board of directors approved adoption of an internalized management structure effective January 1, 2021. The new management structure replaced the investment management and administration agreements with MCC Advisors, which expired on December 31, 2020. The board approved the establishment of a committee, consisting of Arthur Ainsberg, Karin Hirtler-Garvey, Lowell Robinson and Howard Amster, to oversee the transition to the internalized management structure.

To lead the internalized management team, the board appointed David Lorber, who had served as an independent director of the Company since April 2019, as Chief Executive Officer and Ellida McMillan, who previously served as Chief Financial Officer and Chief Operating Officer of Alcentra Capital Corporation, a NASDAQ-traded BDC, from April 2017 until it merged into Crescent Capital BDC, Inc. in February 2020, as Chief Financial Officer of the Company, each effective January 1, 2021. Mr. Lorber is paid an annual base salary of $530,000, and Ms. McMillan is paid an annual base salary of $350,000, and each is eligible for one or more discretionary cash bonuses.

The internalized management team is responsible for the day-to-day management and operations of the Company, under the oversight of the board. The internalized management team presently consists of 3 investment professionals and 6 employees/consultants overall. The Company retained ACA Group, the successor to Alaric Compliance Services, LLC, whose officer serves as the Company's Chief Compliance Officer. As discussed above, the Company has also entered into a services agreement on customary terms with SS&C, which serves as the Company's administrator, as well as a loan administration and custodial agreement on customary terms with Computershare, who serves as our primary custodian.

REGULATION

General

We have elected to be regulated as a BDC under the 1940 Act. The 1940 Act contains prohibitions and restrictions relating to transactions between BDCs and their affiliates, principal underwriters and affiliates of those affiliates or underwriters and requires that a majority of the directors be persons other than "interested persons", as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a BDC unless approved by "a majority of our outstanding voting securities."

As a BDC, we are required to meet an asset coverage ratio, reflecting the value of our total assets to our total senior securities, which include all of our borrowings and any preferred stock we may issue in the future, of at least 200%. However, in March 2018, the Small Business Credit Availability Act (the "SBCA") 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 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 on 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. The Company has not sought stockholder or independent director approval to reduce its asset coverage ratio to 150%.

On March 23, 2018, the SBCA was signed into law and, among other things, instructs the SEC to issue rules or amendments to rules allowing BDCs to use the same registration, offering and communication processes that are available to operating companies. The rules and amendments specified by the SBCA became self-implementing on March 24, 2019. On April 8, 2020, the SEC adopted rules and amendments to implement certain provisions of the SBCA (the "Final Rules") that, among other things, modify the registration, offering, and communication processes available to BDCs relating to: (i) the shelf offering process to permit the use of short-form registration statements on Form N-2 and incorporation by reference; (ii) the ability to qualify for well-known seasoned issuer status; (iii) the immediate or automatic effectiveness of certain filings made in connection with continuous public offerings; and (iv) communication processes and prospectus delivery. In addition, the SEC adopted rules that will require BDCs to comply with certain structured data and inline XBRL requirements. The Final Rules generally became effective on August 1, 2020, except that a BDC eligible to file short-form registration statements on Form N-2, like the Company, must comply with the Inline XBRL structured data requirements for its financial statements, registration statement cover page, and certain prospectus information by August 1, 2022.

We may also be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our directors who are not interested persons and, in some cases, prior approval by the SEC.

Qualifying Assets

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

(1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer which:

- is organized under the laws of, and has its principal place of business in, the United States;
- is not an investment company (other than a small business investment company wholly owned by the Company) or a company that would be an investment company but for certain exclusions under the 1940 Act; and
- satisfies any of the following:
  - has a market capitalization of less than $250 million or does not have any class of securities listed on a national securities exchange;
  - is controlled by a BDC or a group of companies including a BDC, the BDC actually exercises a controlling influence over the management or policies of the eligible portfolio company, and, as a result thereof, the BDC has an affiliated person who is a director of the eligible portfolio company; or
  - is a small and solvent company having total assets of not more than $4 million and capital and surplus of not less than $2 million.

(2) Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.

(3) Securities received in exchange for or distributed on or with respect to securities described above, or pursuant to the exercise of warrants or rights relating to such securities.

(4) Securities of any eligible portfolio company which we control.

(5) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.

(6) Cash, cash equivalents, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment.

The regulations defining and interpreting qualifying assets may change over time. We may adjust our investment focus needed to comply with and/or take advantage of any regulatory, legislative, administrative or judicial actions in this area.

Managerial Assistance to Portfolio Companies

A BDC must have been organized and have its principal place of business in the United States and must be operated for the purpose of making investments in the types of securities described in "Regulation — Qualifying Assets" above. However, in order to count portfolio securities as qualifying assets for the purpose of the 70% requirement, the BDC generally must either control the issuer of the securities or must offer to make available to the issuer of the securities significant managerial assistance. Where the BDC purchases such securities in conjunction with one or more other persons acting together, the BDC will satisfy this test if one of the other persons in the group makes available such managerial assistance. Making available managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company.

Temporary Investments

Pending investment in other types of "qualifying assets", as described above, our investments may consist of cash, cash equivalents, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, so that 70% of our assets are qualifying assets. Typically, we will invest in highly rated commercial paper, U.S. Government agency notes, U.S. Treasury bills or in repurchase agreements relating to such securities that are fully collateralized by cash or securities issued by the U.S. Government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed-upon future date and at a price which is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, certain diversification tests that must be met in order to qualify as a RIC for U.S. federal income tax purposes will typically require us to limit the amount we invest with any one counterparty. We will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

Senior Securities

We are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% (or 150% if certain requirements are met) immediately after each such issuance. In addition, while any preferred stock or publicly traded debt securities are outstanding, we may be prohibited from making distributions to our stockholders or the repurchasing of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. For a discussion of the risks associated with leverage, see "Item 1A. Risk Factors—Risks Related to our Business—Because we use borrowed funds to make investments or fund our business operations, we are exposed to risks typically associated with leverage which increase the risk of investing in us."

Code of Ethics

We have adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to each code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements. The code of ethics is available at our website, *www.phenixfc.com*, and is available on the EDGAR Database on the SEC's Internet site at *http://www.sec.gov*.

Privacy Policy

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

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

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

Proxy Voting Policies and Procedures

Our Proxy Voting Policies and Procedures are set forth below. The guidelines are reviewed periodically by management and our independent directors, and, accordingly, are subject to change.

Proxy Policies

Our proxy voting decisions are made by our investment professionals, who review on a case-by-case basis each proposal submitted to a shareholder vote to determine its impact on the portfolio securities held by the Company. Although the Company generally votes against proposals that may have a negative impact on our portfolio securities, we may vote for such a proposal if there exists compelling long-term reasons to do so. We generally do not believe it is necessary to engage the services of an independent third party to assist in issue analysis and vote recommendation for proxy proposals. Under certain circumstances and when deemed in the best interests of shareholders, the Company may, in the discretion of its officers, refrain from exercising its proxy voting right for a particular decision.

To ensure that our vote is not the product of a conflict of interest, we require that: (i) anyone involved in the decision making process disclose to our Chief Compliance Officer any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (ii) employees involved in the decision making process or vote administration are prohibited from revealing how we intend to vote on a proposal in order to reduce any attempted influence from interested parties, unless such employee has received pre-approval from our Chief Compliance Officer.

Proxy Voting Records

You may obtain information about how we voted proxies by making a written request for proxy voting information to:

Chief Compliance Officer
PhenixFIN Corporation
445 Park Avenue, 10th Floor
New York, NY 10022

Other

Under the 1940 Act, we are not generally able to issue and sell our common stock at a price below NAV per share. We may, however, issue and sell our common stock, at a price below the current NAV of the common stock, or issue and sell warrants, options or rights to acquire such common stock, at a price below the current NAV of the common stock if our board of directors determines that such sale is in our best interest and in the best interests of our stockholders, and our stockholders have approved our policy and practice of making such sales within the preceding 12 months. In any such case, the price at which our securities are to be issued and sold may not be less than a price which, in the determination of our board of directors, closely approximates the market value of such securities. However, we currently do not have the requisite stockholder approval, nor do we have any current plans to seek stockholder approval, to sell or issue shares of our common stock at a price below NAV per share.

In addition, at our 2012 Annual Meeting of Stockholders we received approval from our stockholders to authorize us, with the approval of our board of directors, to issue securities to, subscribe to, convert to, or purchase shares of the Company's common stock in one or more offerings, subject to certain conditions as set forth in the proxy statement. Such authorization has no expiration.

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

We are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a BDC, we are prohibited from protecting any director or officer against any liability to us or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

We adopted written policies and procedures reasonably designed to prevent violation of the federal securities laws, and will review these policies and procedures annually for their adequacy and the effectiveness of their implementation. We have designated a Chief Compliance Officer to be responsible for administering the policies and procedures.

Election to Be Taxed as a RIC

We have elected and intend to qualify annually to be treated as a RIC under Subchapter M of the Code. As a RIC, we generally will not be subject to corporate-level U.S. federal income taxes on any net ordinary income or capital gains that we timely distribute to our stockholders as dividends. To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements (as described below). In addition, we must distribute to our stockholders, for each taxable year, at least 90% of our "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 (the "Distribution Requirement").

Taxation as a RIC

As a RIC, if we satisfy the Distribution Requirement, we will not be subject to U.S. federal income tax on the portion of our investment company taxable income and net capital gain, defined as net long-term capital gains in excess of net short-term capital losses, we timely distribute to stockholders. We will be subject to U.S. federal income tax at regular corporate rates on any net income or net capital gain not distributed to our stockholders.

We will be subject to a nondeductible U.S. federal excise tax of 4% on undistributed income if we do not distribute at least the sum of 98% of our ordinary income in any calendar year, 98.2% of our capital gain net income for each one-year period ending on October 31 of such year, and any income and capital gain net income that we recognized in preceding years, but were not distributed during such years, and on which we did not pay U.S. federal income tax. Depending on the level of investment company taxable income ("ICTI") earned in a tax year and the amount of net capital gains recognized in such tax year, we may choose to carry forward ICTI in excess of current year dividend distributions into the next tax year. In order to eliminate our liability for income tax, and to the extent necessary to maintain our qualification as a RIC, any such carryover ICTI and net capital gains must be distributed before the end of that next tax year through a dividend declared prior to the 15th day of the 9th month after the close of the taxable year in which such ICTI was generated. To the extent that we determine that our estimated current year annual taxable income will be in excess of estimated current year dividend distributions for U.S. federal excise tax purposes, we accrue U.S. federal excise tax, if any, on estimated excess taxable income as taxable income is earned.

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

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

We may invest in partnerships, including qualified publicly traded partnerships, which may result in our being subject to state, local or foreign income and franchise or withholding liabilities.

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

Although we do not presently expect to do so, we are authorized to borrow funds and to sell assets in order to satisfy the Distribution Requirement. However, under the 1940 Act, we are not permitted to make distributions to our stockholders while our debt obligations and other senior securities are outstanding unless certain "asset coverage" tests are met. See "Business — Regulation — Senior Securities." Moreover, our ability to dispose of assets to satisfy the Distribution Requirement may be limited by (1) the illiquid nature of our portfolio and/or (2) other requirements relating to our qualification as a RIC, including the Diversification Tests. If we dispose of assets in order to meet the Distribution Requirement or avoid the imposition of excise tax, we may make such dispositions at times that, from an investment standpoint, are not advantageous.

Some of the income and fees that we may recognize will not count towards satisfaction of the 90% Income Test. In order to ensure that such income and fees do not disqualify us as a RIC for a failure to satisfy the 90% Income Test, we may be required to recognize such income and fees indirectly through one or more entities treated as corporations for U.S. federal income tax purposes. Such corporations will be required to pay corporate level U.S. federal income tax on their earnings, which ultimately will reduce our return on such income and fees.

Failure to Qualify as a RIC

If we were unable to continue to qualify for treatment as a RIC, we would be subject to U.S. federal income tax on all of our taxable income at regular corporate rates. We would not be able to deduct distributions to stockholders, nor would they be required to be made. Distributions, including distributions of net long-term capital gain, would generally be taxable to our stockholders as ordinary dividend income to the extent of our current and accumulated earnings and profits. Subject to certain limitations under the Code, corporate distributees would be eligible for the dividends received deduction. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder's tax basis in their shares of the RIC, and any distributions in excess of tax basis would be treated as a capital gain. If we fail to qualify as a RIC for a period greater than two taxable years, to qualify as a RIC in a subsequent year we may be subject to regular corporate level U.S. federal income tax on any net built-in gains with respect to certain of our assets (*i.e.*, the excess of the aggregate gains, including items of income, over aggregate losses that would have been realized with respect to such assets if we had been liquidated) that we elect to recognize on requalification or when recognized over the next five years.

Company Investments

Certain of our investment practices are subject to special and complex U.S. federal income tax provisions that may, among other things, (1) disallow, suspend or otherwise limit the allowance of certain losses or deductions, including the dividends received deduction, (2) convert lower taxed long-term capital gains and qualified dividend income into higher taxed short-term capital gains or ordinary income, (3) convert ordinary loss or a deduction into capital loss (the deductibility of which is more limited), (4) cause us to recognize income or gain without a corresponding receipt of cash, (5) adversely affect the time as to when a purchase or sale of stock or securities is deemed to occur, (6) adversely alter the characterization of certain complex financial transactions and (7) produce income that will not qualify as good income for purposes of the 90% Income Test described above. We will monitor our transactions and may make certain tax elections and may be required to borrow money or dispose of securities to mitigate the effect of these rules and prevent disqualification as a RIC.

Investments we make in securities issued at a discount or providing for deferred interest or payment of interest in kind are subject to special tax rules that will affect the amount, timing and character of distributions to stockholders. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments with PIK interest or, in certain cases, with increasing interest rates or issued with warrants), we will generally be required to accrue daily as income a portion of the discount and to distribute such income each year to avoid U.S. federal income and excise taxes. Since in certain circumstances we may recognize income before or without receiving cash representing such income, we may have difficulty making distributions in the amounts necessary to satisfy the requirements for maintaining RIC tax treatment and for avoiding U.S. federal income and excise taxes. Accordingly, we may have to sell some of our investments at times we would not consider advantageous, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. If we are not able to obtain cash from other sources, we may fail to qualify for tax treatment as a RIC and thereby be subject to corporate-level U.S. federal income tax.

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

In the event we invest in foreign securities, we may be subject to withholding and other foreign taxes with respect to those securities. In that case, our yield on those securities would be decreased. We do not expect to satisfy the requirements necessary to pass through to our stockholders their share of the foreign taxes paid by us.

If we purchase shares in a "passive foreign investment company" (a "PFIC"), we may be subject to U.S. federal income tax on a portion of any "excess distribution" or gain from the disposition of such shares even if such income is distributed as a taxable dividend by us to our stockholders. Additional charges in the nature of interest may be imposed on us in respect of deferred taxes arising from such distributions or gains. If we invest in a PFIC and elect to treat the PFIC as a "qualified electing fund" under the Code (a "QEF"), in lieu of the foregoing requirements, we will be required to include in income each year a portion of the ordinary earnings and net capital gain of the QEF, even if such income is not distributed to us. Alternatively, we may be able to elect to mark-to-market at the end of each taxable year our shares in certain PFICs; in this case, we will recognize as ordinary income any increase in the value of such shares, and as ordinary loss any decrease in such value to the extent it does not exceed prior increases included in income. Under either election, we may be required to recognize in a year income in excess of our distributions from PFICs and our proceeds from dispositions of PFIC stock during that year, and such income will nevertheless be subject to the Distribution Requirement and will be taken into account for purposes of the 4% U.S. federal excise tax described above.

Income inclusions from a QEF will be "good income" for purposes of the 90% Income Test provided that they are derived in connection with our business of investing in stocks and securities or the QEF distributes such income to us in the same taxable year in which the income is included in our income.

Item 1A. Risk Factors

Before you invest in our securities, you should be aware of various risks, including those described below. You should carefully consider these risk factors, together with all of the other information included in this Form 10-K, before you decide whether to make an investment in our securities. The risks set out below are not the only risks we face. The risks described below, as well as additional risks and uncertainties presently unknown by us or currently not deemed significant could negatively affect our business, financial condition and results of operations. In such case, our NAV and the trading price of our common stock or other securities could decline, and you may lose all or part of your investment.

RISK RELATING TO OUR BUSINESS AND STRUCTURE

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 the yields, and increase the risks of, our investments in portfolio companies, and make it more difficult for us to raise equity capital should we choose to do so.

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. Even after the COVID-19 pandemic has generally subsided, the U.S. economy, as well as other major economies, may 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. 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. Pandemics and other 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.

Events outside of our control, including terrorist attacks, acts of war, natural disasters or public health crises, could negatively affect the portfolio companies in which we invest and make the valuation of those investments more uncertain.

Periods of market volatility have occurred and could continue to occur in response to pandemics or other events outside of our control, including terrorist attacks, acts of war, natural disasters, public health crises or similar events. These types of events have adversely affected and could continue to adversely affect operating results for us and for our portfolio companies.

In February 2022, Russia launched a large-scale invasion of Ukraine. The extent and duration of Russian military action in the Ukraine, resulting sanctions and resulting future market disruptions, including declines in stock markets in Russia and elsewhere and the value of the ruble against the U.S. dollar, are impossible to predict, but have been and could continue to be significant. Any such disruptions caused by Russian military or other actions (including cyberattacks and espionage) or resulting from actual or threatened responses to such actions have caused and could continue to cause disruptions to portfolio companies located in Europe or that have substantial business relationships with European or Russian companies.

The recent outbreak of hostilities in the Middle East could also escalate to nearby areas.

The extent and duration of these military actions, conflicts and resulting market disruptions are impossible to predict, but have been and could continue to be substantial, and any such market disruptions could affect our portfolio companies' operations. As a result, our portfolio investments could decline in value or our valuation of them could become uncertain.

We have evaluated subsequent events from September 30, 2023 through the filing date of this annual report on Form 10-K. However, as the discussion in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations relates to the Company's financial statements for the annual period ended September 30, 2023, the analysis contained herein may not fully account for market event impacts. As of September 30, 2023, 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 market events may have caused during the months following our most recent valuation (as of September 30, 2023), any valuations conducted now or in the future in conformity with U.S. GAAP could result in a lower fair value of our portfolio.

Rising interest rates may increase our borrowing costs and reduce the net return that we are able to achieve on debt investments in portfolio companies, and may also increase the risk of default on our portfolio company loans.

In 2023, the Federal Reserve raised short-term interest rates and has indicated additional interest rate increases may come. Changing interest rates may have unpredictable effects on markets, may result in heightened market volatility and may detract from our performance to the extent we are exposed to such interest rates and/or volatility. In periods of rising interest rates, such as the current interest rate environment, to the extent we borrow money subject to a floating interest rate, our cost of funds would increase, which could reduce our net investment income. Further, rising interest rates could also adversely affect our performance if such increases cause our borrowing costs to rise at a rate in excess of the rate that our investments yield. Further, rising interest rates could also adversely affect our performance if we hold investments with floating interest rates, subject to specified minimum interest rates (such as a SOFR floor), while at the same time engaging in borrowings subject to floating interest rates not subject to such minimums. In such a scenario, rising interest rates may increase our interest expense, even though our interest income from investments is not increasing in a corresponding manner as a result of such minimum interest rates.

If general interest rates continue to rise, there is a risk that the portfolio companies in which we hold floating rate securities will be unable to pay escalating interest amounts, which could result in a default under their loan documents with us. Rising interest rates could also cause portfolio companies to shift cash from other productive uses to the payment of interest, which may have a material adverse effect on their business and operations and could, over time, lead to increased defaults. In addition, rising interest rates may increase pressure on us to provide fixed rate loans to our portfolio companies, which could adversely affect our net investment income, as increases in our cost of borrowed funds would not be accompanied by increased interest income from such fixed-rate investments.

Further downgrades of the U.S. credit rating, automatic spending cuts, or another government shutdown could negatively impact our cost of borrowing and the net return on our investments.

U.S. debt ceiling and budget deficit concerns have increased the possibility of additional credit-rating downgrades and economic slowdowns, or a recession in the United States. Although U.S. lawmakers passed legislation to raise the federal debt ceiling on multiple occasions, ratings agencies have lowered or threatened to lower the long-term sovereign credit rating on the United States. The impact of this or any further downgrades to the U.S. government's sovereign credit rating or its perceived creditworthiness could adversely affect the U.S. and global financial markets and economic conditions. Absent further quantitative easing by the Federal Reserve, these developments could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms. If our borrowing costs were to rise on account of these factors, and we were unable to raise the rates of return on our portfolio company debt, our net return on investments would decline.

Economic recessions or downturns could impair our portfolio companies, increase our funding costs and limit our access to capital.

Many of our portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay our debt investments during these periods. In the past, instability in the global capital markets resulted in 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 domestic and international financial institutions. In particular, in past periods of instability, the financial services sector was negatively impacted by significant write-offs as the value of the assets held by financial firms declined, impairing their capital positions and abilities to lend and invest. In addition, continued uncertainty between the United States and other countries, including China and Russia, with respect to trade policies, treaties, and tariffs, among other factors, have caused disruption in the global markets. There can be no assurance that market conditions will not worsen in the future.

In an economic downturn, we may have non-performing assets or non-performing assets may increase, and the value of our portfolio is likely to decrease during these periods. Adverse economic conditions may also decrease the value of any collateral securing our loans. A severe recession may further decrease the value of such collateral and result in losses of value in our portfolio and a decrease in our revenues, net income, assets and net worth. 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 on terms we deem acceptable. These events could prevent us from increasing investments and harm our operating results.

The occurrence of recessionary conditions and/or negative developments in the domestic and international credit markets may significantly affect the markets in which we do business, the value of our investments, and our ongoing operations, costs and profitability. Any such unfavorable economic conditions, including rising interest rates, may also increase our funding costs, limit our access to capital markets or negatively impact our ability to obtain financing, particularly from the debt markets. In addition, any future financial market uncertainty could lead to financial market disruptions and could further impact our ability to obtain financing. These events could limit our investment originations, limit our ability to grow and negatively impact our operating results and financial condition.

Risks Related to Our Business

We have internalized our operating structure, including our management and investment functions, with the expectation that we will be able to operate more efficiently with lower costs, but this may not be the case.

On November 18, 2020, the board of directors approved adoption of an internalized management structure, which we have operated under effective January 1, 2021. There can be no assurances that internalizing our management structure will be and remain beneficial to us and our stockholders, as we may incur the costs and experience the risks discussed below, and we may not be able to effectively replicate the services previously provided to us by our former investment adviser and administrator.

While we no longer bear the costs of the various fees and expenses we previously paid under the investment management and administration agreements with our previous adviser and administrator, we have other significant direct expenses. These include general and administrative costs, legal, accounting and other governance expenses and costs and expenses related to managing our portfolio. Certain of these costs may be greater during the early stages of the transition process. We also incur the compensation and benefits costs of our officers and other employees and consultants. In addition, we may be subject to potential liabilities commonly faced by employers, such as workers disability and compensation claims, potential labor disputes and other employee-related liabilities and grievances.

We may also experience operational disruptions resulting from the transition from external to internal management, and we could fail to effectively manage our internalization over the longer term, all of which could adversely affect our performance.

If the expenses we incur as an internally-managed company are higher than the expenses we would have paid and/or reimbursed under the externally-managed structure, our earnings per share may be lower and our share value could suffer.

As an internally managed BDC, we are dependent upon our management team and other professionals, and if we are not able to hire and retain qualified personnel, we will not realize the anticipated benefits of the internalization.

Our ability to achieve our investment objectives and to make distributions to our stockholders depends upon the performance of our management team and professionals. We may experience difficulty identifying, engaging and retaining management, investment and general and administrative personnel with the necessary expertise and credit-related investment experience. As an internally managed BDC, our ability to offer more competitive and flexible compensation structures, such as offering both a profit-sharing plan and an equity incentive plan, is subject to the limitations imposed by the 1940 Act, which could limit our ability to attract and retain talented investment management professionals.

If we are unable to attract and retain highly talented professionals for the internal management of our Company, we will not realize the anticipated benefits of the internalization, and the results of our operation could deteriorate.

We may suffer credit and capital losses.

Private debt in the form of secured loans to corporate and asset-based borrowers is highly speculative and involves a high degree of risk of credit loss, and therefore an investment in our securities may not be suitable for someone with a low tolerance for risk. These risks are likely to increase during an economic recession, such as the economic recession or downturn that the United States and many other countries have recently experienced or are experiencing.

Because we use borrowed funds to make investments or fund our business operations, we are exposed to risks typically associated with leverage which increase the risk of investing in us.

We have borrowed funds, including through the issuance of $57.5 million in aggregate principal amount of 5.25% unsecured notes due November 1, 2028 (the “Notes” or the “2028 Notes”) to leverage our capital structure, which is generally considered a speculative investment technique. In addition, on December 15, 2022, the Company entered into a 3-year $50.0 million revolving credit facility (the “Credit Facility”) with Woodforest Bank, N.A. (“Woodforest”), Valley National Bank, and Axiom Bank, (collectively, the “Lenders”). As a result:

- our common stock may be exposed to an increased risk of loss because a decrease in the value of our investments may have a greater negative impact on the value of our common stock than if we did not use leverage;

- if we do not appropriately match the assets and liabilities of our business, adverse changes in interest rates could reduce or eliminate the incremental income we make with the proceeds of any leverage;

- our ability to pay distributions on our common stock may be restricted if our asset coverage ratio with respect to each of our outstanding senior securities representing indebtedness and our outstanding preferred shares, as defined by the 1940 Act, is not at least 200% and any amounts used to service indebtedness or preferred stock would not be available for such distributions;

- any credit facility to which we became a party may be subject to periodic renewal by our lenders, whose continued participation cannot be guaranteed;

- any credit facility to which we became a party may contain covenants restricting our operating flexibility;

- we, and indirectly our stockholders, bear the cost of issuing and paying interest or dividends on such securities; and

- any convertible or exchangeable securities that we issue may have rights, preferences and privileges more favorable than those of our common shares.

Under the provisions of the 1940 Act, we are permitted, as a BDC, to issue debt securities or preferred stock and/or borrow money from banks and other financial institutions, which we collectively refer to as “senior securities”, only in amounts such that our asset coverage ratio equals at least 200% (or 150% if, pursuant to the 1940 Act, certain requirements are met) after each issuance of senior securities.

For a discussion of the terms of the Notes, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition, Liquidity and Capital Resources.”

As of September 30, 2023, the Company’s asset coverage was 270.7% after giving effect to leverage and therefore the Company’s asset coverage is above 200%, the minimum asset coverage requirement under the 1940 Act.

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

We anticipate that our investments generally will be made in private companies. Substantially all of these securities will be subject to legal and other restrictions on resale or will be otherwise less liquid than publicly traded securities. The illiquidity of our investments may make it difficult for us to sell such investments if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we had previously recorded our investments. In addition, we may face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we have material non-public information regarding such portfolio company.

A substantial portion of our portfolio investments will be recorded at fair value as determined in good faith by our valuation designee under the oversight of our board of directors and, as a result, there may be uncertainty regarding the value of our portfolio investments.

The debt and equity securities in which we invest for which market quotations are not readily available will be valued at fair value as determined in good faith by our Chief Financial Officer, the Company’s valuation designee, under the oversight of our board of directors. Most of our investments (other than cash and cash equivalents) will be classified as Level 3 under Accounting Standards Codification Topic 820 - Fair Value Measurements and Disclosures. This means that our portfolio valuations will be based on unobservable inputs and our own assumptions about how market participants would price the asset or liability in question. We expect that inputs into the determination of fair value of our portfolio investments will require significant management judgment or estimation. Even if observable market data are available, such information may be the result of consensus 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 disclaimers materially reduces the reliability of such information. We have retained the services of independent valuation firms to review the valuation of various loans and securities. The types of factors that we may take into account in determining the fair value of our investments generally include, as appropriate, comparison to publicly traded securities including such factors as yield, maturity and measures of credit quality, the enterprise value of a portfolio company, the nature and realizable value of any collateral, the portfolio company’s ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these loans and securities existed. Our NAV could be adversely affected if our determinations regarding the fair value of our investments were materially higher or lower than the values that we ultimately realize upon the disposal of such loans and securities.

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

We are classified as a non-diversified investment company within the meaning of the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer. We also have not adopted any policy restricting the percentage of our assets that may be invested in a single portfolio company. To the extent that we assume large positions in the securities of a small number of issuers, our NAV may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market's assessment of the issuer. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company. Beyond our income tax diversification requirements under Subchapter M of the Code, we do not have fixed guidelines for diversification, and our investments could be concentrated in relatively few portfolio companies. (Note our significant investment in our affiliate FlexFIN – see Risks Related to our Investments).

We are exposed to risks associated with changes in interest rates.

Interest rate fluctuations may have a substantial negative impact on our investments, the value of our common stock and our rate of return on invested capital. A reduction in the interest rates on new investments relative to interest rates on current investments could also have an adverse impact on our net interest income. Further increases in interest rates could decrease the value of any investments we hold which earn fixed interest rates and also could increase our interest expense, thereby decreasing our net income. Also, an increase in interest rates available to investors could make investment in our common stock less attractive if we are not able to increase our dividend rate, which could reduce the value of our common stock.

Loans under our Credit Facility and the financial credit we extend to our portfolio companies bear interest based on SOFR, but experience with SOFR based loans is limited.

Loans under our current Credit Facility bear interest at a rate based upon the Secured Overnight Financing Rate (SOFR) published by the Federal Reserve Bank of New York. Also, the secured terms loans that we make to our portfolio companies and the secured notes of our portfolio companies in which we invest bear interest at SOFR based rates. Previously, our credit facilities and our debt investments in portfolio companies bore interest at U.S dollar London Interbank Overnight (USD LIBOR) rates. ICE Benchmark Administration, the authorized and regulated administrator of LIBOR, ended publication of the one-week and two-month USD LIBOR tenors on December 31, 2021, and ended publication of the remaining USD LIBOR tenors on June 30, 2023. The Adjustable Interest Rate (LIBOR) Act (the "LIBOR Act") was enacted in March 2022 to permit financing agreements that contain a LIBOR-based benchmark without adequate "fallback provisions" to be automatically replaced by a benchmark recommended by the Federal Reserve. In January 2023, the Federal Reserve adopted a final rule implementing the LIBOR Act that, among other things, identifies the applicable SOFR-based benchmark replacements under the LIBOR Act.

SOFR is considered to be a risk-free rate, and USD LIBOR was a risk weighted rate. Thus, SOFR tends to be a lower rate than USD LIBOR, because SOFR does not contain a risk component. This difference may negatively impact our net interest margin of our investments. Also, the use of SOFR based rates is relatively new, and experience with SOFR based rate loans is limited. There could be unanticipated difficulties or disruptions with the calculation and publication of SOFR based rates. This could result in increased borrowing costs for the Company or could adversely impact the interest income we receive from our portfolio companies or the market value of the financial obligations that are due to us from our portfolio companies.

Because we use debt to finance various investments, changes in interest rates will affect our cost of capital and net investment income.

Because we borrow money to make investments, our net investment income will depend, in part, upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. As a result, we can offer no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income in the event we use our existing debt to finance our investments. In periods of rising interest rates, such as the current period we are in, our cost of funds will increase to the extent we access any credit facility with a floating interest rate, which could reduce our net investment income to the extent any debt investments have fixed interest rates. We expect that our long-term fixed-rate investments will be financed primarily with issuances of equity and long-term debt securities. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. Such techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act.

You should also be aware that, to the extent we make floating debt investments, a rise in the general level of interest rates typically leads to higher interest rates applicable to our debt investments.

If our investments are not managed effectively, we may be unable to achieve our investment objective.

Our ability to achieve our investment objective will depend on our ability to manage our business, which will depend on the internalized management team. Accomplishing this result is largely a function of the internalized management team's ability to provide quality and efficient services to us. They may also be required to provide managerial assistance to our portfolio companies. These demands on their time may distract them or slow our rate of investment. Any failure to manage our business effectively could have a material adverse effect on our business, financial condition and results of operations.

We may experience fluctuations in our periodic operating results.

We could experience fluctuations in our periodic operating results due to a number of factors, including the interest rates payable on the debt securities we acquire, the default rate on such securities, the performance of our portfolio companies, the level of our expenses (including the interest rates payable on our borrowings), the dividend rates payable on preferred stock we issue, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

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

If we fail to maintain our status as a BDC, we might be regulated as a closed-end investment company under the 1940 Act, which would subject us to substantially more onerous regulatory restrictions under the 1940 Act and correspondingly decrease our operating flexibility.

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

For U.S. federal income tax purposes, we may include in income certain amounts that we have not yet received in cash, such as original issue discount, which may arise if we receive warrants in connection with the making of a loan or possibly in other circumstances, such as PIK interest, which represents contractual interest added to the loan balance and due at the end of the loan term. Such original issue discount, which could be significant relative to our overall investment activities, or increases in loan balances as a result of PIK arrangements are included in income before we receive any corresponding cash payments. We also may be required to include in income certain other amounts that we do not receive in cash.

Since in certain cases we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the tax requirement to 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, to maintain our tax treatment as a RIC. Accordingly, we may have to sell some of our investments at times we would not consider advantageous, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. If we are not able to raise cash from other sources, we may fail to qualify and maintain our tax treatment as a RIC and thus become subject to corporate-level U.S. federal income tax. See "Taxation as a RIC" and "Failure to Qualify as a RIC".

We may not be able to pay distributions to our shareholders.

We cannot assure that we will achieve investment results that will allow us to pay 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 September 30, 2023, the Company's asset coverage was 270.7% 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.

The highly competitive market in which we operate may limit our investment opportunities.

A number of entities compete with us to make the types of investments that we make. We compete with other BDCs and investment funds (including public and private funds, commercial and investment banks, commercial financing companies, SBICs and, to the extent they provide an alternative form of financing, private equity funds). Additionally, because competition for investment opportunities generally has increased among alternative investment vehicles, such as hedge funds, those entities have begun to invest in areas in which they have not traditionally invested. As a result of these new entrants, competition for investment opportunities has intensified in recent years and may intensify further in the future. Some of our existing and potential competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions and valuation requirements that the 1940 Act imposes on us as a BDC and the tax consequences of qualifying as a RIC. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this existing and potentially increasing competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we can offer no assurance that we will be able to identify and make investments that are consistent with our investment objective.

We do not seek to compete primarily based on the interest rates we offer, and we believe that some of our competitors make loans with interest rates that are comparable to or lower than the rates we offer. We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. If we match our competitors' pricing, terms and structure, we may experience decreased net interest income and increased risk of credit loss. A significant part of our competitive advantage stems from the fact that the market for investments in mid-sized companies is underserved by traditional commercial banks and other financial institutions. A significant increase in the number and/or size of our competitors in this target market could force us to accept less attractive investment terms. Furthermore, many of our competitors have greater experience operating under the regulatory restrictions of the 1940 Act and under an internalized management structure.

In the event we make distributions, we would need additional capital to finance our growth and such capital may not be available on favorable terms or at all.

We have elected and intend to qualify annually to be taxed for U.S. federal income tax purposes as a RIC under Subchapter M of the Code. As a RIC, we must meet certain requirements, including source-of-income, asset diversification and distribution requirements in order to not have to pay corporate-level U.S. on income we distribute to our stockholders as distributions, which allows us to substantially reduce or eliminate our corporate-level U.S. federal income tax liability. As a BDC, we are generally required to meet a coverage ratio of total assets to total senior securities, which includes all of our 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) at the time we issue any debt or preferred stock. This requirement limits the amount of our leverage. Because we will continue to need capital to grow our investment portfolio, this limitation may prevent us from incurring debt or issuing preferred stock and require us to raise additional equity at a time when it may be disadvantageous to do so. We cannot assure you that debt and equity financing will be available to us on favorable terms, or at all, and debt financings may be restricted by the terms of any of our outstanding borrowings. In addition, as a BDC, we are generally not permitted to issue common stock priced below NAV without stockholder approval. If additional funds are not available to us, we could be forced to curtail or cease new lending and investment activities, and our NAV could decline.

Our board of directors may change our investment objective, operating policies and strategies without prior notice or stockholder approval.

Our board of directors has the authority to modify or waive certain of our operating policies and strategies without prior notice and without stockholder approval. However, absent stockholder approval, we may not change the nature of our business so as to cease to be, or withdraw our election as, a BDC. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, operating results or value of our stock. Nevertheless, the effects could adversely affect our business and impact our ability to make distributions and cause you to lose all or part of your investment.

Because we borrow money, the potential for loss on amounts invested in us will be magnified and may increase the risk of investing in us.

Borrowings, also known as leverage, magnify the potential for loss on invested equity capital. If we use leverage to partially finance our investments, which we have done historically, you will experience increased risks of investing in our securities. We issued the Notes, entered into the Credit Facility, and may issue other debt securities or enter into other types of borrowing arrangements in the future. If the value of our assets decreases, leveraging would cause our NAV to decline more sharply than it otherwise would have had we not leveraged. Similarly, any decrease in our income would cause net income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to make common stock distributions or scheduled debt payments. Leverage is generally considered a speculative investment technique and we only intend to use leverage if expected returns will exceed the cost of borrowing.

As of September 30, 2023, there was $85.9 million of outstanding borrowings. The weighted average interest rate charged on our borrowings as of September 30, 2023 was 5.91% (exclusive of debt issuance costs). We will need to generate sufficient cash flow to make these required interest payments. If we are unable to meet the financial obligations under the Notes, the holders thereof will have the right to declare the principal amount and accrued and unpaid interest on the outstanding Notes to be due and payable immediately. If we are unable to meet the financial obligations under the Credit Facility or any other credit facility we enter into, the lenders thereunder would likely have a superior claim to our assets over our stockholders.

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

Our business is dependent on our and third parties' communications and information systems. Any failure or interruption of those systems, including as a result of the termination of an agreement with any third-party service providers, could cause delays or other problems in our activities. Our financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control and adversely affect our business. There could be:

- sudden electrical or telecommunications outages;
- natural disasters such as earthquakes, tornadoes and hurricanes;
- disease pandemics (including the COVID-19 outbreak);
- events arising from local or larger scale political or social matters, including terrorist acts; and
- cyber-attacks.

These events, in turn, could have a material adverse effect on our operating results and negatively affect the market price of our common stock and our ability to pay distributions to our stockholders.

A failure of cybersecurity systems, as well as the occurrence of events unanticipated in our disaster recovery systems and management continuity planning could impair our ability to conduct business effectively.

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

We depend heavily upon computer systems to perform necessary business functions. Despite our implementation of a variety of security measures, our computer systems, networks, and data, like those of other companies, could be subject to cyber-attacks and unauthorized access, use, alteration, or destruction, such as from physical and electronic break-ins or unauthorized tampering, malware and computer virus attacks, or system failures and disruptions. If one or more of these events occurs, it could potentially jeopardize the confidential, proprietary, and other information processed, stored in, and transmitted through our computer systems and networks. Such an attack could cause interruptions or malfunctions in our operations, which could result in financial losses, litigation, regulatory penalties, client dissatisfaction or loss, reputational damage, and increased costs associated with mitigation of damages and remediation.

Third parties with which we do business may also be sources of cybersecurity or other technological risks. We outsource certain functions and these relationships allow for the storage and processing of our information, as well as customer, counterparty, employee and borrower information. Cybersecurity failures or breaches our service providers (including, but not limited to, accountants, custodians, transfer agents and administrators), and the issuers of securities in which we invest, also have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with our ability to calculate its net asset value, impediments to trading, the inability of our stockholders to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputation damages, reimbursement of other compensation costs, or additional compliance costs. While we engage in actions to reduce our exposure resulting from outsourcing, ongoing threats may result in unauthorized access, loss, exposure or destruction of data, or other cybersecurity incidents, with increased costs and other consequences, including those described above. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future.

Privacy and information security laws and regulation changes, and compliance with those changes, may result in cost increases due to system changes and the development of new administrative processes. In addition, we may be required to expend significant additional resources to modify our protective measures and to investigate and remediate vulnerabilities or other exposures arising from operational and security risks. We currently do not maintain insurance coverage relating to cybersecurity risks, and we may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are not fully insured.

Risks Related to Our Investments

We may not realize gains from our equity investments.

When we make a debt investment, we may acquire warrants or other equity securities as well. In addition, we may invest directly in the equity securities of portfolio companies. Our goal is ultimately to dispose of such equity interests and realize gains upon our disposition of such interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience.

Our investments are very risky and highly speculative.

We have invested primarily in senior secured first lien term loans and senior secured second lien term loans issued by private companies.

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

Equity Investments When we invest in senior secured first lien term loans or senior secured second lien term loans, we may receive warrants or other equity securities as well. In addition, we may invest directly in the equity securities of portfolio companies. The warrants or equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our warrants or equity interests, and any gains that we do realize on the disposition of any warrants or equity interests may not be sufficient to offset any other losses we experience.

In addition, investing in private companies involves a number of significant risks. See "Our investments in private portfolio companies may be risky, and you could lose all or part of your investment" below.

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

Investments in private companies involve a number of significant risks. Generally, little public information exists about these companies, and we are required to rely on the ability of our investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose money on our investments. Private companies may have limited financial resources and may be unable to meet their obligations under their debt securities that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of our realizing any guarantees we may have obtained in connection with our investment. In addition, they typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. Additionally, private companies are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us. Private companies also generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. In addition, our executive officers and directors may, in the ordinary course of business, be named as defendants in litigation arising from our investments in these types of companies.

We have invested primarily in secured debt issued by our portfolio companies. In the case of our senior secured first lien term loans, the portfolio companies usually have, or may be permitted to incur, other debt that ranks equally with the debt securities in which we invest. With respect to our senior secured second lien term loans, the portfolio companies usually have, or may be permitted to incur, other debt that ranks above or equally with the debt securities in which we invest. In the case of debt ranking above the senior secured second lien term loans in which we invest, we would be subordinate to such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company and therefore the holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution. In the case of debt ranking equally with debt securities in which we invest, we would have to share any distributions on an equal and ratable basis with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

Additionally, certain loans that we make to portfolio companies may be secured on a second priority basis by the same collateral securing senior secured debt of such companies. The first priority liens on the collateral will secure the portfolio company's obligations under any outstanding senior debt and may secure certain other future debt that may be permitted to be incurred by the portfolio company under the agreements governing the loans. The holders of obligations secured by the first priority liens on the collateral will generally control the liquidation of, and be entitled to receive proceeds from, any realization of the collateral to repay their obligations in full before us. In addition, the value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from the sale or sales of all of the collateral would be sufficient to satisfy the loan obligations secured by the second priority liens after payment in full of all obligations secured by the first priority liens on the collateral. If such proceeds are not sufficient to repay amounts outstanding under the loan obligations secured by the second priority liens, then we, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against the portfolio company's remaining assets, if any.

The rights we may have with respect to the collateral securing the loans we make to our portfolio companies with senior debt outstanding may also be limited pursuant to the terms of one or more intercreditor agreements that we enter into with the holders of senior debt. Under such an intercreditor agreement, at any time that obligations that have the benefit of the first priority liens are outstanding, any of the following actions that may be taken in respect of the collateral will be at the direction of the holders of the obligations secured by the first priority liens: (1) the ability to cause the commencement of enforcement proceedings against the collateral; (2) the ability to control the conduct of such proceedings; (3) the approval of amendments to collateral documents; (4) releases of liens on the collateral; and (5) waivers of past defaults under collateral documents. We may not have the ability to control or direct such actions, even if our rights are adversely affected.

Our portfolio companies may prepay loans, which prepayment may reduce stated yields if capital returned cannot be invested in transactions with equal or greater expected yields.

Our loans to portfolio companies are prepayable at any time, and most of them at no premium to par. It is uncertain as to when each loan may be prepaid. Whether a loan is prepaid will depend both on the continued positive performance of the portfolio company and the existence of favorable financing market conditions that allow such company the ability to replace existing financing with less expensive capital. As market conditions change frequently, it is unknown when, and if, this may be possible for each portfolio company. In the case of some of these loans, having the loan prepaid early may reduce the achievable yield for us below the stated yield to maturity contained herein if the capital returned cannot be invested in transactions with equal or greater expected yields.

Our failure to make follow-on investments in our portfolio companies could impair the value of our portfolio and our ability to make follow-on investments in certain portfolio companies may be restricted.

Following an initial investment in a portfolio company, provided that there are no restrictions imposed by the 1940 Act, we may make additional investments in that portfolio company as “follow-on” investments in order to: (1) increase or maintain in whole or in part our equity ownership percentage; (2) exercise warrants, options or convertible securities that were acquired in the original or subsequent financing; or (3) attempt to preserve or enhance the value of our initial investment.

We have the discretion to make any follow-on investments, subject to the availability of capital resources. We may elect not to make follow-on investments or otherwise lack sufficient funds to make those investments. Our failure to make follow-on investments may, in some circumstances, jeopardize the continued viability of a portfolio company and our initial investment, or may result in a missed opportunity for us to increase our participation in a successful operation. Even if we have sufficient capital to make a desired follow-on investment, we may elect not to make such follow-on investment because we may not want to increase our concentration of risk, because we prefer other opportunities, because we are inhibited by compliance with BDC requirements or because we might lose our RIC tax treatment. We also may be restricted from making follow-on investments in certain portfolio companies to the extent that affiliates of ours hold interests in such companies.

As of September 30, 2023, 16.2% of our total assets were invested in FlexFin, our affiliate’s asset-based lending business.

This significant exposure subjects our Company to various risks associated with such business (which are identified below) to a much greater extent than companies not similarly concentrated.

Client borrowers, particularly with respect to asset-based lending activities, may lack the operating history, cash flows or balance sheet necessary to support other financing options and may expose us to additional risk.

A portion of our loan portfolio consists, through FlexFIN, of asset-based lending involving gemstones. Some of these products arise out of relationships with clients who lack the operating history, cash flows or balance sheet necessary to qualify for other financing options. This could increase our risk of loss.

16.2% of the Company’s total assets (as of September 30, 2023) are invested in our affiliate’s asset-based lending business and its activities are influenced by volatility in prices of gemstones and jewelry.

Our affiliate’s asset-based lending business is impacted by volatility in gemstone and jewelry prices. Among the factors that can impact the price of gemstones and jewelry are 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. 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 gemstones and jewelry business is subject to the risk of fraud and counterfeiting.

The gemstones business is exposed to the risk of loss as a result of fraud in its various forms. We seek to minimize our exposure to fraud through a number of means, including third-party authentication and verification and the establishment of procedures designed to detect fraud. However, there can be no assurance that we will be successful in preventing or identifying fraud, or in obtaining redress in the event such fraud is detected.

We may be subject to risks associated with our investments in unitranche loans

Unitranche loans provide leverage levels comparable to a combination of first lien and second lien or subordinated loans, and may rank junior to other debt instruments issued by the portfolio company. Unitranche loans generally allow the borrower to make a large lump sum payment of principal at the end of the loan term, and there is a heightened risk of loss if the borrower is unable to pay the lump sum or refinance the amount owed at maturity. From the perspective of a lender, in addition to making a single loan, a unitranche loan may allow the lender to choose to participate in the "first out" tranche, which will generally receive priority with respect to payments of principal, interest and any other amounts due, or to choose to participate only in the "last out" tranche, which is generally paid only after the first out tranche is paid. We may participate in "first out" and "last out" tranches of unitranche loans and make single unitranche loans, and we may suffer losses on such loans if the borrower is unable to make required payments when due.

Covenant-Lite Loans may expose us to different risks, including with respect to liquidity, price volatility, ability to restructure loans, credit risks and less protective loan documentation, than is the case with loans that contain financial maintenance covenants.

A significant number of high yield loans in the market, may consist of covenant-lite loans, or "Covenant-Lite Loans." A significant portion of the loans in which we may invest or get exposure to through our investments may be deemed to be Covenant-Lite Loans. Such loans do not require the borrower to maintain debt service or other financial ratios and do not include terms which allow the lender to monitor the performance of the borrower and declare a default if certain criteria are breached. Ownership of Covenant-Lite Loans may expose us to different risks, including with respect to liquidity, price volatility, ability to restructure loans, credit risks and less protective loan documentation, than is the case with loans that contain financial maintenance covenants.

As a BDC, our ability to invest in public companies and foreign companies is limited by the 1940 Act.

To maintain our tax treatment as a BDC, we are not permitted to acquire any assets other than "qualifying assets" specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our total assets are qualifying assets (with certain limited exceptions). Subject to certain exceptions for follow-on investments and distressed companies, an investment in an issuer that has outstanding securities listed on a national securities exchange may be treated as qualifying assets only if such issuer has a market capitalization that is less than $250 million at the time of such investment. In addition, we may invest up to 30% of our portfolio in opportunistic investments which will be intended to diversify or complement the remainder of our portfolio and to enhance our returns to stockholders. These investments may include private equity investments, securities of public companies that are broadly traded and securities of non-U.S. companies. We expect that these public companies generally will have debt securities that are non-investment grade.

Our investments in foreign securities may involve significant risks in addition to the risks inherent in U.S. investments.

Our investment strategy contemplates that a portion of our investments may be in securities of foreign companies. Investing in foreign companies may expose us to additional risks not typically associated with investing in U.S. companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Although it is anticipated that most of our investments will be denominated in U.S. dollars, our investments that are denominated in a foreign currency will be subject to the risk that the value of a particular currency may change in relation to the U.S. dollar. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. We may employ hedging techniques to minimize these risks, but we can offer no assurance that we will, in fact, hedge currency risk or, that if we do, such strategies will be effective. As a result, a change in currency exchange rates may adversely affect our profitability.

Hedging transactions may expose us to additional risks.

We may engage in currency or interest rate hedging transactions. If we engage in hedging transactions, we may expose ourselves to risks associated with such transactions. We may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates and market interest rates. Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transaction may also limit the opportunity for gain if the values of the underlying portfolio positions should increase. Moreover, it may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price.

While we may enter into transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, we may not seek or be able to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of factors not related to currency fluctuations.

The disposition of our investments may result in contingent liabilities.

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

If we invest in the securities and obligations of distressed and bankrupt issuers, we might not receive interest or other payments.

We may invest in the securities and obligations of distressed and bankrupt issuers, including debt obligations that are in covenant or payment default. Such investments generally are considered speculative. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer of those obligations might not make any interest or other payments. We may not realize gains from our equity investments.

We are subject to risks associated with significant investments in one or more economic sectors and/or industries, including the business services sector, which includes our investment in our affiliate's 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 Services: Business 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.

As of September 30, 2023, investments in our affiliate's asset-based lending business constituted 16.2% of our total assets. See above, under Item 1A for risk factors related to our investment in that business.

Risks Related to Our Operations as a BDC and a RIC

Regulations governing our operation as a BDC may limit 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.

Our business requires a substantial amount of capital to operate and grow. We may acquire additional capital from the issuance of senior securities (including debt and preferred stock), the issuance of additional shares of our common stock or from securitization transactions. However, we may not be able to raise additional capital in the future on favorable terms or at all. Additionally, 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. If our assets decline in value and we fail to satisfy this test, we may be required to liquidate a portion of our investments and repay a portion of our indebtedness at a time when such sales or repayment may be disadvantageous, which could have a material adverse impact on our liquidity, financial condition and results of operations. As of September 30, 2023, the Company's asset coverage was 270.7% after giving effect to leverage and therefore the Company's asset coverage is above 200%, the minimum asset coverage requirement under the 1940 Act.

Changes in the laws or regulations governing our business, or changes in the interpretations thereof, and any failure by us to comply with these laws or regulations, could have a material adverse effect on our business, results of operations or financial condition.

Changes in the laws or regulations or the interpretations of the laws and regulations that govern BDCs, RICs or non-depository commercial lenders could significantly affect our operations and our cost of doing business. We are subject to federal, state and local laws and regulations and are subject to judicial and administrative decisions that affect our operations, including our loan originations, maximum interest rates, fees and other charges, disclosures to portfolio companies, the terms of secured transactions, collection and foreclosure procedures and other trade practices. If these laws, regulations or decisions change, or if we expand our business into jurisdictions that have adopted more stringent requirements than those in which we currently conduct business, we may have to incur significant expenses in order to comply, or we might have to restrict our operations. In addition, if we do not comply with applicable laws, regulations and decisions, we may lose licenses needed for the conduct of our business and may be subject to civil fines and criminal penalties.

As an internally managed BDC, we are subject to certain restrictions that may adversely affect our ability to offer certain compensation structures.

As an internally managed BDC, our ability to offer more competitive and flexible compensation structures, such as offering both a profit-sharing plan and an equity incentive plan, is subject to the limitations imposed by the 1940 Act, which limits our ability to attract and retain talented investment management professionals. As such, these limitations could inhibit our ability to grow, pursue our business plan and attract and retain professional talent, any or all of which may have a negative impact on our business, financial condition and results of operations.

As an internally managed BDC, we are dependent upon our management team and investment professionals for their time availability and for our future success, and if we are not able to hire and retain qualified personnel, or if we lose key members of our senior management team, our ability to implement our business strategy could be significantly harmed.

As an internally managed BDC, our ability to achieve our investment objectives and to make distributions to our stockholders depends upon the performance of our management team and investment professionals. We depend upon the members of our management and our investment professionals for the identification, final selection, structuring, closing and monitoring of our investments. These employees have critical industry experience and relationships on which we rely to implement our business plan. If we lose the services of key members of our senior management team, we may not be able to operate the business as we expect, and our ability to compete could be harmed, which could cause our operating results to suffer. We believe our future success will depend, in part, on our ability to identify, attract and retain sufficient numbers of highly skilled employees. If we do not succeed in identifying, attracting and retaining such personnel, we may not be able to operate our business as we expect. As an internally managed BDC, our compensation structure is determined and set by our Board of Directors and its Compensation Committee. This structure currently includes salary, bonus and incentive compensation. We are subject to limitations by the 1940 Act on our ability to employ an incentive compensation structure that directly ties performance of our investment portfolio and results of operations to incentive compensation. Members of our senior management team may receive offers of more flexible and attractive compensation arrangements from other companies, particularly from investment advisers to externally managed BDCs that are not subject to the same limitations on incentive-based compensation that we are subject to as an internally managed BDC. A departure by one or more members of our senior management team could have a negative impact on our business, financial condition and results of operations.

We have internalized our operating structure, including our management and investment functions; as a result, we may incur significant costs and face significant risks associated with being self-managed, including adverse effects on our business and financial condition.

Effective January 1, 2021, we operate under an internalized operating structure, including our management and investment functions. There can be no assurances that internalizing our operating structure will be beneficial to us and our stockholders, as we may incur the costs and risks discussed below and may not be able to effectively replicate or improve upon the services previously provided to us by our former investment adviser and administrator, MCC Advisors.

While we will no longer bear the costs of the various fees and expenses we previously paid to MCC Advisors under the Investment Advisory Agreement, our direct expenses will generally include general and administrative costs, including legal, accounting, and other expenses related to corporate governance, SEC reporting and compliance, as well as costs and expenses related to making and managing our investments. We will also now incur the compensation and benefits costs of our officers and other employees and consultants, and, subject to adherence to applicable law, we may issue equity or other incentive-based awards to our officers, employees and consultants, which awards may decrease net income and funds from our operations and may dilute our stockholders. We may also be subject to potential liabilities commonly faced by employers, such as workers disability and compensation claims, potential labor disputes and other employee-related liabilities and grievances.

In addition, if the expenses we assume as a result of our internalization are higher than the expenses we would have paid and/or reimbursed to MCC Advisors, our earnings per share may be lower as a result of our internalization than they otherwise would have been, potentially decreasing the amount of funds available to distribute to our stockholders and the value of our shares.

Further, an inability to effectively manage our internalization could result in our incurring excess costs and operating inefficiencies, and may divert our management's attention from managing our investments.

All of these factors could have a material adverse effect on our results of operations, financial condition, and ability to pay distributions.

The impact of financial reform legislation on us is uncertain.

The Dodd-Frank Reform Act became effective on July 21, 2010. Many provisions of the Dodd-Frank Reform Act have delayed effective dates or have required extensive rulemaking by regulatory authorities. The upcoming presidential and congressional elections may cause uncertainty regarding the implementation of the Dodd-Frank Reform Act and other financial reform rulemaking. Given the uncertainty associated with the manner in which and whether the provisions of the Dodd-Frank Act will be implemented, repealed, amended, or replaced, the full impact such requirements will have on our business, results of operations or financial condition is unclear. The changes resulting from the Dodd-Frank Act or any changes to the regulations already implemented thereunder may require us to invest significant management attention and resources to evaluate and make necessary changes in order to comply with new statutory and regulatory requirements. Failure to comply with any such laws, regulations or principles, or changes thereto, may negatively impact our business, results of operations or financial condition. While we cannot predict what effect any changes in the laws or regulations or their interpretations would have on us as a result of recent financial reform legislation, these changes could be materially adverse to us and our stockholders.

We cannot predict how tax reform legislation will affect us, our investments, or our stockholders, and any such legislation could adversely affect our business.

Legislative or other actions relating to taxes could have a negative effect on us, our investments, or our stockholders. The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Department of the Treasury. We cannot predict with certainty how any changes in the tax laws might affect us, our stockholders, or our portfolio investments. New legislation and any U.S. Treasury regulations, administrative interpretations or court decisions interpreting such legislation could significantly and negatively affect our ability to qualify for tax treatment as a RIC or the U.S. federal income tax consequences to us and our stockholders of such qualification, or could have other adverse consequences. Stockholders are urged to consult with their tax advisors regarding tax legislative, regulatory, or administrative developments and proposals and their potential effect on an investment in our securities.

Legislation that became effective in 2018 may allow the Company to incur additional leverage, which could increase the risk of investing in the Company.

The 1940 Act generally prohibits the Company from incurring indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). However, in March 2018, the SBCA was signed into law, which included various changes to regulations under the federal securities laws that impact BDCs. The SBCA included changes to the 1940 Act to allow BDCs to decrease their asset coverage requirement from 200% to 150%, if certain requirements are met. Under the 1940 Act, the Company is allowed to increase its leverage capacity if our 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 Acts 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 proposal. 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.

Leverage is generally considered a speculative investment technique and increases the risk of investing in our securities. Leverage magnifies the potential for loss on investments in our indebtedness and on invested equity capital. As we use leverage to partially finance our investments, our stockholders will experience increased risks of investing in our securities. If the value of our assets increases, then leveraging would cause the NAV attributable to our common stock to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause NAV to decline more sharply than it otherwise would have had we not leveraged our business. Similarly, any increase in our income in excess of interest payable on the borrowed funds would cause our net investment income to increase more than it would without the leverage, while any decrease in our income would cause net investment income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect the Company's ability to pay common stock dividends, scheduled debt payments or other payments related to our securities.

If we do not invest a sufficient portion of our assets in qualifying assets, we could fail to qualify as a BDC, which would have a material adverse effect on our business, financial condition and results of operations.

As a BDC, we may not acquire any assets other than "qualifying assets" unless, at the time of and after giving effect to such acquisition, at least 70% of our total assets are qualifying assets. See "Regulation". Our intent is that a substantial portion of the investments that we acquire will constitute qualifying assets. However, we may be precluded from investing in what we believe are attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. If we do not invest a sufficient portion of our assets in qualifying assets, we could be found to be in violation of the 1940 Act provisions applicable to BDCs and possibly lose our tax treatment as a BDC, which would have a material adverse effect on our business, financial condition and results of operations.

We would become subject to corporate-level U.S. federal income tax if we are unable to maintain our qualification as a RIC under Subchapter M of the Code or satisfy RIC distribution requirements.

We have elected, and intend to qualify annually, to be treated as a RIC under Subchapter M of the Code. No assurance can be given that we will be able to maintain our qualification as a RIC. To maintain RIC tax treatment under the Code, we must meet the following annual distribution, income source and asset diversification requirements.

- The annual distribution requirement for a RIC is satisfied if we timely distribute to our stockholders on an annual basis at least 90% of our net ordinary income and realized short-term capital gains in excess of realized net long-term capital losses. Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year distributions into the next year and pay a 4% U.S. federal excise tax on such income. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year that generated such taxable income.

- The source of income requirement is satisfied if we obtain at least 90% of our gross income for each taxable year from dividends, interest, payments with respect to certain securities loans, gains from the sale or other disposition of stock or other securities or foreign currencies or other income derived with respect to our business of investing in such stock, securities or currencies and net income derived from an interest in a "qualified publicly traded partnership" (as defined in the Code).

- The asset diversification requirement is satisfied if we meet certain asset diversification requirements at the end of each quarter of our taxable year. To satisfy this requirement, at least 50% of the value of our assets must consist of cash, cash equivalents, U.S Government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of the issuer (which for these purposes includes the equity securities of a "qualified publicly traded partnership"). In addition, no more than 25% of the value of our assets can be invested in the securities, other than U.S Government securities or securities of other RICs, (1) of one issuer (2) of two or more issuers that are controlled, as determined under applicable tax rules, by us and that are engaged in the same or similar or related trades or businesses or (3) of one or more "qualified publicly traded partnerships".

If we fail to qualify for RIC tax treatment for any reason or are subject to corporate-level U.S. federal income tax, the resulting corporate-level taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions. In addition, to the extent we had unrealized gains, we would have to establish deferred tax liabilities for taxes, which would reduce our NAV accordingly. In addition, our stockholders would lose the tax credit realized if we, as a RIC, decide to retain the net realized capital gain and make deemed distributions of net realized capital gains, and pay taxes on behalf of our stockholders at the end of the tax year. The loss of this pass-through tax treatment could have a material adverse effect on the total return of an investment in our common stock.

Risks Relating to an Investment in Our Securities

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

The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and a higher risk of volatility or loss of principal. Our investments in portfolio companies involve higher levels of risk and, therefore, an investment in our securities may not be suitable for someone with lower risk tolerance.

Shares of closed-end investment companies, including business development companies, may, at times, trade at a discount to their NAV and the Company's shares have not traded at or above NAV since the first quarter of 2015.

Shares of closed-end investment companies, including business development companies, may, at times, trade at a discount from NAV. This characteristic of closed-end investment companies and business development companies is separate and distinct from the risk that our NAV per share may decline. Our common stock has not traded at or above NAV since the first quarter of 2015, and we cannot predict whether our common stock will trade at, above or below NAV in the future.

The market price of our common stock fluctuates.

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

These factors include:

- significant volatility in the market price and trading volume of securities of business development companies or other companies in our sector, which are not necessarily related to the operating performance of the companies;
- changes in regulatory policies, accounting pronouncements or tax guidelines, particularly with respect to BDCs or RICs;
- loss of our qualification as a RIC or BDC;
- changes in earnings or variations in operating results;
- changes in the value of our portfolio of investments;
- changes in accounting guidelines governing valuation of our investments;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- departure of our key personnel;
- operating performance of companies comparable to us;
- general economic trends and other external factors; and
- loss of a major funding source.

Certain provisions of the Delaware General Corporation Law and our certificate of incorporation and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.

The Delaware General Corporation Law, our certificate of incorporation and our bylaws contain provisions that may have the effect of discouraging a third party from making an acquisition proposal for us. These anti-takeover provisions may inhibit a change in control in circumstances that could give the holders of our common stock the opportunity to realize a premium over the market price of our common stock.

The NAV per share of our common stock may be diluted if we sell shares of our common stock in one or more offerings at prices below the then current NAV per share of our common stock or securities to subscribe for or convertible into shares of our common stock.

While we currently do not have the requisite stockholder approval to sell shares of our common stock at a price or prices below our then current NAV per share, we may seek such approval in the future. In addition, at our 2012 Annual Meeting of Stockholders, we received approval from our stockholders to authorize the Company, with the approval of our board of directors, to issue securities to, subscribe to, convert to, or purchase shares of the Company's common stock in one or more offerings, subject to certain conditions as set forth in the proxy statement. Such authorization has no expiration.

Any decision to sell shares of our common stock below its then current NAV per share or issue securities to subscribe for or convertible into shares of our common stock would be subject to the determination by our board of directors that such issuance is in our and our stockholders' best interests.

If we were to sell shares of our common stock below its then current NAV per share, such sales would result in an immediate dilution to the NAV per share of our common stock. This dilution would occur as a result of the sale of shares at a price below the then current NAV per share of our common stock and a proportionately greater decrease in the stockholders' interest in our earnings and assets and their voting interest in us than the increase in our assets resulting from such issuance. Because the number of shares of common stock that could be so issued and the timing of any issuance is not currently known, the actual dilutive effect cannot be predicted.

If we issue warrants or securities to subscribe for or convertible into shares of our common stock, subject to certain limitations, the exercise or conversion price per share could be less than NAV per share at the time of exercise or conversion (including through the operation of anti-dilution protections). Because we would incur expenses in connection with any issuance of such securities, such issuance could result in a dilution of the NAV per share at the time of exercise or conversion. This dilution would include reduction in NAV per share as a result of the proportionately greater decrease in the stockholders' interest in our earnings and assets and their voting interest than the increase in our assets resulting from such issuance.

Further, if our current stockholders do not purchase any shares to maintain their percentage interest, regardless of whether such offering is above or below the then current NAV per share, their voting power will be diluted. For example, if we sell an additional 10% of our shares of common stock at a 5% discount from NAV, a stockholder who does not participate in that offering for its proportionate interest will suffer NAV dilution of up to 0.5% or $5 per $1,000 of NAV.

The terms of the Credit Facility place restrictions on our and/or our subsidiaries activities.

The terms of the Credit Facility place restrictions on our and/or our subsidiaries' ability to, among other things, issue securities or otherwise incur additional indebtedness or other obligations, and in certain cases we may need the approval of WoodForest, as the Administrative Agent, in order to incur further indebtedness. In addition, the Credit Facility contains customary events of default for credit facilities of this type, including (without limitation): nonpayment of principal, interest, fees or other amounts after a stated grace period; inaccuracy of material representations and warranties; change of control; violations of covenants, subject in certain cases to stated cure periods; and certain bankruptcies and liquidations. If an event of default occurs and is continuing, the Company may be required to repay all amounts outstanding under the Credit Facility, which would adversely affect our liquidity position and, in turn, could force us to dispose of investments at inopportune times at reduced prices. Repayment could also adversely affect our ability to implement our investment strategy and achieve our investment objectives.

If we issue preferred stock, the NAV and market value of our common stock may become more volatile.

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

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

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

Our business and operations could be negatively affected if we become subject to any securities class actions and derivative lawsuits, which could cause us to incur significant expense, hinder execution of investment strategy and impact our stock price.

In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation has often been brought against that company. Stockholder activism, which could take many forms or arise in a variety of situations, has been increasing in the BDC space recently. Securities litigation and stockholder activism, including potential proxy contests, could result in substantial costs and divert management's and our board of directors' attention and resources from our business. Additionally, such securities litigation and stockholder activism could give rise to perceived uncertainties as to our future, adversely affect our relationships with service providers and make it more difficult to attract and retain qualified personnel. Also, we may be required to incur significant legal fees and other expenses related to any securities litigation and activist stockholder matters. Further, our stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any securities litigation and stockholder activism.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Properties

We do not own any real estate or other physical properties materially important to our operation. We have entered into a 5-year operating lease for our headquarters at 445 Park Avenue, 10th Floor, New York, NY 10022.

Item 3. 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. We are not currently party to any material legal proceedings.

Item 4. Mine Safety Disclosures

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Since January 4, 2021, the common stock trades on the NASDAQ Global Market under the trading symbol "PFX."

As of September 30, 2023, we had 11 stockholders of record of our common stock, which did not include stockholders for whom shares are held in "nominee" or "street name."

The following table sets forth, for the periods indicated, the range of high and low closing prices of our common stock and the sales price as a percentage of the net asset value per share of our common stock.

	NAV(1)	Closing Market Price High	Closing Market Price Low	Premium/ (Discount) of High Market Price to NAV (2)	Premium/ (Discount) of Low Market Price to NAV (2)
Fiscal year ending September 30, 2023					
Fourth Quarter	$ 70.75	$ 40.00	$ 35.71	(43.46)%	(49.53)%
Third Quarter	67.01	39.00	32.00	(41.80)%	(52.25)%
Second Quarter	62.70	39.14	32.49	(37.58)%	(48.18)%
First Quarter	59.38	36.49	31.05	(38.55)%	(47.71)%
Fiscal year ending September 30, 2022					
Fourth Quarter	$ 57.49	$ 39.37	$ 32.61	(31.52)%	(43.28)%
Third Quarter	58.74	43.00	35.75	(26.80)%	(39.14)%
Second Quarter	62.94	42.00	36.10	(33.27)%	(42.64)%
First Quarter	58.99	43.50	40.50	(26.26)%	(31.34)%
Fiscal year ending September 30, 2021					
Fourth Quarter	$ 57.08	$ 43.35	$ 40.10	(24.05)%	(29.75)%
Third Quarter	58.49	42.76	32.80	(26.89)%	(43.92)%
Second Quarter	55.91	33.99	27.70	(39.21)%	(50.46)%
First Quarter	52.94	29.88	18.14	(43.56)%	(65.73)%

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

(2) Calculated as of the respective high or low closing market price less quarter end net asset value divided by the quarter end net asset value.

For all periods presented in the table above, there was no return of capital included in any distribution.

Shares of business development companies may trade at a market price that is less than the value of the net assets attributable to those shares. The possibility that our shares of common stock will trade at a discount or premium to net asset value is separate and distinct from the risk that our net asset value will decrease.

The last reported closing price of our common stock on December 21, 2023 was $38.25 per share, approximately 54.06% of the Company's then-current NAV. As of December 21, 2023 we had 11 stockholders of record of our common stock, which did not include stockholders for whom shares are held in "nominee" or "street name."

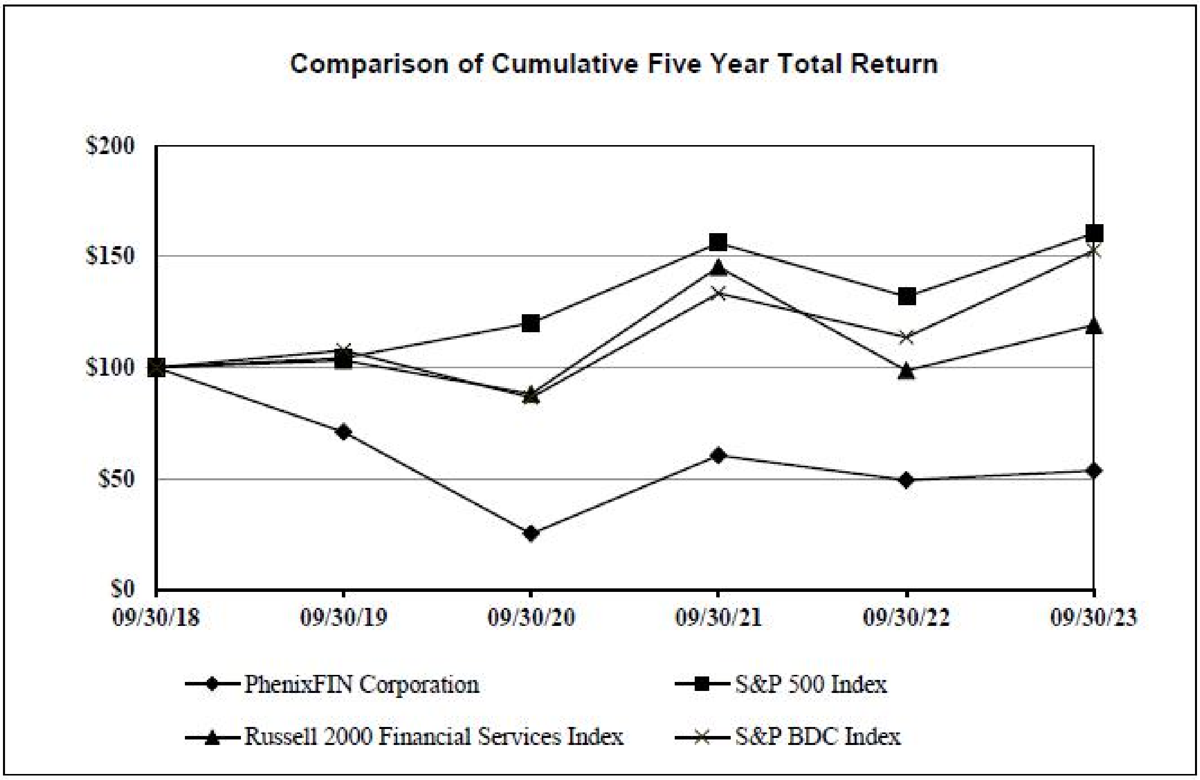
Sales of Unregistered Securities

We did not sell any securities within the past three years that were not registered under the Securities Act of 1933.

Stock Performance Graph

This graph compares the stockholder return on our common stock from September 30, 2018 to September 30, 2023 with that of the Standard & Poor's 500 Stock Index and the Russell 2000 Financial Services Index. This graph assumes that on September 30, 2018, $100 was invested in our common stock, the S&P 500 Index, and the Russell 2000 Financial Services Index. The graph also assumes the reinvestment of all cash dividends prior to any tax effect. Investment performance shown for periods prior to January 1, 2021 was achieved pursuant to our former externally-managed structure.

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



Issuer Purchases of Securities

Information relating to the Company's purchases of its common stock during the year ended September 30, 2023 is as follows:

Month Ended	Shares Repurchased	Repurchase Price Per Share	Aggregate Consideration for Repurchased Shares
October 2022	701	$35.20 - $36.14	14,434
November 2022	1,103	$34.53 - $35.28	38,790
December 2022	1,501	$33.26 - $34.84	51,295
January 2023	2,052	$32.78 - $34.84	68,665
February 2023	3,131	$33.06 - $39.03	115,430
March 2023	2,003	$37.02 - $38.89	76,214
April 2023	649	$35.79 - $37.03	23,671
May 2023	100	$36.53 - $36.53	3,658
June 2023	2,300	$33.63 - $38.76	85,556
August 2023	14,751	$36.98 - $39.41	575,728
September 2023	125	$38.11 - $38.11	4,772
Total	28,416		1,058,213

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

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

Forward-Looking Statements

Some of the statements in this annual report on Form 10-K constitute forward-looking statements, which relate to future events or our performance or financial condition. The forward-looking statements contained in this annual report on Form 10-K 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 effect of pandemics and other future market disruptions 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 disruptions 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 annual report 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 annual report on Form 10-K.

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.

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. 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, 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.

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.

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 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 net asset value ("NAV") (including the cost and expenses of any independent valuation firms);
- expenses, including travel expense, incurred by our professionals or payable to third parties performing due diligence on prospective portfolio companies, monitoring our investments and, if necessary, enforcing our rights;
- interest payable on debt incurred to finance our investments;
- the costs of all offerings of common shares and other securities;
- operating costs associated with employing investment professionals and other staff;
- distributions on our shares;
- administration fees payable under our administration agreement;
- custodial fees related to our assets
- amounts payable to third parties relating to, or associated with, making investments;
- transfer agent and custodial fees;
- all registration and listing fees;
- U.S. federal, state and local taxes;
- independent directors' 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;
- the operating lease of our office space;

- directors and officers/errors and omissions liability insurance, and any other insurance premiums;
- indemnification payments; and
- direct costs and expenses of administration, including audit and legal costs.

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), 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 paid during the quarter ended March 31, 2021. See “Note 6” for more information.

Long-Term Cash Incentive Plan

On May 9, 2022, the board of directors of the Company adopted the PhenixFIN 2022 Long-Term Cash Incentive Plan (the “CIP”) pursuant to the recommendation by the Compensation Committee of the board of directors. The CIP provides for performance-based cash awards to key employees of the Company, as approved by the Compensation Committee, based on the achievement of pre-established financial goals for the approved performance period. The performance goals may be expressed as one or a combination of net asset value of the Company, net asset value per share of the Company’s common stock, changes in the market price of shares of the Company’s common stock, individual performance metrics and/or such other goals and objectives the Committee considers relevant in connection with accomplishing the purposes of the CIP.

In connection with the approval of the CIP, the Compensation Committee in April 2022 approved awards for the three-year performance period commencing on January 1, 2022 and ending on December 31, 2024 (the “2022 LTIP Plan”). Each participant is eligible to receive an amount of cash equal to 0%-200% of the target award set forth in the table below (“Target Performance Award”), based on the achievement of net asset value (“NAV”) and NAV per share goals (weighted at 30% and 70%, respectively) as of the end of the performance period (the “Performance Goals”). Performance is evaluated separately for each Performance Goal. No payment is made with respect to a Performance Goal if a threshold level of performance is not achieved. Each Performance Goal is subject to (i) a threshold level of performance at which a percentage of the Target Performance Award attributable to that Performance Goal may be paid and below which no payment is made pursuant to an award, (ii) a target level of performance at which 100% of the Target Performance Award attributable to that Performance Goal may be paid and (iii) a maximum level of performance, at which 200% of the Target Performance Award attributable to that Performance Goal may be paid, in each case subject to such other terms and conditions of an award. Between threshold, target and maximum performance levels for each Performance Goal, the portion of that award attributed to the Performance Goals shall be interpolated in a linear progression.

In December 2022, pursuant to the CIP, the Compensation Committee approved awards for Mr. Lorber and Ms. McMillan for the three-year performance period commencing on January 1, 2023 and ending on December 31, 2025 (the “2023 LTIP Plan”). Each participant is eligible to receive an amount of cash equal to a percentage of the target award amount set forth above based on the factors described above. The Compensation Committee, in approving the awards, evaluated each Performance Goal separately.

The Target Performance Award for each executive officer for both the 2022 LTIP plan and 2023 LTIP plan is set forth in the table below:

Name and Title	**Dollar Value of Target Award**
David Lorber, Chairman of the Board and Chief Executive Officer	$ 890,000
Ellida McMillan, Chief Financial Officer	380,000

During the year ended September 30, 2023, the Company recorded an accrual of $317,000, for these awards. During the years ended September 30, 2022 and 2021, the Company did not record an accrual.

Portfolio and Investment Activity

As of September 30, 2023 and 2022, our portfolio had a fair market value of approximately $226.5 million and $193.0 million, respectively.

During the year ended September 30, 2023, we received proceeds from sale and settlements of investments of $66.6 million, including principal and dividend proceeds, realized net losses on investments of $11.5 million, and invested $76.5 million.

During the year ended September 30, 2022, we received proceeds from sale and settlements of investments of $123.8 million, including principal and dividend proceeds, realized net gains on investments of $5.2 million, and invested $173.3 million.

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

	September 30, 2023		September 30, 2022	
	Amortized Cost	**Fair Value**	**Amortized Cost**	**Fair Value**
Average portfolio company	$ 6,310	$ 5,392	$ 3,560	$ 2,608
Largest portfolio company	38,871	38,871	47,136	47,136

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

	Amortized Cost	**Percentage**	**Fair Value**	**Percentage**
Senior Secured First Lien Term Loans	$ 139,103	52.5%	$ 103,004	45.6%
Senior Secured Notes	9,512	3.6	8,922	3.9
Fund Investment	1,027	0.4	792	0.3
Equity/Warrants	115,369	43.5	113,743	50.2
Total Investments	**$ 265,011**	**100.0%**	**$ 226,461**	**100.0%**

The following table summarizes the amortized cost and the fair value of investments as of September 30, 2022 (dollars in thousands):

	Amortized Cost	**Percentage**	**Fair Value**	**Percentage**
Senior Secured First Lien Term Loans	$ 128,482	48.7%	$ 88,248	45.6%
Senior Secured Second Lien Term Loans	2,603	1.0	2,607	1.4
Senior Secured Notes	2,252	0.9	1,659	0.9
Unsecured Debt	182	0.1	-	-
Equity/Warrants	129,929	49.3	100,443	52.1
Total Investments	**$ 263,448**	**100.0%**	**$ 192,957**	**100.0%**

As of September 30, 2023, our income-bearing investment portfolio based upon cost represented 88.2% of our total portfolio of which 59.5% bore interest based on floating rates, such as LIBOR or SOFR, 13.9% bore interest at fixed rates, and 26.6% are income-producing equity investments. As of September 30, 2022, our income-bearing investment portfolio based upon cost represented 62.0% of our total portfolio of which 81.9% bore interest based on floating rates, such as LIBOR or SOFR, while 18.1% bore interest at fixed rates. As of September 30, 2023, the Company had a weighted average yield of 13.3% on debt and other income producing investments. As of September 30, 2022, the Company had a weighted average yield of 10.85% on debt and other income producing investments. The weighted average yield of our total portfolio does not represent the total return to our stockholders.

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

Credit Rating	Definition
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 following table shows the distribution of our investments on the 1 to 5 investment performance rating scale at fair value as of September 30, 2023 and 2022 (dollars in thousands):

	September 30, 2023		September 30, 2022	
	Fair Value	Percentage	Fair Value	Percentage
1	$ -	0.0%	$ -	0.0%
2	197,951	87.4%	159,279	82.6%
3	15,651	6.9%	22,183	11.5%
4	6,362	2.8%	6,250	3.2%
5	6,497	2.9%	5,245	2.7%
Total	$ 226,461	100.0%	$ 192,957	100.0%

Results of Operations

Operating results for the years ended September 30, 2023, 2022 and 2021 are as follows (dollars in thousands):

	For the Years Ended September 30,		
	2023	2022	2021
Total investment income	$ 19,878	$ 15,544	$ 32,307
Less: Net expenses	13,622	12,113	13,784
Net investment income/(loss)	6,256	3,431	18,523
Net realized gains (losses) on investments	(11,532)	5,221	(42,486)
Net change in unrealized gains (losses) on investments	32,194	(14,463)	25,363
Loss on extinguishment of debt	-	(296)	(122)
Net increase (decrease) in net assets resulting from operations	$ 26,918	$ (6,107)	$ 1,278

Investment Income

For the year ended September 30, 2023, investment income totaled $20.1 million, of which $12.1 million was attributable to portfolio interest, approximately $6.9 million was attributable to dividend income, $0.7 million was attributable to fee and other income, and $0.4 million was attributable to interest on cash and cash equivalents. Dividend income was received from 11 investments during the year ended September 30, 2023.

For the year ended September 30, 2022, investment income totaled $15.5 million, of which $9.3 million was attributable to portfolio interest, approximately $5.5 million was attributable to dividend income, and $0.7 million was attributable to fee and other income. Dividend income was received from 12 investments during the year ended September 30, 2022.

For the year ended September 30, 2021, investment income totaled $32.3 million, of which $29.6 million was attributable to portfolio interest and dividend income, $2.6 million was attributable to fee income, and $0.1 million was attributable to other income.

Operating Expenses

Operating expenses for the years ended September 30, 2023, 2022 and 2021 are as follows (dollars in thousands):

	For the Years Ended September 30,		
	2023	2022	2021
Base management fees	$ -	$ -	$ 1,146
Interest and financing expenses	5,532	5,113	5,800
Professional fees, net	1,405	1,341	560
Salaries and benefits	4,187	2,952	1,993
General and administrative	983	1,103	1,012
Directors fees	729	712	1,040
Insurance expenses	466	590	1,620
Administrator expenses	320	302	613
Total Expenses	$ 13,622	$ 12,113	$ 13,784

For the year ended September 30, 2023, total operating expenses increased by $1.5 million, or 12.5%, compared to the year ended September 30, 2022.

For the year ended September 30, 2022, total operating expenses decreased by $1.7 million, or 12.1%, compared to the year ended September 30, 2021.

Operating expenses are before management and incentive fee waivers for the first three months of 2021.

Effective beginning January 1, 2021, the Company no longer incurred any management or incentive fees, nor was it subject to expense support arrangements due to its transition to an internal management structure.

Interest and Financing Expenses

Interest and financing expenses for the year ended September 30, 2023 increased by $0.4 million, or 8.2%, compared to the year ended September 30, 2022. The increase in interest and financing expenses was primarily due to interest expense on the Credit Facility which was issued on December 15, 2022, partially offset by a decrease due to the full repayment of the 2023 Notes on January 17, 2023.

Interest and financing expenses for the year ended September 30, 2022 decreased by $0.7 million, or 11.8%, compared to the year ended September 30, 2021. The decrease in interest and financing expenses was primarily due to the full repayment of the 2021 Notes on November 20, 2020 and the partial repayment of the 2023 Notes on December 16, 2021, 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

No base management fees were paid for the year ended September 30, 2023 and 2022 as, since January 1, 2021, the Company ceased incurring management fees under its current internalized structure.

Base management fees for the year ended September 30, 2021 decreased by $5.2 million, or 82.0%, compared to the year ended September 30, 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 year ended September 30, 2023, 2022 or 2021. Since January 1, 2021, the Company no longer incurs incentive fees under its current internalized structure.

Professional Fees and General and Administrative Expenses

Professional fees and general and administrative expenses for the year ended September 30, 2023 decreased by $0.1 million, or 2.3%, compared to the year ended September 30, 2022. This resulted primarily from a decrease in miscellaneous expenses.

Professional fees and general and administrative expenses for the year ended September 30, 2022 increased by $0.9 million, or 55.5%, compared to the year ended September 30, 2021. This resulted primarily from recording insurance proceeds received in 2021 as an offset to legal fees which are a component of professional fees. During the year ended September 30, 2022, the Company did not receive any insurance proceeds.

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 year ended September 30, 2023, we recognized $11.5 million of realized losses on our portfolio investments. The realized losses were primarily due to the restructuring of one investment and the full repayments of two investments.

During the year ended September 30, 2022, we recognized $5.2 million of realized gains on our portfolio investments. The realized gains were primarily due to the partial and full repayments of two investments and the restructuring of three investments, offset by realized losses due to the sale of three investments and the repayment of four investments.

During the year ended September 30, 2021, we recognized $42.5 million of realized losses on our portfolio investments. The realized losses were primarily due to the sale of the MCC JV in the first fiscal quarter of 2021.

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 year ended September 30, 2023, the Company did not recognize a net loss on extinguishment of debt.

During the year ended September 30, 2022, 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.

During the year ended September 30, 2021, the Company recognized a net loss on extinguishment of debt of $0.1 million, which was due to the Company's $74.0 million repayment of the 2021 Notes on November 20, 2020.

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 year ended September 30, 2023, we had $31.9 million of net change in unrealized appreciation on investments. The net unrealized appreciation was comprised of $1.9 million of net unrealized depreciation on investments and $33.8 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.

For the year ended September 30, 2022, we had $14.5 million of net change in unrealized depreciation on investments. The net unrealized depreciation was comprised of $21.3 million of net unrealized depreciation on investments and $6.9 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 year ended September 30, 2021, we had $25.3 million of net change in unrealized appreciation on investments. The net unrealized appreciation was comprised of $54.8 million of net unrealized depreciation on investments and $80.1 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.

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 years ended September 30, 2023, 2022 and 2021, 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 year ended September 30, 2023, we recorded a net increase in net assets resulting from operations of $26.9 million compared to a net decrease in net assets resulting from operations of $6.1 million for the year ended September 30, 2022, and a net increase in net assets resulting from operations of $1.2 million for the year ended September 30, 2021 as a result of the factors discussed above. Based on 2,092,326, 2,323,601 and 2,677,891 weighted average common shares outstanding for the years ended September 30, 2023, 2022 and 2021, respectively, our per share net increase (decrease) in net assets resulting from operations was $12.87, $(2.63) and $0.48 for the years ended September 30, 2023, 2022 and 2021, respectively.

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 Credit Facility 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 September 30, 2023 and 2022, we had $6.0 and $22.8 million in cash and cash equivalents, respectively.

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.

On January 11, 2021, the Company announced that its board of directors approved a share repurchase program. 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. On February 8, 2023, the Board of Directors approved the further expansion of the amount authorized for repurchase under the Company's share repurchase program from $25 million to $35 million. Under the share repurchase program, the Company repurchased an aggregate of 649,996 shares of common stock through September 30, 2023, or 23.9% of shares issued as of the program's inception, with a total cost of $25.7 million. The total remaining amount authorized under the expanded share repurchase program at September 30, 2023 was approximately $9.3 million.

Credit Facility

On December 15, 2022, the Company and its wholly-owned subsidiaries executed a three-year, $50 million revolving credit facility (the "Credit Facility") with WoodForest Bank, N.A. ("WoodForest"), Valley National Bank, and Axiom Bank, (collectively, the "Lenders"). WoodForest is the administrative agent, sole bookrunner and sole lead arranger. As of September 30, 2023, there was $28.4 million outstanding borrowings by the Company under the Credit Facility.

Outstanding loans under the Credit Facility bear a monthly interest rate at Term SOFR + 2.90%. The Company is also subject to a commitment fee of 0.25%, which shall accrue on the actual daily amount of the undrawn portion of the revolving credit. The Credit Facility contains customary representations and warranties and affirmative and negative covenants. The Credit Facility contains customary events of default for credit facilities of this type, including (without limitation): nonpayment of principal, interest, fees or other amounts after a stated grace period; inaccuracy of material representations and warranties; change of control; violations of covenants, subject in certain cases to stated cure periods; and certain bankruptcies and liquidations. If an event of default occurs and is continuing, the Company may be required to repay all amounts outstanding under the Credit Facility.

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 bore 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.

On December 15, 2022, the Company caused notices to be issued to the holders of its 2023 Notes regarding the Company's exercise of its option to redeem $22,521,800 in aggregate principal amount of issued and outstanding 2023 Notes, comprising all issued and outstanding 2023 Notes, at a price equal to 100% of the principal amount of the 2023 Notes, plus accrued and unpaid interest thereon from September 30, 2022, through, but excluding, January 17, 2023 in accordance with the terms of the indenture governing the 2023 Notes. The redemption was completed on January 17, 2023. The Company funded the redemption of the 2023 Notes with loans obtained under the Credit Facility.

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" or 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.

Contractual Obligations and Off-Balance Sheet Arrangements

As of September 30, 2023 and 2022, we had commitments under loan and financing agreements to fund up to $3.4 million to four portfolio companies and $6.0 million to six portfolio companies, respectively. These commitments are primarily composed of senior secured delayed draw term loans and revolvers, and the determination of their fair value is included in the Consolidated Schedules 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 September 30, 2023 and 2022 is shown in the table below (dollars in thousands):

	September 30, 2023	September 30, 2022
SS Acquisition, LLC (dba Soccer Shots Franchising) - Senior Secured First Lien Delayed Draw Term Loan	$ -	$ 4,000
Kemmerer Operations, LLC - Senior Secured First Lien Delayed Draw Term Loan	-	908
Secure Acquisition Inc. (dba Paragon Films) - Senior Secured First Lien Delayed Draw Term Loan	517	517
NVTN LLC - Senior Secured First Lien Delayed Draw Term Loan	220	220
Black Angus Steakhouses, LLC Senior Secured First Lien Super Priority Delayed Draw Term Loan	-	167
1888 Industrial Services, LLC - Revolving Credit Facility	-	216
Deer Management Systems LLC - Senior Secured First Lien Delayed Draw Term Loan	600	-
Tamarix Capital Partners II, L.P. - Fund Investment	2,038	-
Total unfunded commitments	$ 3,375	$ 6,028

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 September 30, 2023 (dollars in thousands):

	Payments Due by Period					
	2024	2025	2026	2027	Thereafter	Total
Revolving Credit Facility	$ -	$ (28,441,941)	$ -	$ -	$ -	$ (28,441,941)
2028 Notes	-	-	-	-	(57,500,000)	(57,500,000)
Operating Lease Obligation (1)	(156,359)	(156,971)	(161,680)	(27,417)	-	(502,427)
Total contractual obligations	$ (156,359)	$ (28,598,912)	$ (161,680)	$ (27,417)	$ (57,500,000)	$ (86,444,368)

(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.

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 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.

The Company did not declare any regular distribution payments during the years ended September 30, 2023, 2022 and 2021. During the year ended September 30, 2022, a special dividend was declared in the amount of $265,798 on June 24, 2022 payable on July 13, 2022 to Stockholders of record on July 5, 2022.

Related Party Transactions

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.

Base Management Fee and Incentive Fee

Prior to January 1, 2021, we operated pursuant to an investment management agreement with MCC Advisors which expired on December 31, 2020. Since January 1, 2021, we have operated pursuant to an internalized management structure. Through December 31, 2020, the investment management agreement with MCC Advisors provided for a base management fee and an incentive 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. For the year ended September 30, 2021, the Company incurred base management fees to MCC Advisors of $1.1 million. No incentive fee was payable for the year ended September 30, 2021. Since January 1, 2021, the Company no longer incurs management fees under its current internalized structure.

Pledge and Security Agreement

In connection with the Credit Facility discussed in Note 5, the Company has entered into a Pledge and Security Agreement with the Lenders pursuant to which the Company and its wholly owned subsidiaries have pledged all their assets, including the cash and securities held in the Company's custodial account with Computershare Trust Company, N.A., as collateral for any borrowings made by the Company pursuant to the Credit Agreement. The Lenders have the typical rights and remedies of a secured lender under the Uniform Commercial Code, including the right to foreclose on the collateral pledged by the Company.

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 quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

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.

In December 2020, the SEC adopted Rule 2a-5 under the 1940 Act, which permits a BDC's board of directors to designate its executive officer(s) as a valuation designee to determine the fair value of its investment portfolio, subject to the oversight of the board. The Board approved policies and procedures pursuant to Rule 2a-5 and has designated Ellida McMillan, the Company's CFO, to serve as the Board's valuation designee ("Valuation Designee"), subject to the Board's oversight, effective September 8, 2022.

With respect to investments for which market quotations are not readily available, our board oversees and our Valuation Designee undertakes 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.
- Available third-party market data will be reviewed by Company personnel designated by the Valuation Designee ("Fair Value Personnel") and the Valuation Firm.
- Available portfolio company data and general industry data is then reviewed by the Fair Value Personnel.
- Preliminary valuation conclusions are then documented by the Valuation Firm and discussed with the Fair Value Personnel.
- The Valuation Designee then determines the fair value of each investment in the Company's portfolio in good faith based on such discussions, the Company's Valuation Policy and the Valuation Firms' final estimated valuations.

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 consolidated 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 September 30, 2023, certain investments in four portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately $6.5 million, or 2.9% of the fair value of our portfolio. At September 30, 2022, certain investments in five portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately $5.2 million, or 2.7% 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

In December 2023, the Company established a subsidiary to serve as a regulated insurance company. This subsidiary also entered into a merger agreement pursuant to which it agreed to acquire a controlling interest in VR Insurance SPV, LLC, a company primarily engaged in the insurance business through its subsidiaries ("VR"), and to provide additional capital to such company. Our subsidiary's controlling interest in VR is being acquired pursuant to a plan of reorganization duly adopted by VR which calls for the merger and recapitalization of VR. The Company's total investment in the insurance subsidiary and VR is expected to approximate $49 million. The merger transaction is presently expected to close in the first half of 2024 and is subject to various closing conditions, including insurance regulatory approvals.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are subject to financial market risks, including changes in interest rates. Changes in interest rates may affect both our cost of funding and our interest income from portfolio investments and cash and cash equivalents. Our investment income will be affected by changes in various interest rates, including SOFR, 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 2023, the Federal Reserve raised short-term interest rates and has indicated additional interest rate increases may come. In addition, U.S. and global capital markets and credit markets have experienced a higher level of stress due to the higher interest rate environment, pandemics, and other market events, 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 the year ended September 30, 2023, we did not engage in hedging activities.

As of September 30, 2023, 59.6% of our income-bearing investment portfolio bore interest based on floating rates based upon fair value. The substantial majority of this component of our portfolio bore interest based on a SOFR reference rate. Certain such investments used a LIBOR reference rate at September 30, 2023, but no such investments utilize a LIBOR reference rate as of the date of this report. 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 the applicable reference rates are not offset by a corresponding increase in the spread over the reference rates 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 reference rates. 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 floor as of September 30, 2023 was as follows (dollars in thousands):

	September 30, 2023	
LIBOR and SOFR Floor	**Fair Value**	**% of Floating Rate Portfolio**
Under 1%	$ 20,461	20.5%
1% to under 2%	56,574	56.8
3% to under 4%	11,130	11.2
No Floor	11,454	11.5
Total	$ 99,619	100.0%

Based on our Consolidated Statements of Assets and Liabilities as of September 30, 2023, the following table (dollars in thousands) shows the approximate increase/(decrease) in components of net assets resulting from operations of hypothetical reference rate changes in interest rates, assuming no changes in our investment and capital structure.

Change in Interest Rates	**Interest Income(1)**	**Interest Expense**	**Net Increase/ (Decrease)**
Up 300 basis points	$ 6,800	$ (900)	$ 5,900
Up 200 basis points	4,500	(600)	3,900
Up 100 basis points	2,300	(300)	2,000
Down 100 basis points	(2,300)	300	(2,000)
Down 200 basis points	(4,500)	600	(3,900)
Down 300 basis points	(6,800)	900	(5,900)

(1) Assumes no defaults or prepayments by portfolio companies over the next twelve months.

Item 8. Consolidated Financial Statements and Supplementary Data

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Reports of Independent Registered Public Accounting Firms

To the Shareholders and Board of Directors
PhenixFIN Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statement of assets and liabilities of PhenixFIN Corporation and subsidiaries (the Company), including the consolidated schedule of investments, as of September 30, 2023, the related consolidated statements of operations, changes in net assets, and cash flows for the year ended September 30, 2023, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2023, and the results of its operations and its cash flows for the year ended September 30, 2023, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Such procedures also included confirmation of securities owned as of September 30, 2023, by correspondence with custodians, portfolio companies, agents, or by other appropriate auditing procedures. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matter

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

Fair value of investments

As discussed in Notes 2, 3 and 4 of the consolidated financial statements, the Company measures its investments at fair value. The Company determines the fair value of investments that are not publicly traded and whose market quotations are not readily available using one or more methodologies including the market approach and income approach, which requires the Company to make subjective judgments and estimates using unobservable inputs. As of September 30, 2023, the fair value of level 3 investments was $165.3 million.

We identified the assessment of the fair value of level 3 investments for which unobservable inputs were used as a critical audit matter. The key assumptions used to estimate the fair value of these investments related to the market yield associated with the portfolio company used in an income approach and the selection of financial performance multiples of comparative companies used in a market approach. Evaluating these assumptions involved a high degree of subjective auditor judgment and involvement of professionals with specialized skills and knowledge. Changes in these assumptions could have a significant impact on the estimated fair value of investments.

The following are the procedures we performed to address this critical audit matter. We evaluated the design of certain internal controls over the Company's process to estimate the fair value of level 3 investments, including controls related to the determination of market yield and financial performance multiples assumptions. We evaluated the Company's ability to estimate fair value by comparing prior period fair values for a selection of investments to transaction prices of transactions occurring subsequent to the prior period valuation date. We involved valuation professionals with specialized skills and knowledge who, for a selection of the Company's investments, evaluated the Company's estimate of fair value by developing an independent estimate of fair value using independent market yields and financial performance multiples that were developed using relevant market and portfolio company financial information and comparing such estimates to the fair values recorded by the Company for the selected investments.

/s/ KPMG LLP

We have served as the Company's auditor since 2023.

New York, New York
December 22, 2023

To the Shareholders and the Board of Directors of PhenixFIN Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated statement of assets and liabilities of PhenixFIN Corporation (the Company), including the consolidated schedule of investments, as of September 30, 2022, the related consolidated statements of operations, changes in net assets, and cash flows for each of the two years in the period ended September 30, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at September 30, 2022, and the results of its operations, changes in its net assets, and its cash flows for each of the two years in the period ended September 30, 2022 in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of the Company's internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of investments owned as of September 30, 2022, by correspondence with the custodians, directly with designees of the portfolio companies and debt agents, as applicable, when replies were not received from designees of the portfolio companies and debt agents, we performed other auditing procedures. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor from 2010 to 2022.

New York, New York
December 22, 2022

PHENIXFIN CORPORATION
Consolidated Statements of Assets and Liabilities

	September 30, 2023	September 30, 2022
Assets:		
Investments at fair value		
Non-controlled, non-affiliated investments (amortized cost of $134,339,121 and $147,378,917, respectively)	$ 125,531,031	$ 122,616,275
Affiliated investments (amortized cost of $48,223,910 and $30,585,884, respectively)	37,289,617	12,314,192
Controlled investments (amortized cost of $82,437,692 and $85,483,093, respectively)	63,640,043	58,026,182
Total Investments at fair value	226,460,691	192,956,649
Cash and cash equivalents	5,988,223	22,768,066
Receivables:		
Interest receivable	971,115	727,576
Paydown receivable	-	112,500
Dividends receivable	161,479	269,330
Other receivable	31,425	36,992
Other assets	833,000	1,192,677
Deferred financing costs	699,124	50,000
Due from affiliate	409,214	271,962
Prepaid share repurchase	199,019	489,156
Receivable for investments sold	3,940,175	-
Total Assets	$ 239,693,465	$ 218,874,908
Liabilities:		
Credit facility and note payable (net of debt issuance costs of $1,688,835 and $2,059,164, respectively)	$ 84,253,106	$ 77,962,636
Payable for investments purchased	4,123,059	16,550,000
Accounts payable and accrued expenses	3,066,984	2,040,277
Interest and fees payable	690,398	503,125
Other liabilities	432,698	572,949
Deferred revenue	421,685	325,602
Administrator expenses payable (see Note 6)	-	74,911
Total Liabilities	92,987,930	98,029,500
Commitments and Contingencies (see Note 8)		
Net Assets:		
Common Shares, $0.001 par value; 5,000,000 shares authorized; 2,723,709 shares issued; 2,073,713 and 2,102,129 common shares outstanding, respectively	2,074	2,102
Capital in excess of par value	694,812,239	675,401,802
Total distributable earnings (loss)	(548,108,778)	(554,558,496)
Total Net Assets	146,705,535	120,845,408
Total Liabilities and Net Assets	$ 239,693,465	$ 218,874,908
Net Asset Value Per Common Share	$ 70.75	$ 57.49

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

PHENIXFIN CORPORATION
Consolidated Statements of Operations

	For the Years Ended September 30, 2023	2022	2021
Interest Income:			
Interest from investments			
Non-controlled, non-affiliated investments:			
Cash	$ 8,031,539	$ 5,207,850	$ 5,974,807
Payment in-kind	506,555	444,741	609,964
Affiliated investments:			
Cash	1,925,293	639,733	1,099,809
Payment in-kind	460,856	374,981	327,804
Controlled investments:			
Cash	667,312	2,489,381	75,000
Payment in-kind	557,981	-	-
Total interest income	12,149,536	9,156,686	8,087,384
Dividend income	6,856,268	5,503,425	21,564,348
Interest from cash and cash equivalents	400,031	139,942	10,402
Fee income (see Note 9)	324,290	420,279	2,566,519
Other income	402,138	323,828	78,204
Total Investment Income	20,132,263	15,544,160	32,306,857
Expenses:			
Base management fees (see Note 6)	-	-	1,146,403
Interest and financing expenses	5,531,833	5,113,105	5,800,100
Salaries and benefits	4,186,852	2,952,106	1,993,277
Professional fees, net	1,404,676	1,340,828	559,975
General and administrative expenses	983,274	1,103,125	1,012,147
Directors fees	728,833	712,000	1,039,717
Insurance expenses	466,319	590,178	1,619,536
Administrator expenses (see Note 6)	320,310	301,281	612,983
Total expenses	13,622,097	12,112,623	13,784,138
Net Investment Income	6,510,166	3,431,537	18,522,719
Realized and unrealized gains (losses) on investments			
Net realized gains (losses):			
Non-controlled, non-affiliated investments	(10,538,228)	810,240	7,747,672
Affiliated investments	(1,018,267)	4,408,961	(10,088,405)
Controlled investments	23,456	1,850	(40,144,795)
Total net realized gains (losses)	(11,533,039)	5,221,051	(42,485,528)
Net change in unrealized gains (losses):			
Non-controlled, non-affiliated investments	15,954,552	(16,701,153)	(5,022,484)
Affiliated investments	7,327,399	96,490	(10,342,450)
Controlled investments	8,659,262	2,141,326	40,728,006
Total net change in unrealized gains (losses)	31,941,213	(14,463,337)	25,363,072
Loss on extinguishment of debt (see Note 5)	-	(296,197)	(122,355)
Total realized and unrealized gains (losses)	20,408,174	(9,538,483)	(17,244,811)
Net Increase (Decrease) in Net Assets Resulting from Operations	$ 26,918,340	$ (6,106,946)	$ 1,277,908
Weighted average basic and diluted earnings per common share	$ 12.87	$ (2.63)	$ 0.48
Weighted average common shares outstanding - basic and diluted (see Note 11)	2,092,326	2,323,601	2,677,891

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

PHENIXFIN CORPORATION
Consolidated Statements of Changes in Net Assets

	Common Stock				
	Shares	Par Amount	Capital in Excess of Par Value	Total Distributable Earnings/(Loss)	Total Net Assets
Balance at September 30, 2020	2,723,709	$ 2,724	$ 672,381,617	$ (521,764,824)	$ 150,619,517
OPERATIONS					
Net investment income (loss)	-	-	-	18,522,719	18,522,719
Net realized gains (losses) on investments	-	-	-	(42,485,528)	(42,485,528)
Net change in unrealized appreciation (depreciation) on investments	-	-	-	25,363,072	25,363,072
Net loss on extinguishment of debt	-	-	-	(122,355)	(122,355)
CAPITAL SHARE TRANSACTIONS					
Distributions declared	-	-	-	-	-
Repurchase of common shares	(206,488)	(207)	(8,203,237)	-	(8,203,444)
Tax reclassification of shareholders' equity in accordance with generally accepted accounting principles	-	-	24,688,262	(24,688,262)	-
Total Increase (Decrease) in Net Assets	(206,488)	(207)	16,485,025	(23,410,354)	(6,925,536)
Balance at September 30, 2021	2,517,221	$ 2,517	$ 688,866,642	$ (545,175,178)	$ 143,693,981
OPERATIONS					
Net investment income (loss)	-	-	-	3,431,537	3,431,537
Net realized gains (losses) on investments	-	-	-	5,221,051	5,221,051
Net change in unrealized appreciation (depreciation) on investments	-	-	-	(14,463,337)	(14,463,337)
Net loss on extinguishment of debt	-	-	-	(296,197)	(296,197)
CAPITAL SHARE TRANSACTIONS					
Distributions declared	-	-	(265,798)	-	(265,798)
Repurchase of common shares	(415,092)	(415)	(16,475,414)	-	(16,475,829)
Tax reclassification of shareholders' equity in accordance with generally accepted accounting principles	-	-	3,276,372	(3,276,372)	-
Total Increase (Decrease) in Net Assets	(415,092)	(415)	(13,464,840)	(9,383,318)	(22,848,573)
Balance at September 30, 2022	2,102,129	$ 2,102	$ 675,401,802	$ (554,558,496)	$ 120,845,408
OPERATIONS					
Net investment income (loss)	-	-	-	6,510,166	6,510,166
Net realized gains (losses) on investments	-	-	-	(11,533,039)	(11,533,039)
Net change in unrealized appreciation (depreciation) on investments	-	-	-	31,941,213	31,941,213
Net loss on extinguishment of debt	-	-	-	-	-
CAPITAL SHARE TRANSACTIONS					
Repurchase of common shares	(28,416)	(28)	(1,058,185)	-	(1,058,213)
Tax reclassification of shareholders' equity in accordance with generally accepted accounting principles	-	-	20,468,622	(20,468,622)	-
Total Increase (Decrease) in Net Assets	(28,416)	(28)	(19,410,437)	6,449,718	25,860,127
Balance at September 30, 2023	2,073,713	$ 2,074	$ 694,812,239	$ (548,108,778)	$ 146,705,535

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

PHENIXFIN CORPORATION
Consolidated Statements of Cash Flows

	For the Years Ended September 30, 2023	2022	2021
Cash Flows from Operating Activities:			
Net increase (decrease) in net assets resulting from operations	$ 26,918,340	$ (6,106,946)	$ 1,277,908
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	(1,525,392)	(819,722)	(937,768)
Net amortization of premium (discount) on investments	(1,560,684)	(219,513)	(44,455)
Amortization of debt issuance cost	370,329	368,471	363,812
Amortization of deferred financing cost	286,597	-	-
Net realized (gains) losses from investments	11,533,039	(5,221,051)	42,485,528
Net unrealized (gains) losses on investments	(31,941,213)	14,463,337	(25,363,072)
Proceeds from sale and settlements of investments	66,642,920	123,801,226	124,303,888
Purchases, originations and participations	(76,652,712)	(173,321,143)	(45,340,354)
Loss on extinguishment of debt	-	296,197	122,355
(Increase) decrease in operating assets:			
Fees receivable	-	1,872,700	(1,753,672)
Interest receivable	(243,539)	(356,000)	252,948
Due from affiliate	(137,252)	(271,962)	-
Receivable for investments sold	(3,940,175)	-	-
Dividends receivable	107,851	(188,119)	(81,211)
Paydown receivable	112,500	179,515	(292,015)
Other receivable	5,567	(36,992)	-
Prepaid share repurchase	290,137	-	-
Other assets	359,677	159,069	691,813
Increase (decrease) in operating liabilities:			
Payable for investments purchased	(12,426,941)	14,964,000	1,586,000
Accounts payable and accrued expenses	1,026,707	623,753	(691,701)
Due to affiliates	-	(280,323)	227,240
Administrator expenses payable	(74,911)	6,991	(89,045)
Interest and fees payable	187,273	503,125	(801,805)
Deferred revenue	96,083	325,602	(10,529)
Management and incentive fees payable, net	-	-	(1,392,022)
Other liabilities	(140,251)	(40,586)	613,534
Net cash provided by (used in) operating activities	(20,706,050)	(29,298,371)	95,127,377
Cash Flows from Financing Activities:			
Debt issuance	36,441,941	57,500,000	-
Paydowns on debt	(30,521,800)	(55,325,000)	(74,012,825)
Distributions paid to shareholders	-	(265,798)	-
Debt issuance costs paid	-	(2,311,036)	-
Deferred financing costs	(935,721)	-	-
Repurchase of common shares	(1,058,213)	(16,964,985)	(8,203,444)
Net cash provided by (used in) financing activities	3,926,207	(17,366,819)	(82,216,269)
Net increase (decrease) in cash and cash equivalents	(16,779,843)	(46,665,190)	12,911,108
Cash and cash equivalents, beginning of period	22,768,066	69,433,256	56,522,148
Cash and cash equivalents, end of period	$ 5,988,223	$ 22,768,066	$ 69,433,256
Supplemental information:			
Interest paid during the period	$ 4,647,166	$ 4,241,510	$ 6,601,905

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

PHENIXFIN CORPORATION
Consolidated Schedule of Investments
As of September 30, 2023

Company[1]	Industry	Type of Investment	Maturity	Par Amount/ Shares/Units[2]	Amortized Cost[3]	Fair Value[4]	% of Net Assets[5]
Non-Controlled/Non-Affiliated Investments:							
Altisource S.A.R.L.(11)	Services: Business	Senior Secured First Lien Term Loan B (SOFR + CSA + 5.00%, 3.75% PIK)(20)(25)	4/30/2025	$ 9,565,710	$ 8,507,963	$ 7,805,619	5.31%
		Warrants(21)	5/22/2027	75,080	-	206,470	0.14%
				9,640,790	8,507,963	8,012,089	5.45%
Arcline FM Holdings, LLC	Aerospace & Defense	First Lien Term Loans (SOFR + CSA + 4.75%, 0.75% Floor)(20)(25)	6/23/2028	2,679,494	2,591,013	2,644,660	1.80%
				2,679,494	2,591,013	2,644,660	1.80%
Be Green Packaging, LLC	Containers, Packaging & Glass	Equity - 417 Common Units(21)		417	416,250	-	0.00%
				417	416,250	-	0.00%
Boostability Seotowncenter, Inc.	Services: Business	Equity - 833,152 Common Units(21)		833,152	66,475	-	0.00%
				833,152	66,475	-	0.00%
CB&L Associates Holdco I, LLC (11)	Banking, Finance, Insurance & Real Estate	First Lien Term Loan (SOFR + CSA+ 2.75%, 1.00% Floor)(14)(20)(24)	11/1/2025	5,916,102	4,990,179	5,191,380	3.53%
				5,916,102	4,990,179	5,191,380	3.53%
Chimera Investment Corp. (11)	Banking, Finance, Insurance & Real Estate	Equity - 117,310 Class C Preferred Units(13)(15)		117,310	2,884,724	2,116,271	1.44%
		Equity - 163,601 Class D Preferred Units(13)(9)		163,601	3,463,275	3,414,353	2.32%
				280,911	6,347,999	5,530,624	3.76%
Copper Property CTL Pass Through Trust	Banking, Finance, Insurance & Real Estate	Equity Certificates(14)		597,795	7,547,670	6,217,067	4.23%
DataOnline Corp.	High Tech Industries	Senior Secured First Lien Term Loan (SOFR + CSA + 5.50%, 1.00% Floor)(20)(25)	11/13/2025	4,812,500	4,812,500	4,764,375	3.24%
		Revolving Credit Facility (SOFR + CSA + 5.50%, 1.00% Floor)(20)(25)	11/13/2025	714,286	714,286	707,143	0.48%
				5,526,786	5,526,786	5,471,518	3.72%
Deer Management Systems LLC	Consumer Discretionary	First Lien Term Loan (SOFR + CSA + 8.25%, 3.00% Floor)(8)(20)(25)	5/1/2028	3,357,500	3,294,306	3,323,925	2.26%
				3,357,500	3,294,306	3,323,925	2.26%
DirecTV Financing, LLC	Media: Broadcasting & Subscription	Senior Secured First Lien Term Loan (SOFR + CSA + 5.00%, 0.75% Floor)(14)(20)(24)	8/2/2027	4,100,000	4,100,000	4,003,908	2.72%
				4,100,000	4,100,000	4,003,908	2.72%
First Brands Group, LLC	Automotive	Senior Secured First Lien Term Loan (SOFR + CSA + 5.00%, 1.00% Floor)(20)(26)	3/30/2027	3,919,598	3,919,598	3,880,402	2.64%
				3,919,598	3,919,598	3,880,402	2.64%
Franklin BSP Realty Trust, Inc.(11)	Banking, Finance, Insurance & Real Estate	Equity - 226,107 Common Units(13)		226,107	3,572,788	2,993,657	2.04%
				226,107	3,572,788	2,993,657	2.04%
Global Accessories Group, LLC	Consumer goods: Non-durable	Equity - 3.8% Membership Interest(21)		380	151,337	-	0.00%
				380	151,337	-	0.00%
Innovate Corp.(11)	Construction & Building	8.50% Senior Secured Notes(14)	2/1/2026	2,750,000	2,615,913	2,076,250	1.41%
				2,750,000	2,615,913	2,076,250	1.41%
Invesco Mortgage Capital, Inc.(11)	Banking, Finance, Insurance & Real Estate	Equity - 205,000 Class C Preferred Units(13)(16)		205,000	5,035,506	3,989,300	2.71%
				205,000	5,035,506	3,989,300	2.71%
JFL-NGS-WCS Partners, LLC	Construction & Building	Senior Secured First Lien Term Loan B (SOFR + CSA+ 5.50%, 1.00% Floor)(20)(24)	11/12/2026	861,605	864,482	865,913	0.59%
		Equity - 10,000,000 Units(21)		10,000,000	10,000,000	11,733,525	7.98%
				10,861,605	10,864,482	12,599,438	8.57%
Lighting Science Group Corporation	Containers, Packaging & Glass	Warrants - 0.62% of Outstanding Equity(21)		5,000,000	955,680	-	0.00%
				5,000,000	955,680	-	0.00%

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

PHENIXFIN CORPORATION
Consolidated Schedule of Investments (continued)
As of September 30, 2023

Company(1)	Industry	Type of Investment	Maturity	Par Amount/ Shares/Units(2)	Amortized Cost(3)	Fair Value(4)	% of Net Assets(5)
Lucky Bucks, LLC	Consumer Discretionary	Equity - 180,739 Membership Units (21)		180,739	174,393	1,545,318	1.05%
		Second Out Exit Term Loan (SOFR + CSA + 7.50%, 1.00% Floor)(20)(24)	10/2/2029	1,361,240	1,334,015	1,361,240	0.93%
		First Out Exit Term Loan (SOFR + CSA + 7.50%, 1.00% Floor)(20)(24)	10/2/2028	689,541	626,519	689,541	0.47%
				2,231,520	2,134,927	3,596,099	2.45%
McKissock Investment Holdings, LLC (dba Colibri)	Services: Consumer	Senior Secured First Lien Term Loan (SOFR + CSA + 5.00%, 0.75% Floor)(20)(25)	3/12/2029	4,924,535	4,883,570	4,776,799	3.25%
				4,924,535	4,883,570	4,776,799	3.25%
MFA Financial, Inc.(11)	Banking, Finance, Insurance & Real Estate	Equity - 97,426 Class C Preferred Units(13)(19)		97,426	2,318,487	1,856,940	1.26%
				97,426	2,318,487	1,856,940	1.26%
New York Mortgage Trust, Inc.(11)	Banking, Finance, Insurance & Real Estate	Equity - 165,000 Class E Preferred Units(13)(18)		165,000	4,102,076	3,677,850	2.50%
				165,000	4,102,076	3,677,850	2.50%
PennyMac Financial Services, Inc.(11)	Banking, Finance, Insurance & Real Estate	Equity - 29,500 Common Units(13)		29,500	1,921,275	1,964,700	1.34%
				29,500	1,921,275	1,964,700	1.34%
PHH Mortgage Corp.	Banking, Finance, Insurance & Real Estate	7.875% Senior Secured Note(14)	3/15/2026	7,686,000	6,895,720	6,845,344	4.66%
				7,686,000	6,895,720	6,845,344	4.66%
Point.360	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% PIK)(10)(21)	7/8/2020	2,777,366	2,103,712	-	0.00%
				2,777,366	2,103,712	-	0.00%
Power Stop LLC	Automotive	Senior Secured First Lien Term Loan (SOFR + CSA + 4.75%, 0.50% Floor)(20)(24)	1/26/2029	6,919,937	6,515,010	5,639,748	3.84%
				6,919,937	6,515,010	5,639,748	3.84%
Rithm Capital Corp.(11)	Banking, Finance, Insurance & Real Estate	Equity - 206,684 Class B Preferred Units(13)(17)		206,684	5,129,170	4,695,860	3.20%
				206,684	5,129,170	4,695,860	3.20%
Secure Acquisition Inc. (dba Paragon Films)	Packaging	Senior Secured First Lien Term Loan (SOFR + CSA + 5.00%, 0.50% Floor)(20)(25)	12/16/2028	3,430,517	3,418,570	3,396,212	2.31%
		Senior Secured First Lien Delayed Draw Term Loan (SOFR + CSA + 5.00%, 0.50% Floor)(8)(12)(20)(25)	12/16/2028	-	(970)	-	0.00%
				3,430,517	3,417,600	3,396,212	2.31%
SS Acquisition, LLC (dba Soccer Shots Franchising)	Services: Consumer	Senior Secured First Lien Term Loan (SOFR + CSA + 6.50%, 1.00% Floor)(20)(24)	12/30/2026	6,666,667	6,592,976	6,666,667	4.54%
		Senior Secured First Lien Delayed Draw Term Loan (SOFR + CSA + 6.50%, 1.00% Floor)(20)(24)	12/30/2026	3,200,000	3,160,542	3,200,000	2.18%
				9,866,667	9,753,518	9,866,667	6.72%
SMART Financial Operations, LLC	Retail	Equity - 700,000 Class A Preferred Units(21)		700,000	700,000	978,140	0.67%
				700,000	700,000	978,140	0.67%
Stancor (dba Industrial Flow Solutions Holdings, LLC)	Services: Business	Equity - 338,736.11 Class A Units(21)		338,736	308,652	200,566	0.14%
				338,736	308,652	200,566	0.14%
Staples, Inc.	Services: Consumer	First Lien Term Loan (LIBOR + 4.50%)(14)	9/12/2024	3,692,159	3,655,672	3,648,315	2.48%
				3,692,159	3,655,672	3,648,315	2.48%
Tamarix Capital Partners II, L.P.(11)	Banking, Finance, Insurance & Real Estate	Fund Investment(8)(21)		N/A	1,026,818	792,346	0.54%
				-	1,026,818	792,346	0.54%
Thryv Holdings, Inc.(11)	Media: Broadcasting & Subscription	Senior Secured First Lien Term Loan (SOFR + CSA + 8.50%, 1.00% Floor)(14)(20)(24)	3/1/2026	7,656,442	7,604,838	7,661,227	5.21%
				7,656,442	7,604,838	7,661,227	5.21%
Velocity Pooling Vehicle, LLC	Automotive	Equity - 5,441 Class A Units(21)		5,441	302,464	-	0.00%
		Warrants - 0.65% of Outstanding Equity(21)	3/30/2028	6,506	361,667	-	0.00%
				11,947	664,131	-	0.00%
Wingman Holdings, Inc.	Aerospace & Defense	Equity - 350 Common Shares(21)		350	700,000	-	0.00%
				350	700,000	-	0.00%

Subtotal Non-Controlled/Non-Affiliated Investments	**$ 106,630,423**	**$ 134,339,121**	**$ 125,531,031**	**85.41%**

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

PHENIXFIN CORPORATION
Consolidated Schedule of Investments (continued)
As of September 30, 2023

Company[(1)]	Industry	Type of Investment	Maturity	Par Amount/ Shares/Units[(2)]	Amortized Cost[(3)]	Fair Value[(4)]	% of Net Assets[(5)]
Affiliated Investments:[(6)]							
1888 Industrial Services, LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan A (SOFR + 5.00% PIK, 1.00% Floor)(10)(21)(25)	8/31/2024	$ 9,946,741	$ 9,473,068	$ -	0.00%
		Senior Secured First Lien Term Loan C (SOFR + 5.00%, 1.00% Floor)(25)	8/31/2024	1,231,932	1,191,257	751,479	0.51%
		Revolving Credit Facility (SOFR + 5.00%, 1.00% Floor)(12)(25)	8/31/2024	4,632,177	4,632,177	4,632,177	3.15%
		Equity - 21,562 Class A Units(21)		21,562	-	-	-
				15,832,412	15,296,502	5,383,656	3.66%
Black Angus Steakhouses, LLC	Hotel, Gaming & Leisure	Senior Secured First Lien Delayed Draw Term Loan (SOFR + CSA + 9.00% PIK, 1.00% Floor)(20)(24)	1/31/2024	875,749	875,749	875,749	0.60%
		Senior Secured First Lien Term Loan (SOFR + CSA + 9.00% PIK, 1.00% Floor)(10)(20)(24)	1/31/2024	13,029,115	7,767,533	1,459,249	0.99%
		Senior Secured First Lien Super Priority Delayed Draw Term Loan (SOFR + CSA + 9.00% PIK, 1.00% Floor)(20)(24)	1/31/2024	1,920,960	1,920,960	1,920,960	1.31%
		Equity - 17.92% Membership Interest(21)		-	-	-	0.00%
				15,825,824	10,564,242	4,255,958	2.90%
FST Holdings Parent, LLC	High Tech Industries	Equity - 625,548 Class A Units		625,548	10,000,000	10,000,003	6.81%
				625,548	10,000,000	10,000,003	6.81%
Maritime Wireless Holdings LLC	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan B (SOFR + CSA + 9.00%, 1.00% Floor)(20)(24)	5/31/2027	7,500,000	7,373,166	7,500,000	5.10%
		Equity - 500,000 Class A Units(21)		500,000	5,000,000	10,150,000	6.91%
				12,500,000	12,373,166	17,650,000	12.01%
Subtotal Affiliated Investments				**$ 44,783,784**	**$ 48,233,910**	**$ 37,289,617**	**25.38%**

Company[(1)]	Industry	Type of Investment	Maturity	Par Amount/ Shares/Units[(2)]	Amortized Cost[(3)]	Fair Value[(4)]	% of Net Assets[(5)]
Controlled Investments:[(7)]							
FlexFIN, LLC	Services: Business	Equity Interest		$ 38,870,711	$ 38,870,711	$ 38,870,711	26.45%
				38,870,711	38,870,711	38,870,711	26.45%
Kemmerer Holdings, LLC	Metals & Mining	Senior Secured First Lien Term Loan (15.00% PIK)	6/21/2025	3,383,877	3,383,877	3,383,877	2.30%
		Equity - 31 Common Units(21)		31	1,836,157	9,133,052	6.22%
				3,383,908	5,220,034	12,516,929	8.52%
NVTN LLC	Hotel, Gaming & Leisure	Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 4.00% Cash, 1.00% LIBOR Floor)(8)(22)	12/31/2024	7,309,552	7,309,885	7,214,856	4.91%
		Senior Secured First Lien Term Loan B (LIBOR + 9.25% PIK, 1.00% LIBOR Floor)(10)(21)	12/31/2024	17,552,420	13,916,083	5,037,547	3.43%
		Senior Secured First Lien Term Loan C (LIBOR + 12.00% PIK, 1.00% LIBOR Floor)(10)(21)	12/31/2024	11,506,159	7,570,055	-	0.00%
		Equity - 1,000 Class A Units(21)		1,000	9,550,924	-	0.00%
				36,369,131	38,346,947	12,252,403	8.34%
Subtotal Control Investments				**$ 78,623,750**	**$ 82,437,692**	**$ 63,640,043**	**43.31%**
Total Investments, September 30, 2023				**$ 230,037,957**	**$ 265,010,723**	**$ 226,460,691**	**154.40%**

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 is presented for debt investments and the amount includes accumulated payment-in-kind ("PIK") interest, as applicable, and is net of repayments, while the number of shares or units owned is presented for equity investments. Par amount is denominated in U.S. Dollars ("$") unless otherwise noted.
(3) Net unrealized depreciation for U.S. federal income tax purposes totaled $(38,550,032).
The tax cost basis of investments is $265,010,723 as of September 30, 2023.
The amortized cost represents the original cost adjusted for the amortization or accretion of premium or discount, as applicable, on debt investments using the effective interest method.
(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 $146,705,535 as of September 30, 2023.
(6) Affiliated Investments are defined by Investment Company Act of 1940 Act, as amended (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, 2023 (see Note 8), and fair value includes the value of any unfunded commitments. The negative cost, if applicable, is the result of the capitalized discount being greater than the principal amount outstanding on the loan. The negative fair value, if applicable, is the result of the capitalized discount on the loan.
(9) The interest rate on this investment is fixed-to-floating and will shift to 3 month SOFR plus a CSA of 0.262% plus a 5.379% spread on 3/30/2024.
(10) The investment was on non-accrual status as of September 30, 2023.
(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, 2023, non-qualifying assets represented 20.21% of total assets.
(12) This investment earns 0.50% commitment fee on all unused commitment as of September 30, 2023, and is recorded as a component of interest income on the Consolidated Statements of Operations.
(13) This investment represents a Level 1 security in the ASC 820 table as of September 30, 2023 (see Note 4).
(14) This investment represents a Level 2 security in the ASC 820 table as of September 30, 2023 (see Note 4).
(15) The interest rate on this preferred equity is fixed-to-floating and will shift to 3 month SOFR plus a CSA of 0.262% plus a 4.743% spread on 9/30/2025.
(16) The interest rate on this preferred equity is fixed-to-floating and will shift to 3 month SOFR plus a CSA of 0.262% plus a 5.29% spread on 9/27/2027.
(17) 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.
(18) The interest rate on this preferred equity is fixed-to-floating and will shift to 3 month SOFR plus a CSA of 0.262% plus a 6.429% spread on 1/15/2025.
(19) 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.
(20) Credit Spread Adjustment ("CSA")
(21) Non-income producing security.
(22) The interest rate on these loans is subject to 1 month LIBOR, which as of September 30, 2023 was 5.43%.
(24) The interest rate on these loans is subject to 1 month SOFR, which as of September 30, 2023 was 5.32%.
(25) The interest rate on these loans is subject to 3 month SOFR, which as of September 30, 2023 was 5.27%.
(26) The interest rate on these loans is subject to 6 month SOFR, which as of September 30, 2023 was 5.17%.

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

PHENIXFIN CORPORATION
Consolidated Schedule of Investments
As of September 30, 2022

Company[(1)]	Industry	Type of Investment	Maturity	Par Amount/ Shares/Units[(2)]	Amortized Cost[(3)]	Fair Value[(4)]	% of Net Assets[(5)]
Non-Controlled/Non-Affiliated Investments:							
Altisource S.A.R.L.(11)	Services: Business	Senior Secured First Lien Term Loan B (LIBOR + 4.00%, 1.00% LIBOR Floor)(14)	4/3/2024	$ 6,486,419	$ 5,825,616	$ 5,448,591	4.51%
				6,486,419	5,825,616	5,448,591	4.51%
Be Green Packaging, LLC	Containers, Packaging & Glass	Equity - 417 Common Units		1	416,250	-	0.00%
				1	416,250	-	0.00%
Boostability Seotowncenter, Inc.	Services: Business	Equity - 3,434,169.6 Common Units		833,152	66,475	-	0.00%
				833,152	66,475	-	0.00%
Chimera Investment Corp. (11)	Banking, Finance, Insurance & Real Estate	Equity - 117,310 Class C Preferred Units(13)(15)		117,310	2,884,724	1,915,672	1.59%
				117,310	2,884,724	1,915,672	1.59%
Copper Property CTL Pass Through Trust	Banking, Finance, Insurance & Real Estate	Equity Certificates(14)		437,795	6,314,757	5,877,398	4.86%
CPI International, Inc.	Aerospace & Defense	Senior Secured Second Lien Term Loan (LIBOR + 7.25%, 1.00% LIBOR Floor)	7/28/2025	2,607,062	2,602,547	2,607,062	2.16%
				2,607,062	2,602,547	2,607,062	2.16%
DataOnline Corp.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 6.25%, 1.00% LIBOR Floor)	11/13/2025	4,862,500	4,862,500	4,765,250	3.94%
		Revolving Credit Facility (LIBOR + 6.25%, 1.00% LIBOR Floor)	11/13/2025	714,286	714,286	700,000	0.58%
				5,576,786	5,576,786	5,465,250	4.52%
DirecTV Financing, LLC	Media: Broadcasting & Subscription	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 0.75% LIBOR Floor)(14)	8/2/2027	4,550,000	4,550,000	4,220,000	3.49%
				4,550,000	4,550,000	4,220,000	3.49%
Dream Finders Homes, LLC	Construction & Building	Preferred Equity (8.00% PIK)		5,309,341	5,309,341	4,950,961	4.10%
				5,309,341	5,309,341	4,950,961	4.10%

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

Company[1]	Industry	Type of Investment	Maturity	Par Amount/ Shares/Units[2]	Amortized Cost[3]	Fair Value[4]	% of Net Assets[5]
First Brands Group, LLC	Automotive	Senior Secured First Lien Term Loan (SOFR + 5.00%, 1.00% SOFR Floor)	3/30/2027	3,959,799	3,959,799	3,930,101	3.25%
				3,959,799	3,959,799	3,930,101	3.25%
Footprint Holding Company Inc.	Services: Business	Equity - 150 Common Units		150	-	-	0.00%
				150	-	-	0.00%
Franklin BSP Realty Trust, Inc.(11)	Banking, Finance, Insurance & Real Estate	Equity - 529,914 Common Units(13)		529,914	8,754,386	5,707,174	4.72%
				529,914	8,754,386	5,707,174	4.72%
Global Accessories Group, LLC	Consumer goods: Non-durable	Equity - 3.8% Membership Interest		380	151,337	-	0.00%
				380	151,337	-	0.00%
Great AJAX Corp.(11)	Banking, Finance, Insurance & Real Estate	Equity - 254,922 Common Units(13)		254,922	3,333,786	1,914,464	1.58%
				254,922	3,333,786	1,914,464	1.58%
Innovate Corp.	Construction & Building	8.50% Senior Secured Notes(14)	2/1/2026	2,250,000	2,252,156	1,659,375	1.37%
				2,250,000	2,252,156	1,659,375	1.37%
Invesco Mortgage Capital, Inc.(11)	Banking, Finance, Insurance & Real Estate	Equity - 205,000 Class C Preferred Units(13)(16)		205,000	5,035,506	3,138,550	2.60%
				205,000	5,035,506	3,138,550	2.60%
JFL-NGS-WCS Partners, LLC	Construction & Building	Senior Secured First Lien Term Loan B (LIBOR + 5.50%, 1.00% LIBOR Floor)	11/12/2026	885,050	888,790	865,137	0.72%
		Equity - 10,000,000 Units		10,000,000	10,000,000	10,248,798	8.48%
				10,885,050	10,888,790	11,113,935	9.20%
Lighting Science Group Corporation	Containers, Packaging & Glass	Warrants - 0.62% of Outstanding Equity		5,000,000	955,680	-	0.00%
				5,000,000	955,680	-	0.00%
Lucky Bucks, LLC	Consumer Discretionary	Senior Secured First Lien Term Loan(LIBOR + 5.50%, 0.75% LIBOR Floor)	7/30/2027	7,218,750	7,095,116	6,208,125	5.14%
				7,218,750	7,095,116	6,208,125	5.14%

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

PHENIXFIN CORPORATION
Consolidated Schedule of Investments (continued)
As of September 30, 2022

Company[(1)]	Industry	Type of Investment	Maturity	Par Amount/ Shares/Units[(2)]	Amortized Cost[(3)]	Fair Value[(4)]	% of Net Assets[(5)]
Maritime Wireless Holdings LLC	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan A (SOFR + CSA + 9.00%, 1.00% SOFR + CSA Floor)(20)	2/15/2024	5,000,000	4,900,000	4,900,000	4.05%
		Senior Secured First Lien Term Loan B (SOFR + CSA + 9.00%, 1.00% SOFR + CSA Floor)(20)	5/31/2027	7,500,000	7,350,000	7,350,000	6.08%
		Convertible Promissory Note		5,000,000	5,000,000	5,000,000	4.14%
				17,500,000	17,250,000	17,250,000	14.27%
McKissock Investment Holdings, LLC (dba Colibri)	Services: Consumer	Senior Secured First Lien Term Loan (SOFR + CSA + 5.00%, 0.75% SOFR + CSA Floor)(20)	3/10/2029	4,974,999	4,927,870	4,875,500	4.03%
				4,974,999	4,927,870	4,875,500	4.03%
MFA Financial, Inc.(11)	Banking, Finance, Insurance & Real Estate	Equity - 97,426 Class C Preferred Units(13)(19)		97,426	2,318,487	1,722,492	1.43%
				97,426	2,318,487	1,722,492	1.43%
New York Mortgage Trust, Inc.(11)	Banking, Finance, Insurance & Real Estate	Equity - 165,000 Class E Preferred Units(13)(18)		165,000	4,102,076	2,953,500	2.44%
				165,000	4,102,076	2,953,500	2.44%
PennyMac Financial Services, Inc.(11)	Banking, Finance, Insurance & Real Estate	Equity - 81,500 Common Units(13)		81,500	5,364,478	3,496,350	2.89%
				81,500	5,364,478	3,496,350	2.89%
Point.360	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% PIK)(10)	7/8/2020	2,777,366	2,103,712	-	0.00%
				2,777,366	2,103,712	-	0.00%
Power Stop LLC	Automotive	Senior Secured First Lien Term Loan(LIBOR + 4.75, 0.50% LIBOR Floor)	1/26/2029	4,975,000	4,930,071	4,029,750	3.33%
				4,975,000	4,930,071	4,029,750	3.33%
Rithm Capital Corp.(11)	Banking, Finance, Insurance & Real Estate	Equity - 206,684 Class B Preferred Units(13)(17)		206,684	5,129,170	3,902,194	3.23%
				206,684	5,129,170	3,902,194	3.23%
Secure Acquisition Inc. (dba Paragon Films)(8)	Packaging	Senior Secured First Lien Term Loan(LIBOR + 5.00%, 0.50% LIBOR Floor)	12/16/2028	3,465,345	3,451,574	3,361,385	2.78%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 5.00%, 0.50% LIBOR Floor)(12)	12/16/2028	-	(970)	-	0.00%
				3,465,345	3,450,604	3,361,385	2.78%

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

PHENIXFIN CORPORATION
Consolidated Schedule of Investments (continued)
As of September 30, 2022

Company[(1)]	Industry	Type of Investment	Maturity	Par Amount/ Shares/Units[(2)]	Amortized Cost[(3)]	Fair Value[(4)]	% of Net Assets[(5)]
Sendero Drilling Company, LLC	Energy: Oil & Gas	Unsecured Debt (9.00%)(10)	8/1/2023	191,250	182,081	-	0.00%
				191,250	182,081	-	0.00%
SS Acquisition, LLC (dba Soccer Shots Franchising)(8)	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.50%, 1.00% LIBOR Floor)	12/30/2026	6,666,667	6,575,847	6,591,667	5.45%
				6,666,667	6,575,847	6,591,667	5.45%
SMART Financial Operations, LLC	Retail	Equity - 700,000 Class A Preferred Units		700,000	700,000	120,793	0.10%
				700,000	700,000	120,793	0.10%
Stancor (dba Industrial Flow Solutions Holdings, LLC)	Services: Business	Equity - 338,736.11 Class A Units		338,736	308,652	265,269	0.22%
				338,736	308,652	265,269	0.22%
Staples, Inc.	Services: Consumer	First Lien Term Loan (LIBOR + 4.50%, 0.0% LIBOR Floor)(14)	9/12/2024	3,730,720	3,659,706	3,488,223	2.89%
				3,730,720	3,659,706	3,488,223	2.89%
Thryv Holdings, Inc.(11)	Services: Consumer	Senior Secured First Lien Term Loan B (LIBOR + 8.50%, 1.00% LIBOR Floor)	3/1/2026	6,515,633	6,406,051	6,287,583	5.20%
				6,515,633	6,406,051	6,287,583	5.20%
Velocity Pooling Vehicle, LLC	Automotive	Equity - 5,441 Class A Units		5,441	302,464	52,342	0.04%
		Warrants - 0.65% of Outstanding Equity	3/30/2028	6,506	361,667	62,569	0.05%
				11,947	664,131	114,911	0.09%
Walker Edison Furniture Company LLC	Consumer goods: Durable	Equity - 13,044 Common Units		13,044	2,114,646	-	0.00%
				13,044	2,114,646	-	0.00%
Watermill-QMC Midco, Inc.	Automotive	Equity - 1.30% Partnership Interest(9)		518,283	518,283	-	0.00%
				518,283	518,283	-	0.00%
Wingman Holdings, Inc.	Aerospace & Defense	Equity - 350 Common Shares		350	700,000	-	0.00%
				350	700,000	-	0.00%
Subtotal Non-Controlled/Non-Affiliated Investments				**$ 109,151,781**	**$ 147,378,917**	**$ 122,616,275**	**96.58%**

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

PHENIXFIN CORPORATION
Consolidated Schedule of Investments (continued)
As of September 30, 2022

Company[(1)]	Industry	Type of Investment	Maturity	Par Amount/ Shares/Units[(2)]	Amortized Cost[(3)]	Fair Value[(4)]	% of Net Assets[(5)]
Affiliated Investments:[(6)]							
1888 Industrial Services, LLC(8)	Energy: Oil & Gas	Senior Secured First Lien Term Loan A (LIBOR + 5.00% PIK, 1.00% LIBOR Floor)(10)	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%, 1.00% LIBOR Floor)(12)	5/1/2023	4,416,555	4,416,555	4,151,562	3.44%
		Equity - 21,562 Class A Units		21,562	-	-	-
				15,616,790	15,080,880	4,151,562	3.44%
Black Angus Steakhouses, LLC(8)	Hotel, Gaming & Leisure	Senior Secured First Lien Delayed Draw Term Loan (SOFR + CSA + 9.00%, 1.00% SOFR Floor)	1/31/2024	758,929	758,929	758,929	0.63%
		Senior Secured First Lien Term Loan (SOFR + CSA + 9.00% PIK, 1.00% SOFR Floor)(10)	1/31/2024	8,412,596	7,767,533	1,547,918	1.28%
		Senior Secured First Lien Super Priority Delayed Draw Term Loan (SOFR + CSA + 9.00%, 1.00% SOFR Floor)	1/31/2024	1,500,000	1,500,000	1,500,000	1.24%
		Equity - 17.92% Membership Interest		-	-	-	0.00%
				10,671,525	10,026,462	3,806,847	3.15%
Kemmerer Operations, LLC(8)	Metals & Mining	Senior Secured First Lien Term Loan(15.00% PIK)	6/21/2023	2,378,510	2,378,510	2,378,510	1.97%
		Equity - 6.78 Common Units		7	962,717	694,702	0.57%
				2,378,517	3,341,227	3,073,212	2.54%
US Multifamily, LLC	Banking, Finance, Insurance & Real Estate	Equity - 33,300 Preferred Units		33,300	2,137,315	1,282,571	1.06%
				33,300	2,137,315	1,282,571	1.06%
Subtotal Affiliated Investments				**$ 28,700,132**	**$ 30,585,884**	**$ 12,314,192**	**10.19%**

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

PHENIXFIN CORPORATION
Consolidated Schedule of Investments (continued)
As of September 30, 2022

Company[1]	Industry	Type of Investment	Maturity	Par Amount/ Shares/Units[2]	Amortized Cost[3]	Fair Value[4]	% of Net Assets[5]
Controlled Investments:[7]							
FlexFIN, LLC	Services: Business	Equity Interest		$ 47,136,146	$ 47,136,146	$ 47,136,146	39.01%
				47,136,146	47,136,146	47,136,146	39.01%
NVTN LLC(8)	Hotel, Gaming & Leisure	Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 4.00% Cash, 1.00% LIBOR Floor)	12/31/2024	7,309,885	7,309,885	7,192,927	5.95%
		Senior Secured First Lien Term Loan B (LIBOR + 9.25% PIK, 1.00% LIBOR Floor)(10)	12/31/2024	19,561,424	13,916,082	3,697,109	3.06%
		Senior Secured First Lien Term Loan C(LIBOR + 12.00% PIK, 1.00% LIBOR Floor)(10)	12/31/2024	13,199,860	7,570,056	-	0.00%
		Equity - 1,000 Class A Units		9,551,135	9,550,924	-	0.00%
				49,622,304	38,346,947	10,890,036	9.01%
Subtotal Control Investments				**$ 96,758,450**	**$ 85,483,093**	**$ 58,026,182**	**48.02%**
Total Investments, September 30, 2022				**$ 234,610,363**	**$ 263,447,894**	**$ 192,956,649**	**154.79%**

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 is presented for debt investments and the amount includes accumulated payment-in-kind ("PIK") interest, as applicable, and is net of repayments, while the number of shares or units owned is presented for equity investments. Par amount is denominated in U.S. Dollars ("$") unless otherwise noted.
(3) Net unrealized depreciation for U.S. federal income tax purposes totaled $(69,642,639).
The tax cost basis of investments is $262,599,288 as of September 30, 2022.
(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 $120,845,408 as of September 30, 2022.
(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, 2022 (see Note 8), and fair value includes the value of any unfunded commitments. The negative cost, if applicable, is the result of the capitalized discount being greater than the principal amount outstanding on the loan. The negative fair value, if applicable, is the result of the capitalized discount on the loan.
(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, 2022.
(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, 2022, 17.24% of the Company's portfolio investments were non-qualifying assets.
(12) This investment earns 0.50% commitment fee on all unused commitment as of September 30, 2022, and is recorded as a component of interest income on the Consolidated Statements of Operations.
(13) This investment represents a Level 1 security in the ASC 820 table as of September 30, 2022 (see Note 4).
(14) This investment represents a Level 2 security in the ASC 820 table as of September 30, 2022 (see Note 4).
(15) 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.
(16) 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.
(17) 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.
(18) 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.
(19) 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.
(20) Credit Spread Adjustment ("CSA")

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

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 was a wholly owned subsidiary of Medley LLC, which was controlled by Medley Management Inc. (OTCM: MDLM), a publicly traded asset management firm, which in turn was 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, MDLM, 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.

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.

Since January 4, 2021, the common stock trades on the NASDAQ Global Market under the trading symbol "PFX."

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.

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. Certain prior period information has been reclassified to conform to current period presentation. These reclassifications have no effect on the Company's financial positions or its results of operations as previously recorded.

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, Restricted 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 September 30, 2023 and 2022, we had $6.0 million and $22.8 million in cash and cash equivalents, respectively, none of which is restricted.

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. Debt issuance costs related to any credit facilities and unsecured notes are presented net against the outstanding debt balance on the Consolidated Statements of Assets and Liabilities.

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.

Revenue Recognition

Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis. Discounts and premiums to par value on investments purchased are accreted and amortized into interest income over the life of the respective investment. Loan origination fees, original issue discount ("OID") and market discounts or premiums are capitalized and amortized into interest income using the effective interest method or straight-line method, as applicable.

Note 2. Significant Accounting Policies (continued)

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 years ended September 30, 2023, 2022 and 2021, the Company earned approximately $1.5 million, $0.8 million, $0.9 million in PIK interest, respectively.

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 years ended September 30, 2023, 2022 and 2021, fee income was approximately $0.3 million, $0.4 million and $2.6 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 using the specific identification method, without regard to unrealized gains or losses previously recognized. No losses relating to restructuring transactions occurred during the years ended September 30, 2023, 2022 and 2021. 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 September 30, 2023, certain investments in four portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately $6.5 million, or 2.9% of the fair value of our portfolio. At September 30, 2022, certain investments in five portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately $5.2 million, or 2.7% 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 a market participant 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.

Note 2. Significant Accounting Policies (continued)

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 our Chief Financial Officer, the Company's Valuation Designee, 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.

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 Valuation Designee (the Chief Financial Officer) 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 are 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. 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.

Note 2. Significant Accounting Policies (continued)

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 generally begins with each portfolio investment being initially valued by a Valuation Firm;
- Available third-party market data will be reviewed by Company personnel designated by the Valuation Designee ("Fair Value Personnel") and the Valuation Firm.
- Available portfolio company data and general industry data are then reviewed by the Fair Value Personnel.
- Preliminary valuation conclusions are then documented and discussed with the Fair Value Personnel.
- The Valuation Designee then determines the fair value of each investment in the Company's portfolio in good faith based on such discussions, the Company's Valuation Policy and the Valuation Firms' final estimated valuations.
- The Valuation Designee's report is then presented to the Board of Directors and the Audit Committee.

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 pandemics, wars or other market events 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.

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.

Note 2. Significant Accounting Policies (continued)

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 for the calendar year ended 2022 accrued at September 30, 2023, for the calendar year ended 2021 accrued at September 30, 2022 and the calendar year ended 2020 accrued at September 30, 2021.

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 September 30, 2023 and 2022, 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 years ended September 30, 2023, 2022 and 2021, the Company did not record a change in provision for deferred taxes on the unrealized (appreciation)/depreciation on investments.

As of September 30, 2023 and 2022, the Company had a deferred tax asset of $23.1 million and $26.2 million, respectively, consisting primarily of net operating losses and net unrealized losses on the investments held within its Taxable Subsidiaries. As of September 30, 2023 and 2022, the Company has booked a valuation allowance of $23.1 million and $26.2 million, respectively, against its deferred tax asset.

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.

Permanent differences between ICTI and net investment income for financial reporting purposes are reclassified among capital accounts in the financial statements to reflect their tax character. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes. During the years ended September 30, 2023, 2022 and 2021, the Company reclassified for book purposes amounts arising from permanent book/tax differences related to the different tax treatment of net operating losses and investments in wholly-owned subsidiaries as follows:

	For the Years Ended September 30		
	2023	**2022**	**2021**
Capital in excess of par value	$ 20,468,622	$ 3,276,372	$ 24,688,262
Accumulated undistributed net investment income/(loss)	(20,468,622)	(3,276,372)	(19,047,396)
Accumulated net realized gain/(loss) from investments	-	-	(5,640,866)

Note 2. Significant Accounting Policies (continued)

For income tax purposes, distributions paid to stockholders are reported as ordinary income, return of capital, long term capital gains or a combination thereof. The tax character of distributions paid for the years ended September 30, 2023, 2022 and 2021 were as follows:

	For the Years Ended September 30		
	2023	2022	2021
Ordinary income	$ -	$ 265,798	$ -
Distributions of long term capital gains	-	-	-
Return of capital	-	-	-
Distributions on a tax basis	$ -	$ 265,798	$ -

For federal income tax purposes, the cost of investments owned at September 30, 2023, 2022 and 2021 were approximately $264.1 million, $262.6 million and $206.9 million, respectively.

At September 30, 2023, 2022 and 2021, the components of distributable earnings/(accumulated deficits) on a tax basis detailed below differ from the amounts reflected in the Company's Consolidated Statements of Assets and Liabilities by temporary and other book/tax differences, primarily relating to the tax treatment of certain fee income and organizational expenses, as follows:

	For the Years Ended September 30		
	2023	2022	2021
Undistributed ordinary income	$ 2,389,267	$ -	$ 265,798
Accumulated capital and other losses(1)	(512,809,528)	(485,107,934)	(490,032,788)
Other temporary differences	(57,438)	(73,646)	(89,856)
Unrealized appreciation/(depreciation)	(37,631,079)	(69,376,916)	(55,318,332)
Components of distributable earnings/(accumulated deficits) at year end	$ (548,108,778)	(554,558,496)	$ (545,175,178)

(1) Under the Regulated Investment Company Modernization Act of 2010, net capital losses recognized for tax years beginning after December 22, 2010, may be carried forward indefinitely, and their character is retained as short-term or long-term losses. As of September 30, 2023, the Company had a long-term capital loss carryforward available to offset future realized capital gains of $509,966,576 and a short-term capital loss carryforward of $2,842,952

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 September 30, 2023. 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.

Note 2. Significant Accounting Policies (continued)

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.

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.

Note 3. Investments

The composition of our investments as of September 30, 2023 as a percentage of our total portfolio, at amortized cost and fair value were as follows (dollars in thousands):

	Amortized Cost	Percentage	Fair Value	Percentage
Senior Secured First Lien Term Loans	$ 139,103	52.5%	$ 103,004	45.6%
Senior Secured Notes	9,512	3.6	8,922	3.9
Fund Investment	1,027	0.4	792	0.3
Equity/Warrants	115,369	43.5	113,743	50.2
Total Investments	$ 265,011	100.0%	$ 226,461	100.0%

The composition of our investments as of September 30, 2022 as a percentage of our total portfolio, at amortized cost and fair value were as follows (dollars in thousands):

	Amortized Cost	Percentage	Fair Value	Percentage
Senior Secured First Lien Term Loans	$ 128,482	48.7%	$ 88,248	45.6%
Senior Secured Second Lien Term Loans	2,603	1.0	2,607	1.4
Senior Secured Notes	2,252	0.9	1,659	0.9
Unsecured Debt	182	0.1	-	-
Equity/Warrants	129,929	49.3	100,443	52.1
Total Investments	$ 263,448	100.0%	$ 192,957	100.0%

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 September 30, 2023 and 2022, the total fair value of warrants was $206.5 thousand and $62.6 thousand, respectively, and were included in investments at fair value on the Consolidated Statements of Assets and Liabilities. During the year ended September 30, 2023, the Company acquired additional warrants in one existing portfolio company. During the year ended September 30, 2022, the Company did not acquire any additional warrants in an existing portfolio company. During the year ended September 30, 2021, the Company acquired additional warrants in one existing portfolio company.

Total unrealized depreciation related to warrants for the years ended September 30, 2023, 2022 and 2021 was $143.9 thousand, $299.1 thousand and $981.4 thousand, respectively, and was recorded on the Consolidated Statements of Operations as net unrealized appreciation/(depreciation) on investments. The warrants are received in connection with individual investments and are not subject to master netting arrangements.

Note 3. Investments (continued)

The following table shows the portfolio composition by industry grouping at fair value at September 30, 2023 (dollars in thousands):

	Fair Value	Percentage
Services: Business	$ 47,083	20.7%
Banking, Finance, Insurance & Real Estate	43,755	19.3
Hotel, Gaming & Leisure	34,158	15.1
Services: Consumer	18,292	8.1
High Tech Industries	15,472	6.8
Construction & Building	14,676	6.5
Metals & Mining	12,517	5.5
Media: Broadcasting & Subscription	11,665	5.2
Automotive	9,520	4.2
Consumer Discretionary	6,920	3.1
Energy: Oil & Gas	5,384	2.4
Packaging	3,396	1.5
Aerospace & Defense	2,645	1.2
Retail	978	0.4
Total	$ 226,461	100.0%

The following table shows the portfolio composition by industry grouping at fair value at September 30, 2022 (dollars in thousands):

	Fair Value	Percentage
Services: Business	$ 52,851	27.5%
Hotel, Gaming & Leisure	31,947	16.7
Banking, Finance, Insurance & Real Estate	31,910	16.5
Services: Consumer	21,243	11.0
Construction & Building	17,724	9.1
Automotive	8,075	4.2
Consumer Discretionary	6,208	3.2
High Tech Industries	5,465	2.8
Media: Broadcasting & Subscription	4,220	2.2
Energy: Oil & Gas	4,152	2.2
Packaging	3,361	1.7
Metals & Mining	3,073	1.6
Aerospace & Defense	2,607	1.4
Retail	121	0.1
Total	$ 192,957	100.0%

The Company invests in portfolio companies principally located in the United States. 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 September 30, 2023 (dollars in thousands):

	Fair Value	Percentage
Northeast	$ 92,081	40.7%
Southeast	60,116	26.5
Midwest	32,782	14.5
West	25,608	11.3
Southwest	7,661	3.4
Mid-Atlantic	201	0.1
International	8,012	3.5
Total	$ 226,461	100.0%

The following table shows the portfolio composition by geographic location at fair value at September 30, 2022 (dollars in thousands):

	Fair Value	Percentage
Northeast	$ 92,939	48.2%
Southeast	51,797	26.8
West	20,196	10.5
Midwest	16,023	8.3
Southwest	6,288	3.3
Mid-Atlantic	265	0.1
International	5,449	2.8
Total	$ 192,957	100.0%

Note 3. Investments (continued)

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 years ended September 30, 2023 and 2022 were as follows:

Name of Investment[1][2]	Type of Investment	Fair Value at September 30, 2022	Purchases/ (Sales) of or Advances/ (Distributions)	Transfers In/(Out) of Affiliates	Unrealized Gain/(Loss)	Realized Gain/(Loss)	Fair Value at September 30, 2023	Earned Income
Affiliated Investments								
1888 Industrial Services, LLC	Senior Secured First Lien Term Loan C	$ -	$ -	$ -	$ 751,479	$ -	$ 751,479	$ 84,559
	Revolving Credit Facility	4,151,562	215,622	-	264,993	-	4,632,177	553,233
Black Angus Steakhouses, LLC	Senior Secured First Lien Delayed Draw Term Loan	758,929	116,820	-	-	-	875,749	232,614
	Senior Secured First Lien Term Loan	1,547,918	-	-	(88,669)	-	1,459,249	159,780
	Senior Secured First Lien Super Priority Delayed Draw Term Loan	1,500,000	420,960	-	-	-	1,920,960	360,670
FST Holdings Parent, LLC	Equity	$ -	$ 10,000,000	$ -	$ 3	$ -	$ 10,000,003	$ 121,385
Kemmerer Operations, LLC	Senior Secured First Lien Term Loan	2,378,510	$ -	(2,378,510)	-	-	-	89,743
	Equity	694,702	$ -	(962,717)	268,015	-	-	-
Maritime Wireless Holdings LLC	Senior Secured First Lien Term Loan A	$ -	$ (5,000,704)	$ 4,900,000	$ -	$ 100,704	$ -	$ 218,788
	Senior Secured First Lien Term Loan B	$ -	$ 23,166	$ 7,350,000	$ 126,834	$ -	$ 7,500,000	$ 565,377
	Equity	$ -	$ -	$ 5,000,000	$ 5,150,000	$ -	$ 10,150,000	$ -
US Multifamily, LLC	Equity	1,282,571	(1,018,344)	-	854,744	(1,118,971)	-	-
Total Affiliated Investments		$ 12,314,192	$ 4,757,520	$ 13,908,773	$ 7,327,399	$ (1,018,267)	$ 37,289,617	$ 2,386,149

Name of Investment[1][2]	Type of Investment	Fair Value at September 30, 2022	Purchases/ (Sales) of or Advances/ (Distributions)	Transfers In/(Out) of Controlled	Unrealized Gain/(Loss)	Realized Gain/(Loss)	Fair Value at September 30, 2023	Earned Income
Controlled Investments								
FlexFIN, LLC	Equity Interest	$ 47,136,146	$ (8,265,435)	$ -	$ -	-	$ 38,870,711	$ 3,716,676
Kemmerer Operations, LLC	Senior Secured First Lien Term Loan	-	981,911	2,378,510	-	23,456	3,383,877	557,981
	Equity	-	873,440	962,717	7,296,895	-	9,133,052	-
NVTN LLC	Senior Secured First Lien Delayed Draw Term Loan	7,192,927	-	-	21,929	-	7,214,856	667,312
	Senior Secured First Lien Term Loan B	3,697,109	-	-	1,340,438	-	5,037,547	-
Total Controlled Investments		$ 58,026,182	$ (6,410,084)	$ 3,341,227	$ 8,659,262	$ 23,456	$ 63,640,043	$ 4,941,969

Note 3. Investments (continued)

Name of Investment[(1)(2)]	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 September 30, 2022	Earned Income
Affiliated Investments								
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)	-	-	79,084
	Revolving Credit Facility	3,554,069	862,486	-	(264,993)	-	4,151,562	235,755
	Equity	-	-	-	-	-	-	-
Black Angus Steakhouses, LLC	Senior Secured First Lien Delayed Draw Term Loan	758,929	-	-	-	-	758,929	79,375
	Senior Secured First Lien Term Loan	2,279,814	-	-	(731,896)	-	1,547,918	-
	Senior Secured First Lien Super Priority DDTL	1,500,000	-	-	-	-	1,500,000	156,885
	Equity	-	-	-	-	-	-	-
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)	-	12
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	(3,475)	-	21,438	-	2,378,510	368,331
	Senior Secured First Lien Delayed Draw Term Loan	162,441	(163,915)	-	1,474	-	-	6,601
	Equity	553,746	-	-	140,956	-	694,702	-
Path Medical, LLC	Senior Secured First Lien Term Loan A	2,249,835	(2,460,448)	-	3,556,057	(3,345,444)	-	(1,693)
	Senior Secured First Lien Term Loan B	-	-	-	6,483,741	(6,483,741)	-	(2,974)
	Warrants	-	-	-	499,751	(499,751)	-	-
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	(2,577,418)	-	2	-	-	93,338
	Equity	2,236,261	(1,192,685)	-	238,995	-	1,282,571	-
Total Affiliated Investments		$ 57,595,245	$ (49,786,504)	$ -	$ 96,490	$ 4,408,961	$ 12,314,192	$ 1,014,714

Note 3. Investments (continued)

Name of Investment[1][2]	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 September 30, 2022	Earned Income
Controlled Investments								
FlexFIN, LLC	Equity Interest	$ 2,500,000	$ 44,636,146	$ -	$ -	$ -	$ 47,136,146	$ 3,505,220
NVTN LLC	Senior Secured First Lien Delayed Draw Term Loan	6,414,860	744,010	-	34,057	-	7,192,927	1,124,346
	Super Priority Senior Secured First Lien Term Loan	977,000	(1,000,000)	-	21,150	1,850	-	173,822
	Senior Secured First Lien Term Loan B	-	1,610,990	-	2,086,119	-	3,697,109	-
	Senior Secured First Lien Term Loan C	-	-	-	-	-	-	-
	Equity	-	-	-	-	-	-	-
Total Controlled Investments		$ 9,891,860	$ 45,991,146	$ -	$ 2,141,326	$ 1,850	$ 58,026,182	$ 4,803,388

(1) The par amount and additional detail are shown in the Consolidated Schedules of Investments.

(2) 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 years ended September 30, 2023, 2022 and 2021. 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 years ended September 30, 2023, 2022 and 2021.

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 September 30, 2023. In accordance with Rule 3-09, separate audited financial statements of FlexFIN, LLC for the year ended September 30, 2023 are being filed herewith as Exhibit 99.2.

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 quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

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.

Note 4. Fair Value Measurements (continued)

The following table presents the fair value measurements of our investments, by major class according to the fair value hierarchy, as of September 30, 2023 (dollars in thousands):

	Fair Value Hierarchy as of September 30, 2023			
Investments:	**Level 1**	**Level 2**	**Level 3**	**Total**
Senior Secured First Lien Term Loans	$ -	$ 20,505	$ 82,499	$ 103,004
Senior Secured Notes	-	8,922	-	8,922
Unsecured Debt	-	-	-	-
Equity/Warrants	24,709	6,217	82,817	113,743
Total	$ 24,709	$ 35,644	$ 165,316	$ 225,669
Investments measured at net asset value(1)				792
Total Investments, at fair value				$ 226,461

(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 presents the fair value measurements of our investments, by major class according to the fair value hierarchy, as of September 30, 2022 (dollars in thousands):

	Fair Value Hierarchy as of September 30, 2022			
Investments:	**Level 1**	**Level 2**	**Level 3**	**Total**
Senior Secured First Lien Term Loans	$ -	$ 13,996	$ 74,252	$ 88,248
Senior Secured Second Lien Term Loans	-	-	2,607	2,607
Senior Secured Notes	-	1,659	-	1,659
Unsecured Debt	-	-	-	-
Equity/Warrants	24,750	5,877	69,816	100,443
Total	$ 24,750	$ 21,532	$ 146,675	$ 192,957

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

	Senior Secured First Lien Term Loans	**Senior Secured Second Lien Term Loans**	**Unsecured Debt**	**Equities/ Warrants**	**Total**
Balance as of September 30, 2022	$ 74,252	$ 2,607	$ -	$ 69,816	$ 146,675
Purchases and other adjustments to cost	23,481	-	-	29,571	53,052
Sales (including repayments or maturities)	(12,840)	(2,607)	(191)	(33,213)	(48,851)
Net realized gains/(losses) from investments	162)	5	9	(9,574)	(9,398)
Net unrealized gains/(losses)	(2,556)	(5)	182	26,217	23,838
Transfer in/(out)	-	-	-	-	-
Balance as of September 30, 2023	$ 82,499	$ -	$ -	$ 82,817	$ 165,316

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

	Senior Secured First Lien Term Loans	**Senior Secured Second Lien Term Loans**	**Secured Debt**	**Unsecured Debt**	**Equities/ Warrants(1)**	**Total**
Balance as of September 30, 2021	$ 61,934	$ 2,490	$ 2,500	$ -	$ 48,889	$ 115,813
Purchases and other adjustments to cost	59,179	-	-	-	71,111	130,290
Sales	(58,333)	-	-	(1,280)	(52,938)	(112,551)
Net realized gains/(losses) from investments	(23,917)	-	-	(99)	36,101	12,085
Net unrealized gains/(losses)	35,189	117	(2,500)(1)	1,379	(33,347)(1)	838
Transfer in/(out)	200	-	-	-	-	200
Balance as of September 30, 2022	$ 74,252	$ 2,607	$ -	$ -	$ 69,816	$ 146,675

(1) FlexFIN, LLC was reclassed as an Equity from Secured Debt during the quarter ended December 31, 2021.

Note 4. Fair Value Measurements (continued)

Net change in unrealized gain (loss) for the years ended September 30, 2023 and 2022 included in earnings related to investments still held as of September 30, 2023 and 2022 was approximately $26.5 million and $(2.5) 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, including any repayments or maturities.

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 year ended September 30, 2023, no investments were transferred in or out of Level 3. During the year ended September 30, 2022, $5,248 (in thousands) of investments were transferred out of Level 3 and $1,923 (in thousands) of investments were transferred into Level 3.

The following table presents the quantitative information about Level 3 fair value measurements of our investments, as of September 30, 2023 (dollars in thousands):

	Fair Value	Valuation Methodology	Unobservable Input	Range (Weighted Average)	Impact to Valuation From An Increase In Input
Senior Secured First Lien Term Loans	$ 69,943	Income Approach	Market Yield	8.50% - 32.0% (13.78%)	Decrease
Senior Secured First Lien Term Loans	751	Market Approach	Revenue Multiple	0.3x - 0.3x (0.3x)	Increase
Senior Secured First Lien Term Loans	10,939	Market Approach	EBITDA Multiple	1.7x - 5.0x (3.1x)	Increase
Senior Secured First Lien Term Loans	866	Market Approach	LTM EBITDA Multiple	5.8x - 6.8x (6.3x)	Increase
Equity/Warrants	38,870	Cost Approach	Collateral Value	N/A	N/A
Equity/Warrants	11,734	Market Approach	LTM Multiple	5.8x – 6.8x (6.3x)	Increase
Equity/Warrants	22,007	Market Approach	EBITDA Multiple	1.8x – 36.8x (2.8x)	Increase
Equity/Warrants	10,000	Recent Purchase	Purchase Price	N/A – N/A (N/A)	N/A
Equity/Warrants	206	Income Approach	DLOM (Discount for lack of Marketability)	3.0x – 3.2x (3.1x)	Decrease
Total	**$ 165,316**				

The following table presents the quantitative information about Level 3 fair value measurements of our investments, as of September 30, 2022 (dollars in thousands):

	Fair Value	Valuation Methodology	Unobservable Input	Range (Weighted Average)
Senior Secured First Lien Term Loans	$ 65,428	Income Approach	Market Yield	8.50% - 24.00% (10.57%)
Senior Secured First Lien Term Loans	3,807	Market Approach	EBITDA Multiple	4.0x – 5.0x (4.5x)
Senior Secured First Lien Term Loans	4,152	Market Approach	Revenue Multiple	0.2x – 0.3x (2.5x)
Senior Secured First Lien Term Loans	865	Income Approach	Market Spread	5.75% - 6.25% (6.00%)
Senior Secured Second Lien Term Loans	2,607	Market Approach	EBITDA Multiple	9.0x – 10.0x (9.5x)
Equity/Warrants	47,138	Cost Approach	Replacement Cost	N/A
Equity/Warrants	11,444	Market Approach	EBITDA Multiple	2.0x – 21.0x (17.4x)
Equity/Warrants	9,951	Market Approach	Market Yield	8.50% - 13.25% (12.75%)
Equity/Warrants	1,283	Market Approach	Sum of the Parts/Estimated Proceeds	8.1x – 11.4x (9.8x)
Total	**$ 146,675**			

Note 4. Fair Value Measurements (continued)

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 September 30, 2023 and September 30, 2022, the Company deemed the contingent consideration to be uncollectible.

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. No approval was requested or obtained and the Company is still subject to the 200% requirement.

As of September 30, 2023, the Company's asset coverage was 270.7% 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, 2022, the Company's asset coverage was 255.0% 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 September 30, 2023 and 2022 were as follows (dollars in thousands):

	September 30, 2023				September 30, 2022			
	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	$ 22,483	$ 22,378
2028 Notes	57,500	57,500	55,811	49,105	57,500	57,500	55,480	50,255
Revolving Credit Facility	21,558	28,442	28,442	28,442	-	-	-	-
Total debt	$ 79,058	$ 85,942	$ 84,253	$ 77,547	$ 80,022	$ 80,022	$ 77,963	$ 72,633

Note 5. Borrowings (continued)

Credit Facility

On December 15, 2022, the Company entered into a 3 year $50.0 million revolving credit facility (the "Credit Facility") with Woodforest National Bank ("Woodforest'). Woodforest is the administrative agent, sole bookrunner and sole lead arranger.

Under the Credit Facility, the Company is required to comply with various covenants, reporting requirements and other customary requirements for similar revolving credit facilities, including, without limitation, covenants related to: (a) limitations on the incurrence of additional indebtedness and liens, (b) limitations on certain investments, (c) limitations on certain restricted payments, (d) maintaining a certain minimum stockholders' equity, (e) maintaining a ratio of total assets to total indebtedness of the Company and its consolidated subsidiaries (subject to certain exceptions) of not less than 2.0:1.0, (f) limitations on pledging certain unencumbered assets, and (g) limitations on the creation or existence of agreements that prohibit liens on certain properties of the Company and certain of its subsidiaries. These covenants are subject to important limitations and exceptions that are described in the documents governing the Credit Facility. Amounts available to borrow under the Credit Facility (and the incurrence of certain other permitted debt) are also subject to compliance with a borrowing base that applies different advance rates to different types of assets (based on their value as determined pursuant to the Credit Facility) that are pledged as collateral. As of September 30, 2023, the Company was in compliance in all respects with the terms of the Credit Facility.

As of September 30, 2023 and September 30, 2022, there was $28.4 million and $0.0 million outstanding, respectively, under the Credit Facility.

Outstanding loans under the Credit Facility bear a monthly interest rate at Term SOFR + 2.90%. The Company is also subject to a commitment fee of 0.25%, which shall accrue on the actual daily amount of the undrawn portion of the revolving credit.

On January 17, 2023, the Company borrowed $23.2 million under the Credit Facility and used these proceeds to redeem $22.6 million in aggregate principal amount of the issued and outstanding 2023 Notes, comprising all issued and outstanding 2023 Notes. The 2023 Notes were redeemed at 100% of their principal amount, plus accrued and unpaid interest thereon from September 30, 2022 through, but excluding January 17, 2023 (the "Redemption Date").

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 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 bore 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.

Note 5. Borrowings (continued)

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 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 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.

On December 15, 2022, the Company caused notices to be issued to the holders of its 2023 Notes regarding the Company’s exercise of its option to redeem $22,521,800 in aggregate principal amount of issued and outstanding 2023 Notes, comprising all issued and outstanding 2023 Notes, at a price equal to 100% of the principal amount of the 2023 Notes, plus accrued and unpaid interest thereon from September 30, 2022, through, but excluding, January 17, 2023 in accordance with the terms of the indenture governing the 2023 Notes. The redemption was completed on January 17, 2023. The Company funded the redemption of the 2023 Notes with loans obtained under the Credit Facility.

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, 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 that mature on November 1, 2028 (the “2028 Notes” or 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. 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.

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 2023 Notes and the 2028 Notes, which are or were publicly traded, is based upon closing market quotes as of the measurement date. As of September 30, 2023 and 2022 with respect to the 2028 Notes, and as of September 30, 2022 with respect to the 2023 Notes, such notes are deemed to be Level 1 in the fair value hierarchy, as defined in Note 4. As of September 30, 2023, the Credit Facility is deemed to be Level 3 in the fair value hierarchy, as defined in Note 4.

Note 5. Borrowings (continued)

Debt issuance costs related to the 2023 Notes and the 2028 Notes are reported on the Consolidated Statements of Assets and Liabilities as a direct deduction from the face amount of the 2023 Notes and the 2028 Notes. As of September 30, 2023 and September 30, 2022, debt issuance costs related to the 2023 Notes and the 2028 Notes were as follows (dollars in thousands):

	September 30, 2023			September 30, 2022		
	2023 Notes	2028 Notes	Total	2023 Notes	2028 Notes	Total
Total debt issuance costs at beginning of period	$ 39	$ 2,020	$ 2,059	$ 3,102	$ 2,311	$ 5,413
Amortized debt issuance costs	39	331	370	3,063	291	3,354
Unamortized debt issuance costs	$ -	$ 1,689	$ 1,689	$ 39	$ 2,020	$ 2,059

For the years ended September 30, 2023, 2022 and 2021, the components of interest expense, amortized debt issuance costs, amortized deferred financing costs, weighted average stated interest rate and weighted average outstanding debt balance for the 2023 Notes and the 2028 Notes were as follows (dollars in thousands):

	For the Years Ended September 30,		
	2023	2022	2021
2021 Notes Interest	$ -	$ -	$ 668
2023 Notes Interest	410	1,749	4,768
2023 Notes Premium	-	-	(3)
2028 Notes Interest	3,019	2,996	-
Credit Facility Interest	1,390	-	-
Commitment fees	56	-	-
Amortization of deferred financing costs	287	-	-
Amortization of debt issuance costs	370	368	367
Total	$ 5,532	$ 5,113	$ 5,800
Weighted average stated interest rate	5.9%	6.0%	7.0%
Weighted average debt outstanding	$ 81,600	$ 85,398	$ 82,930

Note 6. Agreements

Investment Management Agreement and Expense Support Agreement

Prior to January 1, 2021, we operated pursuant to an investment management agreement with MCC Advisors which expired on December 31, 2020. Since January 1, 2021, we have operated pursuant to an internalized management structure. In addition, prior to January 1, 2021, the Company was party to an expense support agreement with MCC Advisors and Medley LLC, which expired by its terms at the close of business on December 31, 2020, in connection with the Company’s adoption of the internalized management structure.

Base Management Fee and Incentive Fee

Through December 31, 2020, the investment management agreement with MCC Advisors provided for a base management fee and an incentive 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. For the year ended September 30, 2021, the Company incurred base management fees to MCC Advisors of $1.1 million. No incentive fee was payable for the year ended September 30, 2021. Since January 1, 2021, the Company no longer incurs management fees under its current internalized structure.

Note 6. Agreements (continued)

Administration Agreement

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. A U.S. Bancorp affiliate also served as the Company's custodian. The Company's administrative and custodial relationship with U.S. Bancorp terminated on August 9, 2022. SS&C has since served as administrator of the Company and has provided the Company with fund accounting and financial reporting services pursuant to the services agreement with the Company. Effective September 12, 2022, Computershare serves as custodian for the Company pursuant to its Loan Administration and Custodial Agreement with the Company. For the years ended September 30, 2023, 2022 and 2021, we incurred $0.3 million, $0.3 million and $0.6 million in administrator expenses, respectively.

As of September 30, 2023 and 2022, $0 million and $0.1 million, respectively, were included in "administrator expenses payable" in the accompanying Consolidated Statements of Assets and Liabilities.

Long-Term Cash Incentive Plan

On May 9, 2022, the board of directors of the Company adopted the PhenixFIN 2022 Long-Term Cash Incentive Plan (the "CIP") pursuant to the recommendation by the Compensation Committee of the board of directors. The CIP provides for performance-based cash awards to key employees of the Company, as approved by the Compensation Committee, based on the achievement of pre-established financial goals for the approved performance period. The performance goals may be expressed as one or a combination of net asset value of the Company, net asset value per share of the Company's common stock, changes in the market price of shares of the Company's common stock, individual performance metrics and/or such other goals and objectives the Committee considers relevant in connection with accomplishing the purposes of the CIP.

In connection with the approval of the CIP, the Compensation Committee in April 2022, approved awards for the three year performance period commencing on January 1, 2022 and ending on December 31, 2024 (the "2022 LTIP Plan"). Each participant is eligible to receive an amount of cash equal to 0%-200% of the target award set forth in the table below ("Target Performance Award"), based on the achievement of net asset value ("NAV") and NAV per share goals (weighted at 30% and 70%, respectively) as of the end of the performance period (the "Performance Goals"). Performance is evaluated separately for each Performance Goal. No payment is made with respect to a Performance Goal if a threshold level of performance is not achieved. Each Performance Goal is subject to (i) a threshold level of performance at which a percentage of the Target Performance Award attributable to that Performance Goal may be paid and below which no payment is made pursuant to an award, (ii) a target level of performance at which 100% of the Target Performance Award attributable to that Performance Goal may be paid and (iii) a maximum level of performance, at which 200% of the Target Performance Award attributable to that Performance Goal may be paid, in each case subject to such other terms and conditions of an award. Between threshold, target and maximum performance levels for each Performance Goal, the portion of that award attributed to the Performance Goal shall be interpolated in a linear progression.

In December 2022, pursuant to the CIP, the Compensation Committee approved awards for Mr. Lorber and Ms. McMillan for the three-year performance period commencing on January 1, 2023 and ending on December 31, 2025 (the "2023 LTIP Plan"). Each participant is eligible to receive an amount of cash equal to a percentage of the target award amount set forth above based on the factors described above. The Compensation Committee, in approving the awards, evaluated each Performance Goal separately.

The Target Performance Award for each executive officer for both the 2022 LTIP plan and 2023 LTIP plan is set forth in the table below:

Name and Title	Dollar Value of Target Award
David Lorber, Chairman of the Board and Chief Executive Officer	$ 890,000
Ellida McMillan, Chief Financial Officer	380,000

During the year ended September 30, 2023, the Company recorded an accrual of $317,000, for these awards. During the years ended September 30, 2022 and 2021, the Company did not record an accrual.

Note 7. Related Party Transactions

Due from Affiliates

Due from affiliates at September 30, 2023 and September 30, 2022 consists of certain legal and general and administrative expenses paid by the Company on behalf of certain of its affiliates.

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 years ended September 30, 2023, 2022 and 2021, the Company received insurance proceeds of $0 million, $0 million and $2.1 million, respectively. 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 September 30, 2023 and 2022, we had commitments under loan and financing agreements to fund up to $3.4 million to four portfolio companies and $6.0 million to six portfolio companies, respectively. These commitments are primarily composed of senior secured delayed draw term loans and revolvers, and the determination of their fair value is included in the Consolidated Schedules 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 September 30, 2023 and 2022 is shown in the table below (dollars in thousands):

	September 30, 2023	September 30, 2022
SS Acquisition, LLC (dba Soccer Shots Franchisin–) - Senior Secured First Lien Delayed Draw Term Loan	$ -	$ 4,000
Kemmerer Operations, L–C - Senior Secured First Lien Delayed Draw Term Loan	-	908
Secure Acquisition Inc. (dba Paragon Film–) - Senior Secured First Lien Delayed Draw Term Loan	517	517
NVTN L–C - Senior Secured First Lien Delayed Draw Term Loan	220	220
Black Angus Steakhouses, LLC Senior Secured First Lien Super Priority Delayed Draw Term Loan	-	167
1888 Industrial Services, L–C - Revolving Credit Facility	-	216
Deer Management Systems L–C - Senior Secured First Lien Delayed Draw Term Loan	600	-
Tamarix Capital Partners II, L.–. - Fund Investment	2,038	-
Total unfunded commitments	3,375	6,028

Lease obligations

The Company evaluates 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.

Total operating lease cost incurred by PhenixFIN for the years ended September 30, 2023 and 2022 was $141,330 and $129,552, respectively. During the year ended September 30, 2021, the Company made a security deposit of $72,000 and prepaid rent of $12,000 and no operating lease costs were incurred. As of September 30, 2023 and 2022, the asset related to the operating lease was $449,815 and $513,142, respectively, and is included in the Other assets balance on the Consolidated Balance Sheet. As of September 30, 2023 and 2022, the lease liability was $432,698 and $570,695, respectively, and is included in the Other liabilities balance on the Consolidated Statements of Assets and Liabilities. As of September 30, 2023 and 2022, the remaining lease term was approximately three and four years, respectively, for each of the respective periods and the implied borrowing rate was 5.25% for each of the respective periods.

The following table shows future minimum payments under PhenixFIN's operating lease as of September 30, 2023:

For the Years Ended September 30,	Amount
2024	$ 156,359
2025	156,971
2026	161,680
2027	27,417
Thereafter	-
	502,427
Difference between undiscounted and discounted cash flows	(69,729)
	$ 432,698

Note 9. Fee Income

Fee income consists of 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 table summarizes the Company's fee income for the years ended September 30, 2023, 2022 and 2021 (dollars in thousands):

	For the Years Ended September 30,		
	2023	2022	2021
Prepayment fee	$ -	$ 235	$ -
Administrative agent fee	169	94	414
Amendment fee	53	4	94
Other fees	102	87	2,059
Fee income	$ 324	$ 420	$ 2,567

Note 10. Directors Fees

For each of calendar years 2021 and 2022, the Company's independent directors each received an annual fee of $100,000. In addition, the lead independent director received an annual retainer of $30,000; the chair of the Audit Committee received an annual retainer of $25,000, and each of its other members received an annual retainer of $12,500; and the chairs of the Nominating and Corporate Governance Committee and of the Compensation Committee each received an annual retainer of $15,000 and each of the other members of these committees received annual retainers of $8,000. The Company's independent directors also received a fee of $3,000 for each board meeting and $2,500 for each committee meeting that they attended.

For the 2023 calendar period through April 30, 2023, the independent directors were subject to the foregoing fee structure. Effective May 1, 2023, the structure was modified (simplified) such that each of the Company's independent directors receives an annual fee of $150,000. 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 receives an annual retainer of $15,000 and each of the other members of these committees receives annual retainers of $8,000. The Company's independent directors no longer receive fees for each board and committee meeting that they attend.

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 years ended September 30, 2023, 2022 and 2021, the Company recognized $0.7 million, $0.7 million and $1.0 million, for directors' fees expense, respectively.

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 September 30, 2023, 2022 and 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 years ended September 30, 2023, 2022 and 2021 (dollars in thousands, except share and per share amounts):

	For the Years Ended September 30,		
	2023	2022	2021
Basic and diluted:			
Net increase (decrease) in net assets resulting from operations	$ 26,918	$ (6,107)	$ 1,278
Weighted average shares of common stock outstanding - basic and diluted	2,092,326	2,323,601	2,677,891
Earnings (loss) per share of common stock - basic and diluted	$ 12.87	$ (2.63)	$ 0.48

Note 12. Financial Highlights

The following is a schedule of financial highlights for the years ended September 30, 2023, 2022, 2021, 2020 and 2019:

	For the Years Ended September 30,				
	2023	2022	2021	2020	2019
Per share data					
Net Asset Value per share at Beginning of Period	$ 57.49	$ 57.08	$ 55.30	$ 79.46	$ 117.92
Results of Operations:					
Net Investment Income/(Loss)(1)	3.11	1.48	6.92	(1.00)	(7.66)
Net Realized Gain/(Loss) on Investments	(5.51)	2.24	(15.86)	(18.35)	(41.18)
Net Unrealized Gain/(Loss) on Investments	15.27	(6.22)	9.47	(3.90)	14.13
Net loss on extinguishment of debt	-	(0.13)	(0.05)	(0.91)	(0.75)
Net Increase (Decrease) in Net Assets Resulting from Operations	12.87	(2.63)	0.48	(24.16)	(35.46)
Capital Share Transactions					
Distributions declared	-	(0.12)	-	-	(3.00)
Repurchase of common stock under stock repurchase program	0.39	3.16	1.30	-	-
Net Increase (Decrease) Resulting from Capital Share Transactions	0.39	3.04	1.30	-	(3.00)
Net Asset Value per share at End of Period	$ 70.75	$ 57.49	$ 57.08	$ 55.30	$ 79.46
Net Assets at End of Period	$ 146,705,535	$ 120,845,408	$ 143,693,981	$ 150,619,517	$ 216,432,530
Shares Outstanding at End of Period	2,073,713	2,102,129	2,517,221	2,723,709	2,723,709
Per share market value at end of period	$ 37.90	$ 34.88	$ 42.90	$ 17.83	$ 51.80
Total return based on market value(2)	8.66%	(18.69)%	140.61%	(65.58)%	(29.91)%
Total return based on net asset value (3)	21.40%	(15.90)%	(4.60)%	(30.41)%	(29.47)%
Portfolio turnover rate	32.62%	69.43%	24.97%	5.66%	11.93%

Note 12. Financial Highlights (continued)

Ratios:					
Ratio of net investment/(loss) income to average net assets after waivers, discounts and reimbursements	4.80%	2.55%	12.44%	(1.64)%	(7.96)%
Ratio of total expenses to average net assets	10.04%	9.02%	9.26%	14.64%	25.62%
Supplemental Data:					
Percentage of non-recurring fee income	1.61%	2.70%	7.94%	2.33%	4.29%
Average debt outstanding(4)	$ 81,599,762	$ 85,397,690	$ 82,930,098	$ 189,038,998	$ 347,991,878
Average debt outstanding per weighted average common share	$ 39.18	$ 36.75	$ 30.97	$ 69.40	$ 127.76
Asset coverage ratio per unit(5)	$ 2,707	$ 2,550	$ 2,856	$ 1,992	$ 1,842
2021 Notes(6)	$ -	$ -	$ -	$ 74,012,825	$ 74,012,825
2023 Notes	$ -	$ 22,521,800	$ 77,846,800	$ 77,846,800	$ 77,846,800
2028 Notes	$ 57,500,000	$ 57,500,000	$ -	$ -	$ -
Credit Facility	$ 28,441,941	$ -	$ -	$ -	$ -
Israeli Notes(7)	$ -	$ -	$ -	$ -	$ 105,136,927

(1) Net investment income/(loss) excluding management and incentive fee waivers, discounts and reimbursements based on total weighted average common stock outstanding equals $3.11, $1.48, $6.92, $(3.35), and $(7.66) per share for the years ended September 30, 2023, 2022, 2021, 2020, and 2019, 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.

(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.

(4) Based on daily weighted average carrying value of debt outstanding during the period.

(5) 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 September 30, 2023, the Company's asset coverage was 270.7% after giving effect to leverage and therefore the Company's asset coverage was above 200%, the minimum asset coverage requirement under the 1940 Act.

(6) During the year ended September 30, 2021, the 2021 Notes were redeemed in full and ceased trading on November 20, 2020. The average price for the year ended September 30, 2021 reflects the period from October 1, 2020 through November 20, 2020.

(7) During the year ended September 30, 2020, the Israeli Notes were redeemed in full and ceased trading on the TASE on April 14, 2020.

Note 13. Dividends

Any dividends and distributions to common stockholders are recorded on the ex-dividend date. Any amounts to be paid out as a dividend are 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 declare any regular distribution payments during the years ended September 30, 2023, 2022 and 2021. During the year ended September 30, 2022, a special dividend was declared in the amount of $265,798 on June 24, 2022 payable on July 13, 2022 to Stockholders of record on July 5, 2022.

Note 14. Share Transactions

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

On February 8, 2023, the Board of Directors approved the expansion of the amount authorized for repurchase under the Company's share repurchase program from $25 million to $35 million. Since announcing this share repurchase program on January 11, 2021, the Company has repurchased an aggregate of 649,996 shares of common stock through September 30, 2023 with a total cost of approximately $25.7 million, or 23.9% of shares outstanding as of the program's inception. The total remaining amount authorized under the expanded share repurchase program is approximately $9.3 million.

The following table sets forth the number of shares of common stock repurchased by the Company at an average price of $39.60 per share under its share repurchase program from February 10, 2021 through September 30, 2023:

Month Ended	Shares Repurchased	Repurchase Price Per Share	Aggregate Consideration for Repurchased Shares
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	5,944,213
January 2022	7,312	$39.07 - $40.88	293,756
February 2022	170,589	$39.53 - $41.00	6,908,864
March 2022	132,054	$39.24 - $40.57	5,306,885
April 2022	2,942	$39.07 - $41.00	117,758
May 2022	3,391	$37.70 - $39.78	131,338
June 2022	3,515	$37.28 - $39.19	135,063
July 2022	700	$36.40 - $37.23	25,864
August 2022	3,081	$28.24 - $37.79	112,456
September 2022	91,508	$36.80 - $37.50	3,443,845
October 2022	701	$35.20 - $36.14	14,434
November 2022	1,103	$34.53 - $35.28	38,790
December 2022	1,501	$33.26 - $34.84	51,295
January 2023	2,052	$32.78 - $34.84	68,665
February 2023	3,131	$33.06 - $39.03	115,430
March 2023	2,003	$37.02 - $38.89	76,214
April 2023	649	$35.79 - $37.03	23,671
May 2023	100	$36.53 - $36.53	3,658
June 2023	2,300	$33.63 - $38.76	85,556
August 2023	14,751	$36.98 - $39.41	575,728
September 2023	125	$38.11 - $38.11	4,772
Total	649,996		$ 25,737,486

During the year ended September 30, 2023, 28,291 shares were transferred into treasury, including 300 shares that were repurchased during the year ended September 30, 2022 and transferred into treasury during the year ended September 30, 2023.

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-K or would be required to be recognized in the Consolidated Financial Statements as of and for the year ended September 30, 2023.

In December 2023, the Company established a subsidiary to serve as a regulated insurance company. This subsidiary also entered into a merger agreement pursuant to which it agreed to acquire a controlling interest in VR Insurance SPV, LLC, a company primarily engaged in the insurance business through its subsidiaries ("VR"), and to provide additional capital to such company. Our subsidiary's controlling interest in VR is being acquired pursuant to a plan of reorganization duly adopted by VR which calls for the merger and recapitalization of VR. The Company's total investment in the insurance subsidiary and VR is expected to approximate $49 million. The merger transaction is presently expected to close in the first half of 2024 and is subject to various closing conditions, including insurance regulatory approvals.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

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 September 30, 2023. 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 September 30, 2023, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective.

(b) Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). Under the supervision of our Chief Executive Officer and Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal controls over financial reporting based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our management's evaluation under the framework in *Internal Control—Integrated Framework*, management concluded that our internal controls over financial reporting were effective as of September 30, 2023.

Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

(c) 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 have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 is hereby incorporated by reference from our definitive Proxy Statement relating to our 2024 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days following the end of our fiscal year ended September 30, 2023.

Item 11. Executive Compensation

The information required by Item 11 is hereby incorporated by reference from our definitive Proxy Statement relating to our 2024 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days following the end of our fiscal year ended September 30, 2023.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 is hereby incorporated by reference from our definitive Proxy Statement relating to our 2024 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days following the end of our fiscal year ended September 30, 2023.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 is hereby incorporated by reference from our definitive Proxy Statement relating to our 2024 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days following the end of our fiscal year ended September 30, 2023.

Item 14. Principal Accountant Fees and Services

The information required by Item 14 is hereby incorporated by reference from our definitive Proxy Statement relating to our 2024 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days following the end of our fiscal year ended September 30, 2023.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this Annual Report:

The following financial statements are set forth in Item 8:

(b) 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	Fourth Supplemental Indenture, dated November 15, 2021, between PhenixFIN Corporation and U.S. Bank National Association, as Trustee (Incorporated by reference to the Current Report on Form 8-K filed November 15, 2021)
4.7	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).
10.9	Services Agreement, dated August 9, 2022, by and between PhenixFIN Corp. and SS&C Technologies, Inc. (Incorporated by reference to Exhibit 10.9 to the Annual Report on Form 10-K filed on December 16, 2022).
10.10	Loan Administration and Custodial Agreement, dated September 12, 2022 by and between PhenixFIN Corp. and Computershare Trust Company, N.A. (Incorporated by reference to Exhibit 10.10 to the Annual Report on Form 10-K filed on December 16, 2022).
10.11	Credit Agreement, dated December 15, 2022 by and between PhenixFIN Corporation and Woodforest National Bank (Incorporated by reference to Exhibit 10.11 to the Annual Report on Form 10-K filed on December 16, 2022).
10.12	Pledge and Security Agreement, dated December 15, 2022 by and between PhenixFIN Corporation and Woodforest National Bank (Incorporated by reference to Exhibit 10.12 to the Annual Report on Form 10-K filed on December 16, 2022).
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 (Incorporated by reference to Exhibit 21.1 of the Quarterly Report on Form 10-Q filed on February 10, 2022)
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.
99.1	Notice of Redemption to the Holders of the 6.125% Senior Notes due 2023, dated December 15, 2022 (Incorporated by reference to Exhibit 99.1 to the Annual Report on Form 10-K filed on December 16, 2022).
99.2*	FlexFIN, LLC Audited Financial Statements for the Year Ended September 30, 2023
99.3*	PhenixFIN Compensation Clawback Policy and Procedures
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (Embedded within the Inline XBRL document and included in Exhibit 101)

* Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: December 22, 2023

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)

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the following capacities on December 22, 2023.

/s/ David Lorber David Lorber	Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)
/s/ Ellida McMillan Ellida McMillan	Chief Financial Officer (Principal Accounting and Financial Officer)
/s/ Arthur S. Ainsberg Arthur S. Ainsberg	Director
/s/ Karin Hirtler-Garvey Karin Hirtler-Garvey	Director
/s/ Lowell Robinson Lowell Robinson	Director
/s/ Howard Amster Howard Amster	Director

Exhibit 31.1

**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 Annual Report on Form 10-K 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 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: December 22, 2023

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

Exhibit 31.2

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 Annual Report on Form 10-K 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 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: December 22, 2023

/s/ Ellida McMillan

Ellida McMillan
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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 Annual Report on Form 10-K of PhenixFIN Corporation, (the "Company") for the annual period ended September 30, 2023, 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: December 22, 2023

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

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

FLEXFIN, LLC

FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

FLEXFIN, LLC
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SEPTEMBER 30, 2023

INDEPENDENT AUDITORS' REPORT

To the Members
FlexFIN, LLC
New York, New York

Unqualified Opinion

We have audited the accompanying financial statements of FlexFIN, LLC (a Delaware limited liability company) which comprise the balance sheets as of September 30, 2023 and 2022 and the related statements of income and members equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FlexFIN, LLC as of September 30, 2023 and 2022 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Unqualified Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FlexFIN, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about FlexFIN, LLC's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FlexFIN, LLC’s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about FlexFIN, LLC’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Gibgot, Willenbacher & Co.

CERTIFIED PUBLIC ACCOUNTANTS

Great Neck, New York
December 6, 2023

FLEXFIN, LLC
BALANCE SHEETS

	SEPTEMBER 30, 2023	SEPTEMBER 30, 2022
ASSETS		
Current Assets:		
Cash in bank (Note 2) (Page 5)	$ -	$ 20,635
Restricted inventory (Notes 1, 2 and 3)	38,870,710	47,137,774
Prepaid expenses	-	9,460
TOTAL ASSETS	$ 38,870,710	$ 47,167,869
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities:		
Due to related parties (Note 4)	$ 168,153	$ 11,754
Option extension fees received in advance	88,284	-
New York City Unincorporated Business Tax payable (Note 2)	21,615	-
Accrued expenses	1,125	-
Total liabilities	279,177	11,754
Commitments and Contingencies (Notes 3, 4 and 6)		
Members' Equity (Page 4)	38,591,533	47,156,115
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 38,870,710	$ 47,167,869

See accompanying notes to the financial statements.

FLEXFIN, LLC
STATEMENTS OF INCOME AND MEMBERS' EQUITY

	YEARS ENDED SEPTEMBER 30, 2023	2022
Option extension fee income (Notes 1, 2 and 7)	$ 4,384,908	$ 3,855,350
Operating Expenses:		
Origination and servicing fee (Note 4)	630,007	-
Appraisal, legal and accounting fees	95,861	33,578
Insurance (Note 4)	51,696	-
Advertising and trade shows	3,585	87,253
Office expenses and fees	700	2,513
Travel	-	62,213
Total Operating Expenses	781,849	185,557
Income from operations before New York City Unincorporated Business Tax	3,603,059	3,669,793
New York City Unincorporated Business Tax (Note 2)	32,703	16,716
Net Income (Page 5)	3,570,356	3,653,077
Members' equity - beginning	47,156,115	2,428,655
Contributions from member (Note 5) (Page 5)	13,712,934	54,175,707
Distributions to member (Note 5) (Page 5)	(25,847,872)	(13,101,324)
MEMBERS' EQUITY - END (Page 3)	$ 38,591,533	$ 47,156,115

See accompanying notes to the financial statements.

FLEXFIN, LLC
STATEMENTS OF CASH FLOWS

	YEARS ENDED SEPTEMBER 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (Page 4)	$ 3,570,356	$ 3,653,077
Adjustments To Reconcile Net Income To Net Cash		
Provided By (Used For) Operating Activities:		
(Increase) Decrease In Current Assets:		
Restricted inventory	8,267,064	(44,637,774)
Prepaid expenses	9,460	(9,460)
Increase (Decrease) In Current Liabilities:		
Due to related parties	156,399	(59,591)
Option extension fees received in advance	88,284	-
New York City Unincorporated Business Tax payable	21,615	-
Accrued expenses	1,125	-
Total Adjustments	8,543,947	(44,706,825)
Net Cash Provided By (Used For) Operating Activities	12,114,303	(41,053,748)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions from member (Page 4)	13,712,934	54,175,707
Distributions to member (Page 4)	(25,847,872)	(13,101,324)
Net Cash Provided By (Used For) Financing Activities	(12,134,938)	41,074,383
Net Increase (Decrease) In Cash In Bank	(20,635)	20,635
Cash In Bank - Beginning	20,635	-
CASH IN BANK - END (Page 3)	$ -	$ 20,635
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Taxes Paid	$ 10,504	$ 27,300

See accompanying notes to the financial statements.

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS

FlexFIN, LLC ("The Company"), a Delaware limited liability company organized in July 2021, is a purchaser of gemstones and jewelry with repurchase options. Option extension fees are charged to the sellers in order to extend those repurchase options in increments of one, two, or three months. In certain circumstances inventory items may be sold to third parties. The Company does business with both domestic and international entities in the diamond and jewelry business.

The Company purchases gemstones and jewelry via purchase and sale agreements which contain repurchase options in favor of the sellers. While a repurchase option is active, the Company is prohibited from selling the related inventory, except that some of the inventory may be sold at an agreed upon minimum price (Note 3). The seller must pay an option extension fee in order to maintain the repurchase option. Once an item is no longer subject to a repurchase option the Company may sell it on its own terms. The majority of the Company's operations are located in the New York metropolitan area, while most of its revenue is from clients in Belgium.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash in Bank
The Company maintains a cash balance in one financial institution, which from time to time may be in excess of the Federally insured amount of $250,000. The Company has not experienced losses in this account.

Accounts Receivable, Revenue Recognition and Contracts with Customers
The Company generates revenues from option extension fees collected on asset repurchase option contracts with the sellers. Terms of purchases of inventory are detailed in the purchase contracts. Sellers of inventory to the Company pay monthly option extension fees to maintain the right to repurchase inventory assets sold to the Company. The option extension fee on each contract is calculated as a percentage of the purchase price with rates agreed upon in each transaction. Rates have typically been 0.667% to 1.667% per month, but management reserves the right to raise the fee rates on future contracts. Option extension fee income is paid by the seller at the beginning of each option extension period and is nonrefundable. Income is therefore recognized when the purchase is consummated, upon receipt of the goods and disbursement of funds by the Company. When a repurchase option is exercised by a seller the transaction is recognized as a return of inventory.

At September 30, 2023 and 2022 the Company had no accounts receivable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

As a limited liability company, the Company is treated as a partnership for Federal, New York State, and New York City income tax purposes. Accordingly, any income or loss is reported on the members' respective income tax returns based on their proportionate share of ownership. Limited liability companies are however subject to New York City Unincorporated Business Tax when New York City business income exceeds a certain amount.

The Company's tax filings are subject to audit by various taxing authorities. The Company's Federal, New York State and New York City income tax returns for the years ended December 31, 2022 and 2021 remain open to examination by relevant Internal Revenue Service and New York State and City taxing authorities. In evaluating the Company's tax provisions and accruals, the Company and its members believe that their estimates are appropriate based on current facts and circumstances.

New York State Pass-Through Entity Tax (PTET)

New York State has enacted a new pass-through entity tax (PTET) for years beginning on or after January 1, 2021. The PTET is an optional tax that pass-through entities may elect annually and allows a pass-through entity to pay state-level taxes on business income and claim a corresponding Federal deduction which in turn permits the individual members to maximize their eligible deductions subject to the state and local tax (SALT) cap. The Company did not elect to pay PTET for the tax years beginning January 1, 2023 and 2022 and does not expect to make the election in the future.

Tax Related Penalties and Interest

The Company's policy is to record interest expense and penalties assessed by taxing authorities in operating expenses. For the years ended September 30, 2023 and 2022 there was no interest and penalties expense recorded and no accrued interest and penalties.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Inventory
Restricted, and when applicable unrestricted, inventory is stated at the lower of cost or net realizable value.

NOTE 3 – RESTRICTED INVENTORY

Items purchased and subject to seller repurchase options are reported as restricted inventory. The purchase contracts that establish the seller repurchase options state whether the items purchased by the Company can be sold for a specified minimum price, or the Company is prohibited from selling the items (Note 1). Management monitors the inventory to ascertain that the value of items is always well above its cost. Should the value of an item decline below cost management will require the conveyor to provide additional goods.

At September 30, 2023 and 2022 restricted inventory which is restricted by the minimum sale price criteria during the repurchase option period totaled $4,009,834 and $6,933,986 at cost, respectively. At September 30, 2023 and 2022 restricted inventory, which is completely restricted from being sold during the repurchase option period, totaled $34,860,876 and $40,203,788 at cost, respectively.

Should a restricted inventory item no longer be subject to an active seller repurchase option it is classified as inventory held for sale. At September 30, 2023 the Company has no items held for sale.

NOTE 4 – RELATED PARTY TRANSACTIONS

Office and Administrative Support
Office and administrative support is provided by Kwiat Enterprises, LLC, an entity that has common ownership with a member. During the year ended September 30, 2022 Kwiat Enterprises, LLC provided these services at no cost to the Company. Effective January 1, 2023 the Company entered an agreement with Kwiat Enterprises, LLC to pay an Origination & Servicing Fee (“the fee”) to compensate for work done on behalf of the Company. A one-time lump sum amount totaling $352,408 was paid for services rendered in the calendar year 2022.

NOTE 4 – RELATED PARTY TRANSACTIONS (Continued)

The fee applies only to purchase agreements where the net annualized rate of return meets or exceeds 12%. The fee is equal to 1% per year of the asset purchase price, it is accrued monthly and invoiced quarterly. During the year ended September 30, 2023 the Company paid origination and servicing fees totaling $630,007 to Kwiat Enterprises, LLC, of which $371,470 was for the year ended September 30, 2023 and $258,537 was for the year ended September 30, 2022.

Insurance
The Company has insurance coverage as an additionally insured party on the block policy of Kwiat Enterprises, LLC. Kwiat Enterprises, LLC charged the Company for a portion of the policy cost. During the year ended September 30, 2023 the Company paid $51,696 for insurance expense.

Sales and Purchases
During the years ended September 30, 2023 and 2022 the Company received option extension fee income from related parties totaling $255,829 and $1,653,318, respectively. There were no purchases from related parties during the years ended September 30, 2023 and 2022.

Due From / Due To Related Parties
At September 30, 2023 and 2022 amounts payable to Kwiat Enterprises, LLC, an entity that has common ownership with a member, totaled $168,153 and $11,754, respectively, representing costs paid on behalf of the Company. There were no amounts receivable from any related entities.

NOTE 5 – CONTRIBUTIONS FROM AND DISTRIBUTIONS TO A MEMBER

During the years ended September 30, 2023 and 2022 PhenixFIN Corp., a member of the Company, contributed capital to the Company totaling $13,712,934 and $54,175,707, respectively. PhenixFIN Corp. also received distributions from the company during the years ended September 30, 2023 and 2022 totaling $25,847,872 and $13,101,324, respectively.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Due to the repurchase options, the Company is contractually obligated not to sell inventory, or to sell it at prices that equal or exceed agreed upon minimum prices, while the sellers are entitled to exercise their repurchase options. Upon the exercise of a repurchase option the Company is committed to return the item or items relevant to that seller's repurchase option in exchange for a full return of the purchase amount that it paid and all fees. Upon expiration of a repurchase option the Company is clear of that commitment and may market the relevant inventory item or items to third parties on its own terms.

NOTE 7 – CONCENTRATIONS OF RISK

Major Sellers

The Company is introduced to sellers primarily through managers' industry reputations and network connections, as well as advertising. Management has decades' long business relationships with the sellers, stemming from prior business ventures. This may result in the Company earning a substantial portion of its revenue from relatively few Sellers in any given period. Revenue derived from these contracts may at times exceed 10% of the Company's total revenue.

During the year ended September 30, 2023 one seller accounted for 63% of option extension fee income. During the year ended September 30, 2022 two interrelated sellers accounted for 43% and 41% of option extension fee income.

NOTE 8 – SUBSEQUENT EVENTS

In preparing the financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through December 6, 2023, the date that the financial statements were available to be issued.

Exhibit 99.3

PHENIXFIN COMPENSATION CLAWBACK POLICY AND PROCEDURES

I. INTRODUCTION

On June 9, 2023, the Securities and Exchange Commission ("SEC") approved new listing standards that were proposed by the New York Stock Exchange ("NYSE") and The Nasdaq Stock Market ("Nasdaq"). The new listing standards require listed companies to adopt and comply with a written policy providing for the recovery, in the event of a required accounting restatement, of incentive-based compensation received by current or former executive officers where that compensation is based on erroneously reported financial information (a "Recovery Policy"). The listing standards are effective on October 2, 2023 (the "Effective Date") and companies have until December 1, 2023 to adopt their Recovery Policies. The Recovery Policies apply to erroneously awarded incentive-based compensation received (as defined in the listing standards) after the Effective Date. This Policy has been adopted by PhenixFIN Corporation (the "Company") to meet the foregoing listing standards requiring the adoption of a Recovery Policy.

The Listing Standards are required by new Rule 10D-1, as adopted on October 26, 2022, pursuant to the requirements of Section 10D of the Securities Exchange Act of 1934 (added by Section 954 of the Dodd-Frank Act). Rule 10D-1 requires public companies to implement policies to recover or claw back erroneously awarded incentive-based compensation from current and former executive officers in the event of an accounting restatement, regardless of executive officer fault.

In addition to requiring the adoption of a written compensation recovery policy that meets the requirements of Rule 10D-1, the NYSE and Nasdaq Listing Standards require listed companies to meet related SEC regulatory requirements to:

- File their clawback policies as exhibits to their annual reports (pursuant to Item 601(b)(97) of Regulation S-K);
- Indicate by check box on the cover of their applicable SEC annual report form whether the financial statements included in the filing reflect correction of an error to previously issued financial statements and whether any of those error corrections are restatements that required analysis under the clawback policy; and
- Disclose any actions taken pursuant to the clawback policy (such as the adoption of a new policy in accordance with SEC rules) (pursuant to Item 402(w) of Regulation S-K).

Listed companies may not indemnify any executive officer (or former executive officer) against loss of erroneously awarded compensation under the clawback policy, including a prohibition on companies paying for or reimbursing for the cost of any third-party insurance policy intended to fund potential recovery obligations or modifying current compensation arrangements or taking other actions that would amount to de facto indemnification.

II. DEFINITIONS

Executive Officer: The Company's president, principal financial officer, principal accounting officer (or, if there is no such accounting officer, the controller), any vice president in charge of a principal business unit, division or function (such as sale, administration or finance) or any other officer or person who performs a "policy-making" function for the company.

Financial Reporting Measures: Measures that are determined and presented in accordance with the accounting principles used in preparing the company's financial statements, and any measure that is derived wholly or in part from such measures. Financial reporting measures also include stock price and total shareholder return ("TSR").

Incentive-based Compensation: Any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure. For Incentive-based Compensation based on stock price or TSR, the amount to be clawed back must be based on a reasonable estimate of the effect of the accounting restatement on the stock price or TSR upon which the Incentive-based Compensation was received. The Company must maintain documentation of the determination of that reasonable estimate and provide such documentation to Nasdaq. Compensation that is entirely discretionary would not be "Incentive-based Compensation" for these purposes. As a result, the Company's only current Incentive-based Compensation in effect is the 2022 Long-Term Cash Incentive Plan adopted on May 9, 2022. (The Company's current short-term bonus plan is discretionary and thus falls outside of this Policy.)

Restatement Date: The date the Company's Audit Committee concludes, or reasonably should have concluded, that the Company is required to prepare an accounting restatement; or the date a court, regulator or other legally authorized body directs the Company to prepare an accounting restatement.

Recovery Amount: The gross (not after-tax) amount of Incentive-based Compensation that otherwise would have been received had it been determined based on the restated amounts.

Compensation Date: The date the Financial Reporting Measure specified in the compensation award is attained, even if the payment or grant of the compensation occurs after the end of that period.

III. Policy

The Company will recover reasonably promptly the Recovery Amount of erroneously awarded Incentive-based Compensation awarded to an Executive Officer in the event that the Company is required to prepare an accounting restatement due to the material noncompliance by the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

This Policy applies to all Incentive-based Compensation received by an Executive Officer on the Compensation Date:

- After beginning service as an Executive Officer;
- Who served as an Executive Officer at any time during the performance period for that Incentive-based Compensation;
- While the Company has a class of securities listed on a national securities exchange or a national securities association; and
- During the three completed fiscal years immediately preceding the date that the issuer is required to prepare an accounting restatement section.

In addition, the Policy applies to any transition period (that results from a change in the Company's fiscal year) within or immediately following those three completed fiscal years. A transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months is deemed a completed fiscal year.

The Policy will be implemented reasonably promptly after the Restatement Date except to the extent that the Company's Compensation Committee has made a determination that recovery would be impracticable because:

- The direct expense paid to a third party to assist in enforcing the policy would exceed the amount to be recovered. Before concluding that it would be impracticable to recover any amount of erroneously awarded compensation based on expense of enforcement, the Company will make a reasonable attempt to recover such erroneously awarded compensation, document such reasonable attempt(s) to recover, and provide that documentation to Nasdaq;
- Recovery would violate home country law where that law was adopted prior to November 28, 2022. Before concluding that it would be impracticable to recover any amount of erroneously awarded compensation based on violation of home country law, the Company will obtain an opinion of home country counsel, acceptable to Nasdaq, that recovery would result in such a violation, and will provide such opinion to Nasdaq; or
- Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

IV. Procedures

The Audit Committee will approve this policy prior to December 1, 2023 and review any previously approved incentive compensation plans or employment agreements for any conflicts with this policy. In the event of an accounting restatement the Audit Committee will ensure that on the check box on the cover of the Company's annual report form indicates whether the financial statements included in the filing reflect correction of an error to previously issued financial statements and whether any of those error corrections are restatements that required analysis under this Policy. The Audit Committee will also ensure appropriate disclosures are made with respect to any actions taken pursuant to the clawback policy as a result of the restatement.

The Company's CFO will ensure that this Policy is properly filed as an exhibit to the annual reports.