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, 2021

or

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

For the transition period from to

Commission file number: 1-35040

PHENIXFIN CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Delaware	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
6.125% Notes due 2023	PFXNL	The NASDAQ Global Market
5.25% Notes due 2028	PFXNZ	The NASDAQ Global Market

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

Indicate by check mark 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. ☐

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, 2021 was $79,167,958. The Registrant had 2,517,221 shares of common stock, $0.001 par value, outstanding as of December 15, 2021.

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 2022 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, 2021.

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 is a wholly owned subsidiary of Medley LLC, which is controlled by Medley Management Inc. (NYSE: MDLY), a publicly traded asset management firm ("MDLY"), which in turn is controlled by Medley Group LLC, an entity wholly owned by the senior professionals of Medley LLC. We use the term "Medley" to refer collectively to the activities and operations of Medley Capital LLC, Medley LLC, MDLY, Medley Group LLC, MCC Advisors, associated investment funds and their respective affiliates herein. Since January 1, 2021 the Company has been managed pursuant to an internalized management structure.

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

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

The Company's investment objective is to generate current income and capital appreciation. The management team seeks to achieve this objective primarily through making loans, private equity or other investments in privately-held companies. The Company may also make debt, equity or other investments in publicly-traded companies. (These investments may also include investments in other BDCs, closed-end funds or real estate investment trusts ("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.

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. In addition, our Investment Team seeks to diversify our portfolio of loans by company type, asset type, transaction size, industry and geography.

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

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 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 covenants, maintain ongoing dialogue with portfolio company management and owners, and exercise board observer rights where appropriate.

Rating Criteria We use an investment rating system to characterize and monitor the credit profile and our expected level of returns on each 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 serves 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. 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, 2021, the internalized management team consists of 4 investment professionals and 7 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.

In response to the COVID-19 pandemic, we have instituted a temporary work-from-home policy, pursuant to which our professional team has and continues to primarily work remotely without disruption to our operations. This policy will remain in effect until it is deemed safe to return to our office.

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

We previously entered into (on January 11, 2011) and, prior to January 1, 2021, operated pursuant to an investment management agreement with MCC Advisors (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. The Investment Management Agreement expired December 31, 2020 and effective January 1, 2021, we operate pursuant to an internalized management structure.

We also entered into an administration agreement with MCC Advisors as our administrator on January 19, 2011. 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. The administration agreement expired at the close of business on December 31, 2020, in connection with the Company’s adoption of an internalized management structure. 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”). Effective January 1, 2021, U.S. Bancorp acts as our administrator. Under the Fund Accounting Servicing Agreement and Administration Servicing Agreement, U.S. Bancorp serves as custodian and provides us with fund accounting and financial reporting services.

Termination of Agreements

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

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

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

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

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

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

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

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

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

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:

Risks Related to our Business

- We have determined to internalize 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.
- 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.
- 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 or under the direction 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.
- Our ability to enter into transactions with our affiliates will be restricted, which may limit the scope of investments available to us.
- We will be exposed to risks associated with changes in interest rates.
- Changes relating to the London Interbank Offering Rate (“LIBOR”) calculation process may adversely affect the value of the LIBOR-indexed, floating-rate debt securities in our portfolio.
- Because we use debt to finance our 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 would 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 you distributions and our distributions may not grow over time.
- The highly competitive market in which we operate may limit our investment opportunities.

- Because we expect to distribute substantially all of our net investment income and net realized capital gains to our stockholders, we will need additional capital to finance our growth and such capital may not be available on favorable terms or at all.

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

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

- Our management team may, from time to time, possess material non-public information, limiting our investment discretion.

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

- 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.

- 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.

Risks Related to our Investments

- We may not realize gains from our equity investments.

- Our investments are very risky and highly speculative.

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

- We may acquire indirect interests in loans rather than direct interests, which would subject us to additional risk.

- 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.

- Our ability to invest in public companies may be limited in certain circumstances.

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

- Our affiliate’s asset-based lending activities are influenced by volatility in prices of gemstones/jewelry.

- Hedging transactions may expose us to additional risks.

- We may invest in "unitranche" debt instruments that combine both senior and subordinated debt into one debt instrument. Unitranche debt instruments typically pay a higher rate of interest than traditional senior debt instruments, but may also pose greater risk associated with a lesser amount of asset coverage.

- 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.

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.

- 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.

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

- 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 will become subject to corporate-level U.S. federal income tax if we are unable to maintain our qualification as a regulated investment company under Subchapter M of the Code or satisfy regulated investment company 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, including business development companies, may, as is currently the case with the Company, at times, trade at a discount to their net asset value (“NAV”).

- The market price of our common stock may fluctuate significantly.

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

- 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 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.

- Our 6.125% Notes due 2023 (the “Notes”) are unsecured and therefore are effectively subordinated to any secured indebtedness we have currently incurred or may incur in the future.

- The Notes are structurally subordinated to the indebtedness and other liabilities of our subsidiaries.

- The indenture under which the Notes were issued contains limited protection for holders of the Notes.

- An active trading market for the Notes may not develop or be sustained, which could limit the market price of the Notes or your ability to sell them.

- If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the Notes.

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

- 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.

General Risk Factors

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

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

- Political, social and economic uncertainty, including uncertainty related to the COVID-19 pandemic, creates and exacerbates risks.

- Further downgrades of the U.S. credit rating, automatic spending cuts, or another government shutdown could negatively impact our liquidity, financial condition and earnings.

- Economic recessions or downturns could impair our portfolio companies and harm our operating results.

INVESTMENTS

We have built a diverse portfolio that includes senior secured first lien term loans, senior secured second lien term loans, 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 companies.

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

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

The following table shows the portfolio composition by industry grouping at fair value as of September 30, 2020 (dollars in thousands):

	Fair Value	Percentage
Construction & Building	$ 51,964	21.1%
Multisector Holdings	41,019	16.6
High Tech Industries	26,165	10.6
Healthcare & Pharmaceuticals	23,481	9.5
Services: Business	21,841	8.9
Hotel, Gaming & Leisure	12,337	5.0
Wholesale	12,278	5.0
Containers, Packaging & Glass	11,987	4.8
Consumer goods: Durable	9,520	3.8
Banking, Finance, Insurance & Real Estate	6,557	2.7
Consumer goods: Non-durable	6,164	2.5
Environmental Industries	5,846	2.4
Energy: Oil & Gas	5,626	2.3
Metals & Mining	3,530	1.4
Forest Products & Paper	2,991	1.2
Aerospace & Defense	2,942	1.2
Media: Broadcasting & Subscription	1,110	0.5
Automotive	1,043	0.4
Retail	343	0.1
Total	$ 246,744	100.0%

The following table sets forth certain information as of September 30, 2021 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)	Principal Due at Maturity	Fair Value	% of Net Assets
1888 Industrial Services, LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan A	9/30/2021(2)	6.00%	$ 9,946,741	$ —	0.0%
1888 Industrial Services, LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan B	9/30/2021(2)	9.00%	25,937,520	—	0.0%
1888 Industrial Services, LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan C	9/30/2021(2)	6.00%	1,231,932	24,637	0.0%
1888 Industrial Services, LLC	Energy: Oil & Gas	Revolving Credit Facility	9/30/2021(2)	6.00%	3,554,069	3,554,069	2.5%
1888 Industrial Services, LLC	Energy: Oil & Gas	Equity			21,562	—	0.0%
Alpine SG, LLC	High Tech Industries	Senior Secured First Lien Term Loan	11/16/2022	6.75%	4,715,808	4,715,809	3.3%
Alpine SG, LLC	High Tech Industries	Senior Secured Incremental First Lien Term Loan	11/16/2022	9.50%	472,087	472,087	0.3%
Alpine SG, LLC	High Tech Industries	Senior Secured Incremental First Lien Term Loan	11/16/2022	7.50%	4,174,037	4,174,037	2.9%
Alpine SG, LLC	High Tech Industries	Senior Secured Incremental First Lien Term Loan	11/16/2022	7.50%	1,000,000	1,000,000	0.7%
Alpine SG, LLC	High Tech Industries	Senior Secured Incremental First Lien Term Loan	11/16/2022	7.50%	2,999,802	2,999,802	2.1%
Alpine SG, LLC	High Tech Industries	Senior Secured First Lien Delayed Draw Term Loan	11/16/2022	6.75%	2,277,293	2,277,293	1.6%
Alpine SG, LLC	High Tech Industries	Revolving Credit Facility	11/16/2022	6.75%	—	—	0.0%
Autosplice, Inc.	Automotive	Senior Secured First Lien Term Loan	4/30/2022	11.00%	11,826,036	11,826,036	8.2%
Be Green Packaging, LLC	Containers, Packaging & Glass	Equity			1	—	0.0%
Black Angus Steakhouses, LLC	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan	6/30/2022	10.00%	8,412,596	2,279,814	1.6%
Black Angus Steakhouses, LLC	Hotel, Gaming & Leisure	Senior Secured First Lien Super Priority DDTL	6/30/2022	10.00%	1,500,000	1,500,000	1.0%
Black Angus Steakhouses, LLC	Hotel, Gaming & Leisure	Senior Secured First Lien Delayed Draw Term Loan	6/30/2022	10.00%	758,929	758,929	0.5%
Caddo Investors Holdings 1 LLC	Forest Products & Paper	Equity			2,528,826	3,454,786	2.4%
Chimera Investment Corp.	Banking, Finance, Insurance & Real Estate	Preferred Equity			117,310	3,019,559	2.1%
Cleaver-Brooks, Inc.	Manufacturing	Senior Secured Notes	3/1/2023	7.88%	9,364,000	9,270,360	6.5%
CM Finance SPV, LLC	Energy: Oil & Gas	Unsecured Debt			101,463	—	0.0%
CPI International, Inc.	Aerospace & Defense	Senior Secured Second Lien Term Loan	7/28/2025	8.25%	2,607,062	2,489,744	1.7%
DataOnline Corp.	High Tech Industries	Senior Secured First Lien Term Loan	11/13/2025	7.25%	4,912,500	4,863,375	3.4%
DataOnline Corp.	High Tech Industries	Revolving Credit Facility	11/13/2025	7.25%	714,286	707,143	0.5%
Dividend and Income Fund	Banking, Finance, Insurance & Real Estate	Equity			87,483	1,275,502	0.9%

Name of Portfolio Company	Sector	Security Owned	Maturity	Interest Rate [1]	Principal Due at Maturity	Fair Value	% of Net Assets
Dream Finders Homes, LLC	Construction & Building	Preferred Equity		8.00%	4,905,011	4,757,860	3.3%
Dynamic Energy Services International LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan	12/31/2021	13.50%	12,109,957	—	0.0%
Dynamic Energy Services International LLC	Energy: Oil & Gas	Equity			12,350,000	—	0.0%
FlexFIN LLC	Services: Business	Equity Interest			2,500,000	2,500,000	1.7%
Footprint Acquisition, LLC	Services: Business	Equity			150	—	0.0%
Footprint Acquisition, LLC	Services: Business	Preferred Equity		8.75%	4,049,398	2,956,061	2.1%
Global Accessories Group, LLC	Consumer goods: Non-durable	Equity			380	—	0.0%
Great AJAX Corp.	Banking, Finance, Insurance & Real Estate	Equity			253,651	3,421,752	2.4%
Impact Group, LLC	Services: Business	Senior Secured First Lien Term Loan	6/27/2023	8.37%	—	—	0.0%
Impact Group, LLC	Services: Business	Senior Secured First Lien Delayed Draw Term Loan	6/27/2023	8.37%	—	—	0.0%
InterFlex Acquisition Company, LLC	Containers, Packaging & Glass	Senior Secured First Lien Term Loan	8/18/2022	10.00%	—	—	0.0%
Invesco Mortgage Capital, Inc.	Banking, Finance, Insurance & Real Estate	Preferred Equity			205,000	5,217,250	3.6%
JFL-NGS Partners, LLC	Construction & Building	Equity			57,300	26,862,813	18.7%
JFL-WCS Partners, LLC	Environmental Industries	Equity			129,588	8,099,949	5.6%
Kemmerer Operations, LLC	Metals & Mining	Senior Secured First Lien Term Loan	6/21/2023	15.00%	2,381,985	2,360,547	1.6%
Kemmerer Operations, LLC	Metals & Mining	Senior Secured First Lien Delayed Draw Term Loan	6/21/2023	15.00%	163,915	162,441	0.1%
Kemmerer Operations, LLC	Metals & Mining	Equity			7	553,746	0.4%
Lighting Science Group Corporation	Containers, Packaging & Glass	Warrants			5,000,000	—	0.0%
MFA Financial, Inc.	Banking, Finance, Insurance & Real Estate	Preferred Equity			31,692	778,989	0.5%
New Residential Investment Corp.	Banking, Finance, Insurance & Real Estate	Preferred Equity			206,684	5,206,370	3.6%
New York Mortgage Trust, Inc.	Banking, Finance, Insurance & Real Estate	Preferred Equity			165,000	4,182,750	2.9%

Name of Portfolio Company	Sector	Security Owned	Maturity	Interest Rate (1)	Principal Due at Maturity	Fair Value	% of Net Assets
NVTN LLC	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan B	12/31/2024	10.25%	14,963,195	—	0.0%
NVTN LLC	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan C	12/31/2024	13.00%	10,014,223	—	0.0%
NVTN LLC	Hotel, Gaming & Leisure	Senior Secured First Lien Super Priority DDTL	12/31/2024	5.00%	1,000,000	977,000	0.7%
NVTN LLC	Hotel, Gaming & Leisure	Senior Secured First Lien Delayed Draw Term Loan	12/31/2024	5.00%	6,565,875	6,414,860	4.5%
NVTN LLC	Hotel, Gaming & Leisure	Equity			9,550,922	—	0.0%
Path Medical, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan A	10/11/2021	10.50%	5,805,894	2,249,835	1.6%
Path Medical, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan B	10/11/2021	14.00%	7,646,823	—	0.0%
Path Medical, LLC	Healthcare & Pharmaceuticals	Warrants			123,867	—	0.0%
Point.360	Services: Business	Senior Secured First Lien Term Loan	7/8/2020	6.00%	2,777,366	—	0.0%
RateGain Technologies, Inc.	Hotel, Gaming & Leisure	Unsecured Debt	4/1/2024		704,762	—	0.0%
RateGain Technologies, Inc.	Hotel, Gaming & Leisure	Unsecured Debt	10/2/2023		532,671	—	0.0%
Redwood Services Group, LLC	Services: Business	Revolving Credit Facility	6/6/2023	7.00%	175,000	175,000	0.1%
Sendero Drilling Company, LLC	Energy: Oil & Gas	Unsecured Debt	8/1/2022	9.00%	233,750	—	0.0%
Seotowncenter, Inc.	Services: Business	Equity			3,434,170	—	0.0%
SFP Holding, Inc.	Services: Business	Senior Secured First Lien Term Loan	9/1/2022	7.25%	—	—	0.0%
SFP Holding, Inc.	Services: Business	Senior Secured First Lien Delayed Draw Term Loan	9/1/2022	7.25%	—	—	0.0%
SFP Holding, Inc.	Services: Business	Equity			—	—	0.0%
SMART Financial Operations, LLC	Retail	Preferred Equity			700,000	—	0.0%
Stancor, Inc.	Services: Business	Equity			263,814	—	0.0%
Thryv Holdings, Inc.	Services: Business	Senior Secured First Lien Term Loan B	3/1/2026	9.50%	5,770,000	5,863,763	4.1%
URT Acquisition Holdings Corporation	Services: Business	Unsecured Debt	12/4/2024	10.00%	—	—	0.0%
URT Acquisition Holdings Corporation	Services: Business	Warrants			28,912	920,000	0.6%
US Multifamily, LLC	Banking, Finance, Insurance & Real Estate	Preferred Equity			33,300	2,236,261	1.6%
US Multifamily, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan	12/31/2022	10.00%	2,577,418	2,577,418	1.8%
Velocity Pooling Vehicle, LLC	Automotive	Equity			5,441	64,167	0.0%
Velocity Pooling Vehicle, LLC	Automotive	Senior Secured First Lien Term Loan	4/28/2023	12.00%	—	—	0.0%
Velocity Pooling Vehicle, LLC	Automotive	Warrants	3/30/2028		6,506	76,727	0.1%
Walker Edison Furniture Company LLC	Consumer goods: Durable	Equity			10,244	2,361,242	1.6%
Watermill-QMC Midco, Inc.	Automotive	Equity			518,283	—	0.0%
Wingman Holdings, Inc. (f/k/a Crow Precision Components, LLC)	Aerospace & Defense	Equity			350	—	0.0%

(1) All interest is payable in cash and/or PIK, and all London Interbank Offering Rate ("LIBOR") represents 1 Month LIBOR and 3 Month LIBOR unless otherwise indicated. For each debt investment, we have provided the current interest rate as of September 30, 2021.

(2) The maturity date was extended to May 1, 2023 subsequent to September 30, 2021.

As of September 30, 2021, our income-bearing investment portfolio, which represented 86.6% of our total portfolio, had a weighted average yield based upon cost of our portfolio investments of approximately 6.75%, and 74.6% of our income-bearing investment portfolio bore interest based on floating rates, such as LIBOR, while 25.4% of our income-bearing investment portfolio bore interest at fixed rates. As of September 30, 2020, our income-bearing investment portfolio, which represented 61.2% of our total portfolio, had a weighted average yield based upon cost of our portfolio investments of approximately 8.5%, and 87.4% of our income-bearing investment portfolio bore interest based on floating rates, such as LIBOR, while 12.6% 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, 2021:

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.
Alpine SG, LLC	Alpine SG, LLC ("Alpine SG") is an aggregator of niche, vertically oriented software businesses. Each acquired business operates independently with oversight from the Alpine SG management team.
Autosplice, Inc.	Autosplice, Inc. ("Autosplice"), founded in 1954 and headquartered in San Diego, CA, is a global supplier of highly engineered, mission-critical electrical interconnectors to OEMs and Tier 1 suppliers. Autosplice serves a wide variety of end-markets, providing the automotive, industrial, telecommunications, medical, transportation, consumer, and other applications.
Be Green Packaging, LLC	Be Green Packaging, LLC, founded in 2007 and headquartered in Thousand Oaks, CA, designs and manufactures sustainable, tree-free, molded fiber products and packaging for the 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.
Caddo Investors Holdings 1 LLC	Caddo Investors Holdings 1 LLC (d/b/a TexMark Timber Treasury, L.P.), consists of approximately 1.1 million acres of high quality and relatively young timber lands located in East Texas.
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.
Cleaver-Brooks, Inc.	Cleaver-Brooks, Inc. is a fully integrated boiler room solutions provider, based in Thomasville, Georgia.
CM Finance SPV LLC	CM Finance SPV LLC is a wholly-owned subsidiary of Investcorp Credit Management BDC, Inc., a specialty finance company that invests primarily in the debt of U.S. middle-market companies.
CPI International, Inc.	CPI International, Inc., headquartered in Palo Alto, CA. develops and manufactures microwave, radio frequency, power, and control products for critical communications, defense and medical applications.

Portfolio Company	Brief Description of Portfolio Company
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.
Dividend and Income Fund	Dividend and Income Fund is a diversified closed end management investment company that seeks to achieve primarily high current income and secondarily capital appreciation by investing at least 50% of its total assets in income generating equity securities.
Dream Finders Homes, LLC	Dream Finders Homes, LLC (“DFH”), founded in 2009 and headquartered in Jacksonville, FL, is a residential home builder currently operating in the greater Jacksonville, Orlando, Colorado, Savannah, Austin, and Washington DC markets. DFH builds both single-family homes and townhomes.
Dynamic Energy Services International LLC	Dynamic Energy Services International LLC, headquartered in New Orleans, LA, is a provider of full-service fabrication, construction and maintenance services to a broad range of worldwide markets including oil and gas, industrial and petrochemical markets.
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.
Footprint Acquisition, LLC	Footprint Acquisition, LLC is a provider of in store merchandising and logistics solutions to major retailers and consumer packaged goods manufacturers.
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.
Great AJAX Corp.	Great Ajax Corp. is a REIT that acquires, invests in, and manages a portfolio of residential mortgage and small balance commercial mortgage loans.
Invesco Mortgage Capital, Inc.	Invesco Mortgage Capital Inc. is an externally managed REIT primarily focused on investing in, financing, and managing mortgage-backed securities (“MBS”) and other mortgage-related assets.
JFL-NGS Partners, LLC	JFL-NGS Partners, LLC (d/b/a NorthStar Group Services, Inc.), is a one-stop provider of demolition and environmental remediation services including demolition, asset & scrap recovery, abatement of asbestos, lead, and mold, and disaster response.
JFL-WCS Partners, LLC	JFL-WCS Partners, LLC (d/b/a Waste Control Specialists LLC) operates a state-of-the-art facility for the processing, treatment, storage and disposal of LLRW, hazardous waste, and mixed hazardous and radioactive wastes.
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).
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 Residential Investment Corp.	New Residential Investment Corp. (“New Residential”) is a vertically integrated investment management and mortgage platform externally managed by Fortress Investment Group. New Residential’s investments focus on servicing and origination, residential securities and loans, and consumer loans.
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.

Portfolio Company	Brief Description of Portfolio Company
Path Medical, LLC	Path Medical, LLC, founded in 1993, is a provider of fully-integrated acute trauma treatment and diagnostic imaging solutions to patients injured in automobile and non-work related accidents throughout Florida.
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.
RateGain Technologies, Inc.	RateGain Technologies, Inc. provides hospitality and travel technology solutions for revenue management decision support, rate intelligence, electronic distribution and brand engagement helping customers across the world in streamlining their operations and sales.
Redwood Services Group, LLC	Redwood Services Group, LLC is a group of regional IT managed service providers that provide fully outsourced IT services to small and medium sized businesses.
Sendero Drilling Company, LLC	Sendero Drilling Company, LLC is a land drilling contractor headquartered in San Angelo, TX.
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.
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, Inc.	Stancor, Inc., founded in 1985 and based out of Monroe, CT, is a designer and manufacturer of electric submersible pumps, control, accessories, and parts.
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.
URT Acquisition Holdings Corporation	URT Acquisition Holdings Corporation (d/b/a United Road Towing or "URT") headquartered in Mokena, IL is an integrated towing company in the United States. URT provides a complete range of towing, vehicle storage and vehicle auction services.
US Multifamily, LLC	US Multifamily, LLC ("US Multifamily") is a real estate platform focused on distressed multifamily assets primarily located in the Southeastern United States.
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.
Walker Edison Furniture Company LLC	Walker Edison Furniture Company LLC ("Walker Edison") is an e-commerce furniture platform exclusively selling through the websites of top online retailers. Walker Edison operates a data-driven business model to sell a variety of home furnishings in the discount category including TV stands, bedroom furniture, chairs & tables, desks and other.
Watermill-QMC Midco, Inc.	Watermill-QMC Midco, Inc. (d/b/a Quality Metalcraft, Inc.), founded in 1964 and headquartered in Livonia, MI, is a provider of complex assemblies for specialty automotive production, prototype and factory assist applications.
Wingman Holdings, Inc. (f/k/a Crow Precision Components, LLC)	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.

PREVIOUS RELATIONSHIP WITH MCC ADVISORS

Prior to the effectiveness of our internalized management structure on January 1, 2021, MCC Advisors, an SEC-registered investment adviser under the Advisers Act, served as our investment adviser pursuant to an investment management agreement. Effective January 1, 2021, subject to the overall supervision of our board of directors, our internal management team manages the day-to-day operations of PhenixFIN, and provides investment advisory and management services. See "- Internalized Management Structure" below for further information.

Investment Management Agreement

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

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

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

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

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

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

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

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

Base Management Fee

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

Incentive Fee

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

Incentive Fee Based on Income

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

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

For the year ended September 30, 2021, the Company incurred net base management fees payable to MCC Advisors of $1.1 million and did not incur any incentive fees related to pre-incentive fee net investment income. The Investment Management Agreement terminated as of December 31, 2020, and the Company no longer incurs base management fees or incentive fees under the Investment Management Agreement as a result.

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;
- 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.

Investment Management Agreement Board Approval and Expiration

On January 15, 2020, the Company's board of directors, including all of the independent directors, approved the renewal of the investment management agreement through the later of April 1, 2020 or so long as the Amended MCC Merger Agreement, was in effect, but no longer than a year; provided that, if the Amended MCC Merger Agreement were to be terminated by Sierra, then the termination of the investment management agreement would be effective on the 30th day following receipt of Sierra's notice of such termination to the Company. In that regard, on May 1, 2020, the Company received a notice of termination of the Amended MCC Merger Agreement from Sierra. Under the Amended MCC Merger Agreement, either party was permitted, subject to certain conditions, to terminate the Amended MCC Merger Agreement if the merger was not consummated by March 31, 2020. As result of the termination by Sierra of the Amended MCC Merger Agreement on May 1, 2020, the investment management agreement would have been terminated effective as of May 31, 2020, without further action by our board of directors. On May 21, 2020, our board of directors, including all of the independent directors, extended the term of the investment management agreement through the end of the quarter ended June 30, 2020. On June 15, 2020, our board of directors, including all of the independent directors, extended the term of the investment management agreement through the end of the quarter ended September 30, 2020. On September 29, 2020, our board of directors, including all of the independent directors, extended the term of the investment management agreement through the end of the quarter ended December 31, 2020. The Investment Management 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.

Expense Support Agreement

On June 12, 2020, the Company entered into an expense support agreement (the "Expense Support Agreement") with MCC Advisors and Medley LLC, pursuant to which MCC Advisors and Medley LLC agreed (jointly and severally) to cap the management fee and all of the Company's other operating expenses (except interest expenses, certain extraordinary strategic transaction expenses and other expenses approved by the Special Committee (as defined in Note 10)) at $667,000 per month (the "Cap"). Under the Expense Support Agreement, the Cap became effective on June 1, 2020 and expires 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.

Administration Agreement

On January 19, 2011, the Company entered into an administration agreement with MCC Advisors. Pursuant to the administration agreement, MCC Advisors furnished us with office facilities and equipment, clerical, bookkeeping, recordkeeping and other administrative services related to the operations of the Company. We reimbursed MCC Advisors for our allocable portion of overhead and other expenses incurred by it performing its obligations under the administration agreement, including rent and our allocable portion of the cost of our Chief Financial Officer and Chief Compliance Officer and their respective staffs. From time to time, our administrator was able to pay amounts owed by us to third-party service providers and we would subsequently reimburse our administrator for such amounts paid on our behalf. In connection with the adoption by the board of directors of an internalized management structure, on November 19, 2020, the Company entered into a Fund Accounting Servicing Agreement and an Administration Servicing Agreement on customary terms with U.S. Bancorp U.S. Bancorp. The administration agreement with MCC Advisors terminated by its terms on December 31, 2020. Effective January 1, 2021, U.S. Bancorp serves as our administrator under the Fund Accounting Servicing Agreement and Administration Agreement. Pursuant to these agreements, U.S. Bancorp serves as custodian and provides us with fund accounting and financial reporting services. For the years ended September 30, 2021, 2020, and 2019, we incurred $0.6 million, $2.2 million, and $3.3 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 has served as an independent director of the Company since April 2019, as interim 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 $425,000, and Ms. McMillan is paid an annual base salary of $300,000, 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 4 investment professionals and 7 employees/consultants overall. The Company retained Alaric Compliance Services, LLC, whose officer serves as the Company’s Chief Compliance Officer. As discussed above, the Company has also entered into a fund accounting servicing agreement and an administration servicing agreement on customary terms with U.S. Bancorp, which serves as the Company’s administrator.

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 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 either 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; or

  - 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.

(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 must either control the issuer of the securities or must offer to make available to the issuer of the securities (other than small and solvent companies described above) 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—If we use borrowed funds to make investments or fund our business operations, we will be exposed to risks typically associated with leverage which will 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 nonpublic personal information relating to our stockholders, although certain nonpublic personal information of our stockholders may become available to us. We do not disclose any nonpublic 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 nonpublic 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 nonpublic 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.

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

Proxy Policies

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, 10^{th} 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 have to pay 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, 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” (partnerships that are traded on an established securities market or tradable on a secondary market, other than partnerships that derive 90% of their income from interest, dividends and other permitted RIC income) (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, and any remaining distributions 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.

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 debt and equity capital markets, which may have a negative impact on our business, financial condition and operations.

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

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

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

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

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

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

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

Periods of market volatility have occurred and could continue to occur in response to pandemics or other events outside of our control. These types of events have adversely affected and could continue to adversely affect operating results for us and for our portfolio companies. In December 2019, COVID-19 surfaced in China and has since spread and continues to spread to other countries, including the United States. COVID-19 spread quickly and has been identified as a global pandemic by the World Health Organization. The COVID-19 pandemic continues to adversely impact global commercial activity and has contributed to significant volatility in financial markets. In response, beginning in March 2020, in affected jurisdictions including the United States, unprecedented actions were and continue to be taken by governmental authorities and businesses, including quarantines, "stay at home" orders, travel and hospitality restrictions and bans, and the temporary closures and limited operations of many businesses (including corporate offices, retail stores, restaurants, fitness clubs, manufacturing facilities and factories, and other businesses). The actions to contain the COVID-19 pandemic vary by country and by state in the United States. COVID-19 has caused the effective cessation of all business activity deemed non-essential by such governmental authorities. While certain state and local governments across the United States have taken steps to re-open their economies by lifting "stay at home" orders and re-opening businesses, a number of states and local governments have needed to pause or slow the re-opening or impose new shut-down orders as the number of cases of COVID-19 has continued to rise. COVID-19 and the resulting economic dislocations have had and continue to have adverse consequences for the business operations and financial performance of some of our portfolio companies, which may in turn impact the valuation of our investments and have adversely affected, and threaten to continue to adversely affect, our operations. Local, state and federal and numerous non-U.S. governmental authorities have imposed travel and hospitality restrictions and bans, business closures or limited business operations and other quarantine measures on businesses and individuals that remain in effect on the date of this Annual Report on Form 10-K. We cannot predict the full impact of COVID-19, including the duration and the impact of the closures and restrictions described above. As a result, we are unable to predict the duration of these business and supply-chain disruptions, the extent to which COVID-19 will negatively affect our portfolio companies' operating results or the impact that such disruptions may have on our results of operations and financial condition. With respect to loans to portfolio companies, the Company will be impacted if, among other things, (i) amendments and waivers are granted (or are required to be granted) to borrowers permitting deferral of loan payments or allowing for PIK interest payments, (ii) borrowers default on their loans, are unable to refinance their loans at maturity, or go out of business, or (iii) the value of loans held by the Company decreases as a result of such events and the uncertainty they cause. Portfolio companies may also be more likely to seek to draw on unfunded commitments we have made, and the risk of being unable to fund such commitments is heightened during such periods. Depending on the duration and extent of the disruption to the business operations of our portfolio companies, we expect some portfolio companies, particularly those in vulnerable industries, such as travel and hospitality, to experience financial distress and possibly to default on their financial obligations to us and/or their other capital providers. In addition, if such portfolio companies are subjected to prolonged and severe financial distress, we expect some of them to substantially curtail their operations, defer capital expenditures and lay off workers. These developments would be likely to permanently impair their businesses and result in a reduction in the value of our investments in them.

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

Political, social and economic uncertainty, including uncertainty related to the COVID-19 pandemic, creates and exacerbates risks.

Social, political, economic and other conditions and events (such as natural disasters, epidemics and pandemics, terrorism, conflicts and social unrest) will occur that create uncertainty and have significant impacts on issuers, industries, governments and other systems, including the financial markets, to which companies and their investments are exposed. As global systems, economies and financial markets are increasingly interconnected, events that once had only local impact are now more likely to have regional or even global effects. Events that occur in one country, region or financial market will, more frequently, adversely impact issuers in other countries, regions or markets, including in established markets such as the U.S. These impacts can be exacerbated by failures of governments and societies to adequately respond to an emerging event or threat.

Uncertainty can result in or coincide with, among other things: increased volatility in the financial markets for securities, derivatives, loans, credit and currency; a decrease in the reliability of market prices and difficulty in valuing assets (including portfolio company assets); greater fluctuations in spreads on debt investments and currency exchange rates; increased risk of default (by both government and private obligors and issuers); further social, economic, and political instability; nationalization of private enterprise; greater governmental involvement in the economy or in social factors that impact the economy; changes to governmental regulation and supervision of the loan, securities, derivatives and currency markets and market participants and decreased or revised monitoring of such markets by governments or self-regulatory organizations and reduced enforcement of regulations; limitations on the activities of investors in such markets; controls or restrictions on foreign investment, capital controls and limitations on repatriation of invested capital; the significant loss of liquidity and the inability to purchase, sell and otherwise fund investments or settle transactions (including, but not limited to, a market freeze); unavailability of currency hedging techniques; substantial, and in some periods extremely high, rates of inflation, which can last many years and have substantial negative effects on credit and securities markets as well as the economy as a whole; recessions; and difficulties in obtaining and/or enforcing legal judgments.

For example, the COVID-19 pandemic outbreak has led and for an unknown period of time will continue to lead to disruptions in local, regional, national and global markets and economies affected thereby. The COVID-19 pandemic has impacted the U.S. credit markets. See "We are currently operating in a period of capital markets disruptions and economic uncertainty. Such market conditions may materially and adversely affect debt and equity capital markets, which may have a negative impact on our business, financial condition and operations" and "Events outside of our control, including public health crises, could negatively affect our portfolio companies and our results of our operations."

Although it is impossible to predict the precise nature and consequences of these events, or of any political or policy decisions and regulatory changes occasioned by emerging events or uncertainty on applicable laws or regulations that impact us, our portfolio companies and our investments, it is clear that these types of events are impacting and will, for at least some time, continue to impact us and our portfolio companies and, in many instances, the impact will be adverse and profound. The effects of the COVID-19 pandemic may materially and adversely impact (i) the value and performance of us and our portfolio companies, (ii) the ability of our borrowers to continue to meet loan covenants or repay loans provided by us on a timely basis or at all, which may require us to restructure our investments or write down the value of our investments, (iii) our ability to repay debt obligations, on a timely basis or at all, or (iv) our ability to source, manage and divest investments and achieve our investment objectives, all of which could result in significant losses to us.

Further downgrades of the U.S. credit rating, automatic spending cuts, or another government shutdown could negatively impact our liquidity, financial condition and earnings.

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. In addition, disagreement over the federal budget has caused the U.S. federal government to shut down for periods of time. Continued adverse political and economic conditions could have a material adverse effect on our business, financial condition and results of operations.

Economic recessions or downturns could impair our portfolio companies and harm our operating results.

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. The global outbreak of COVID-19 has disrupted economic markets, and the prolonged economic impact remains uncertain. Many manufacturers of goods have seen a downturn in production due to the suspension of business and temporary closure of factories in an attempt to curb the spread of the illness.. 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, 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, potentially decreasing the funds available for distribution, 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 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 $77.8 million in aggregate principal amount of 6.125% unsecured notes due March 30, 2023 (the "Notes") to leverage our capital structure, which is generally considered a speculative investment technique. In addition, although we voluntarily satisfied and terminated our Revolving Credit Facility in September 2018, we may replace the facility with another revolving or other credit facility. 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, 2021, the Company's asset coverage was 285.6% 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 or 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 or under the direction 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 or under the direction of our board of directors. Most, if not all, 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 our board of directors 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.

Our ability to enter into transactions with our affiliates will be restricted, which may limit the scope of investments available to us.

We are prohibited under the 1940 Act from participating in certain transactions with our affiliates without the prior approval of our independent directors and, in some cases, of the SEC. Any person that owns, directly or indirectly, five percent or more of our outstanding voting securities will be our affiliate for purposes of the 1940 Act, and we are generally prohibited from buying or selling any security from or to such affiliate, absent the prior approval of our independent directors. The 1940 Act also prohibits certain "joint" transactions with certain of our affiliates, which could include investments in the same portfolio company, without prior approval of our independent directors and, in some cases, of the SEC. We are prohibited from buying or selling any security from or to any person who owns more than 25% of our voting securities or certain of that person's affiliates, or entering into prohibited joint transactions with such persons, absent the prior approval of the SEC.

We will be 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. An increase 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.

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

In July 2017, the head of the United Kingdom Financial Conduct Authority announced the desire to phase out the use of LIBOR by the end of 2021. The announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. It is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR or whether any additional reforms to LIBOR may be enacted in the United Kingdom or elsewhere. Actions by the British Bankers Association, the United Kingdom Financial Conduct Authority or other regulators or law enforcement agencies as a result of these or future events, may result in changes to the manner in which LIBOR is determined. In addition, any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market for LIBOR-based securities or the value of our portfolio of LIBOR-indexed, floating-rate debt securities.

At this time, no consensus exists as to what rate or rates will become accepted alternatives to LIBOR, although on July 29, 2021, the Alternative Reference Rates Committee (“ARRC”), a U.S.-based group convened by the U.S. Federal Reserve Board and the Federal Reserve Bank of New York, formally recommended the Secured Overnight Financing Rate (“SOFR”) as its preferred replacement rate for LIBOR. Given the inherent differences between LIBOR and SOFR, or any other alternative benchmark rate that may be established, there are many uncertainties regarding a transition from LIBOR, including but not limited to the need to amend all contracts with LIBOR as the referenced rate and how this will impact the cost of variable rate debt and certain derivative financial instruments, or whether the COVID-19 pandemic will have further effect on LIBOR transition plans. In addition, SOFR or other replacement rates may fail to gain market acceptance. The elimination of LIBOR or any other changes or reforms to the determination or supervision of LIBOR could have an adverse impact on the market value of and/or transferability of any LIBOR-linked securities, loans, and other financial obligations or extensions of credit held by or due to us or on our overall financial condition or results of operations.

Because we use debt to finance our 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, 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 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 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 would 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 our 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 "Tax Matters - Taxation of the Company".

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

When possible, we may pay quarterly distributions to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to pay a specified level of cash distributions or year-to-year increases in cash distributions. Our ability to pay distributions might be adversely affected by, among other things, the impact of one or more of the risk factors described herein. In addition, the inability to satisfy the asset coverage test applicable to us as a BDC could limit our ability to pay distributions. As of September 30, 2021, the Company's asset coverage was 285.6% 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.

Because we expect to distribute substantially all of our net investment income and net realized capital gains to our stockholders, we will 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.

Our management team may, from time to time, possess material non-public information, limiting our investment discretion.

Members of our management may serve as directors of, or in a similar capacity with, companies in which we invest, the securities of which are purchased or sold on our behalf. In the event that material nonpublic information is obtained with respect to such companies, we could be prohibited for a period of time from purchasing or selling the securities of such companies by law or otherwise, and this prohibition may have an adverse effect on us.

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 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, 2021, there was $77.8 million of outstanding Notes. The weighted average interest rate charged on our borrowings as of September 30, 2021 was 7.03% (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 any credit facility we enter into, the lenders thereunder would likely have a superior claim to our assets over our stockholders.

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

Our business is highly 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.

We and our service providers are currently impacted by quarantines and similar measures being enacted by governments in response to COVID-19, which are obstructing the regular functioning of business work forces (including requiring employees to work from external locations and their homes). Accordingly, the risks described above are heightened under current conditions.

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.

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.

We may acquire indirect interests in loans rather than direct interests, which would subject us to additional risk.

We may make or acquire loans or investments through participation agreements. A participation agreement typically results in a contractual relationship only with the counterparty to the participation agreement and not with the borrower. In investing through participations, we will generally not have a right to enforce compliance by the borrower with the terms of the loan agreement against the borrower, and we may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, we will be exposed to the credit risk of both the borrower and the counterparty selling the participation. In the event of insolvency of the counterparty, we, by virtue of holding participation interests in the loan, may be treated as its general unsecured creditor. In addition, although we may have certain contractual rights under the loan participation that require the counterparty to obtain our consent prior to taking various actions relating to the loan, we cannot guarantee that the counterparty will seek such consent prior to taking various actions. Further, in investing through participation agreements, we may not be able to conduct the due diligence on the borrower or the quality of the loan with respect to which it is buying a participation that we would otherwise conduct if we were investing directly in the loan, which may result in us being exposed to greater credit or fraud risk with respect to the borrower or the loan than we expected when initially purchasing the participation.

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 desire to maintain 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.

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.

Our affiliate's asset-based lending 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.

Our ability to invest in public companies may be limited in certain circumstances.

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 may be subject to risks associated with significant investments in one or more economic sectors, including the construction and building sector.

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, including the construction and building sector. Companies in the same sector 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 than companies that invest more broadly. Generally, the more broadly the Company invests, the more it spreads risk and potentially reduces the risks of loss and volatility.

The Company presently has significant exposure to the construction and building sector (its investments in such sector comprise 20.8% of gross assets as of September 30, 2021), which subjects the Company to the particular risks of such sector to a greater degree than others not similarly concentrated. These risks include that the construction and building sector is cyclical and is affected by a number of factors, including the general condition of the economy, market demand and changes in interest rates. Construction activity is affected by the ability to finance projects, which may be reduced due to a widespread outbreak of contagious disease, including an epidemic or pandemic such as the current COVID-19 pandemic. Residential, commercial and industrial construction could decline if companies and consumers are unable to finance construction projects or if the economy precipitously declines or stalls, which could result in delays or cancellations of capital projects. A downturn in the residential, commercial or industrial construction industries and general economic conditions may have an adverse effect on the portfolio companies in which the Company invests.

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, 2021, the Company's asset coverage was 285.6% 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 not generally permitted by the 1940 Act 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, in connection with internalizing our operating structure, we may experience difficulty integrating these functions as a stand-alone entity, and we could have difficulty retaining our personnel, including those performing management, investment and general and administrative functions. These personnel have a great deal of know-how and experience. We may also fail to properly identify the appropriate mix of personnel and capital needs to operate successfully as a stand-alone entity. 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.

Internalization transactions have also, in some cases, been the subject of litigation. Even if these claims are without merit, we could be forced to spend significant amounts of time and money defending claims, which would reduce the amount of funds available for us to make investments and to pay distributions, 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 recent 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 will become subject to corporate-level U.S. federal income tax if we are unable to maintain our qualification as a regulated investment company under Subchapter M of the Code or satisfy regulated investment company 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.

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 recently traded and currently trades at a discount to NAV, 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 may fluctuate significantly.

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

These factors include:

- 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;
- loss of a major funding source; and
- the length and duration of the COVID-19 outbreak in the U.S. as well as worldwide and the magnitude of the economic impact of that outbreak.

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

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

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 Notes are unsecured and therefore are effectively subordinated to any secured indebtedness we have currently incurred or may incur in the future.

The Notes are not secured by any of our assets or any of the assets of our subsidiaries. As a result, the Notes are effectively subordinated to any secured indebtedness we or our subsidiaries have currently incurred and may incur in the future (or any indebtedness that is initially unsecured to which we subsequently grant security) to the extent of the value of the assets securing such indebtedness. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness and the secured indebtedness of our subsidiaries may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holders of the Notes.

The Notes are structurally subordinated to the indebtedness and other liabilities of our subsidiaries.

The Notes are obligations exclusively of the Company and not of any of our subsidiaries. None of our subsidiaries is a guarantor of the Notes and the Notes are not required to be guaranteed by any subsidiary we may acquire or create in the future. Any assets of our subsidiaries will not be directly available to satisfy the claims of our creditors, including holders of the Notes. Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of creditors of our subsidiaries will have priority over our equity interests in such subsidiaries (and therefore the claims of our creditors, including holders of the Notes) with respect to the assets of such subsidiaries. Even if we are recognized as a creditor of one or more of our subsidiaries, our claims would still be effectively subordinated to any security interests in the assets of any such subsidiary and to any indebtedness or other liabilities of any such subsidiary senior to our claims. Consequently, the Notes will be structurally subordinated to all indebtedness and other liabilities of any of our subsidiaries and any subsidiaries that we may in the future acquire or establish. Although our subsidiaries currently do not have any indebtedness outstanding, they may incur substantial indebtedness in the future, all of which would be structurally senior to the Notes.

The indenture under which the Notes were issued contains limited protection for holders of the Notes.

The indenture under which the Notes were issued offers limited protection to holders of the Notes. The terms of the indenture and the Notes do not restrict our or any of our subsidiaries' ability to engage in, or otherwise be a party to, a variety of corporate transactions, circumstances or events that could have an adverse impact on your investment in the Notes. In particular, the terms of the indenture and the Notes place no restrictions on our or our subsidiaries' ability to:

- issue securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to the Notes, (2) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the Notes to the extent of the values of the assets securing such debt, (3) indebtedness of ours that is guaranteed by one or more of our subsidiaries and which therefore is structurally senior to the Notes and (4) securities, indebtedness or obligations issued or incurred by our subsidiaries that would be senior to our equity interests in our subsidiaries and therefore rank structurally senior to the Notes with respect to the assets of our subsidiaries, in each case other than an incurrence of indebtedness or other obligation that would cause a violation of Section 18(a)(1)(A) of the 1940 Act, as modified by Section 61(a)(1) of the 1940 Act, or any successor provisions. These provisions generally prohibit us from making additional borrowings, including through the issuance of additional debt or the sale of additional debt securities, unless our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowings. As of September 30, 2021 the Company's asset coverage was 285.6% after giving effect to leverage;

- pay dividends on, or purchase or redeem or make any payments in respect of, capital stock or other securities ranking junior in right of payment to the Notes, in each case other than dividends, purchases, redemptions or payments that would cause a violation of Section 18(a)(1)(B) of the 1940 Act, as modified by Section 61(a)(1) of the 1940 Act, or any successor provisions. These provisions generally prohibit us from declaring any cash dividend or distribution upon any class of our capital stock, or purchasing any such capital stock if our asset coverage, as defined in the 1940 Act, is below 200% at the time of the declaration of the dividend or distribution or the purchase and after deducting the amount of such dividend, distribution or purchase. As of September 30, 2021, the Company's asset coverage was 285.6% after giving effect to leverage;

- sell assets (other than certain limited restrictions on our ability to consolidate, merge or sell all or substantially all of our assets);

- enter into transactions with affiliates;

- create liens (including liens on the shares of our subsidiaries) or enter into sale and leaseback transactions;

- make investments; or

- create restrictions on the payment of dividends or other amounts to us from our subsidiaries.

In addition, the indenture does not require us to offer to purchase the Notes in connection with a change of control or any other event.

Furthermore, the terms of the indenture and the Notes generally do not protect holders of the Notes in the event that we experience changes (including significant adverse changes) in our financial condition, results of operations or credit ratings, as they do not require that we or our subsidiaries adhere to any financial tests or ratios or specified levels of net worth, revenues, income, cash flow, or liquidity other than as described under the indenture. Any changes, while unlikely, to the financial tests in the 1940 Act could affect the terms of the Notes.

Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the Notes may have important consequences for you as a holder of the Notes, including making it more difficult for us to satisfy our obligations with respect to the Notes or negatively affecting the trading value of the Notes. Other debt we issue or incur in the future could contain more protections for its holders than the indenture and the Notes, including additional covenants and events of default. The issuance or incurrence of any such debt with incremental protections could affect the market for and trading levels and prices of the Notes.

An active trading market for the Notes may not develop or be sustained, which could limit the market price of the Notes or your ability to sell them.

Although the Notes are listed on the NASDAQ Global Market (“NASDAQ”) under the symbols “PFXNL,”, we cannot provide any assurances that an active trading market will develop or be sustained for the Notes or that you will be able to sell your Notes. At various times, the Notes may trade at a discount from their initial offering price depending on prevailing interest rates, the market for similar securities, our credit ratings, general economic conditions, our financial condition, performance and prospects and other factors. To the extent an active trading market is not sustained, the liquidity and trading price for the Notes may be harmed.

If we default on obligations to pay other indebtedness, we may not be able to make payments on the Notes.

Any default under the agreements governing our indebtedness that we may incur in the future that is not waived by the required lenders, and the remedies sought by the holders of such indebtedness could make us unable to pay principal, premium, if any, and interest on the Notes and substantially decrease the market value of the Notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under the other debt we may incur in the future could elect to terminate their commitments, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to seek to obtain waivers from the required lenders under the debt that we may incur in the future to avoid being in default. If we breach our covenants under our debt and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under such debt, the lenders could exercise their rights as described above, and we could be forced into bankruptcy or liquidation. If we are unable to repay debt, lenders having secured obligations could proceed against the collateral securing the debt. Because any future credit facility will likely have customary cross-default provisions, if the indebtedness under the Notes or under any future credit facility is accelerated, we may be unable to repay or finance the amounts due.

We may choose to redeem the Notes when prevailing interest rates are relatively low.

We may choose to redeem the Notes from time to time, especially if prevailing interest rates are lower than the rate borne by the Notes. If prevailing rates are lower at the time of redemption, and we redeem the Notes, you likely would not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the Notes being redeemed. Our redemption right also may adversely impact your ability to sell the Notes as the optional redemption date or period approaches.

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 MCC 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.

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. Except as described below, we are not currently party to any material legal proceedings.

Medley LLC, the Company, Medley Opportunity Fund II LP, Medley Management, Inc., Medley Group, LLC, Brook Taube, and Seth Taube were named as defendants, along with other various parties, in a putative class action lawsuit captioned as Royce Solomon, Jodi Belleci, Michael Littlejohn, and Giulianna Lomaglio v. American Web Loan, Inc., AWL, Inc., Mark Curry, MacFarlane Group, Inc., Sol Partners, Medley Opportunity Fund, II, LP, Medley LLC, Medley Capital Corporation, Medley Management, Inc., Medley Group, LLC, Brook Taube, Seth Taube, DHI Computing Service, Inc., Middlemarch Partners, and John Does 1-100, filed on December 15, 2017, amended on March 9, 2018, and amended a second time on February 15, 2019, in the United States District Court for the Eastern District of Virginia, Newport News Division, as Case No. 4:17-cv-145 (hereinafter, “Class Action 1”). Medley Opportunity Fund II LP and the Company were also named as defendants, along with various other parties, in a putative class action lawsuit captioned George Hengle and Lula Williams v. Mark Curry, American Web Loan, Inc., AWL, Inc., Red Stone, Inc., Medley Opportunity Fund II LP, and Medley Capital Corporation, filed February 13, 2018, in the United States District Court, Eastern District of Virginia, Richmond Division, as Case No. 3:18-cv-100 (“Class Action 2”). Medley Opportunity Fund II LP and the Company were also named as defendants, along with various other parties, in a putative class action lawsuit captioned John Glatt, Sonji Grandy, Heather Ball, Dashawn Hunter, and Michael Corona v. Mark Curry, American Web Loan, Inc., AWL, Inc., Red Stone, Inc., Medley Opportunity Fund II LP, and Medley Capital Corporation, filed August 9, 2018 in the United States District Court, Eastern District of Virginia, Newport News Division, as Case No. 4:18-cv-101 (“Class Action 3”) (together with Class Action 1 and Class Action 2, the “Virginia Class Actions”). Medley Opportunity Fund II LP was also named as a defendant, along with various other parties, in a putative class action lawsuit captioned Christina Williams and Michael Stermel v. Red Stone, Inc. (as successor in interest to MacFarlane Group, Inc.), Medley Opportunity Fund II LP, Mark Curry, Brian McGowan, Vincent Ney, and John Doe entities and individuals, filed June 29, 2018 and amended July 26, 2018, in the United States District Court for the Eastern District of Pennsylvania, as Case No. 2:18-cv-2747 (the “Pennsylvania Class Action”). The Company and Medley Opportunity Fund II, LP were also named as defendants, along with various other parties, in a putative class action lawsuit captioned Charles McDaniel v. American Web Loan, Inc., AWL, Inc., Mark Curry, Medley Capital Corporation, Medley Opportunity Fund II, LP, and Red Stone, Inc., filed on August 7, 2020 and amended on October 22, 2020 in the First Judicial Circuit of Ohio County, West Virginia, Case No. 20-C-169, which case was then removed to the United States District Court for the Northern District of West Virginia on December 15, 2020 (the “West Virginia Class Action” and together with the Virginia Class Actions and the Pennsylvania Class Action, the “Class Action Complaints”). The plaintiffs in the Class Action Complaints filed their putative class actions alleging claims under the Racketeer Influenced and Corrupt Organizations Act, and various other claims arising out of the alleged payday lending activities of American Web Loan. The claims against Medley Opportunity Fund II LP, Medley LLC, the Company, Medley Management, Inc., Medley Group, LLC, Brook Taube, and Seth Taube (in Class Action 1, as amended); Medley Opportunity Fund II LP and Medley Capital Corporation (in Class Action 2 and Class Action 3); Medley Opportunity Fund II LP (in the Pennsylvania Class Action); and Medley Opportunity Fund II LP and the Company (in the West Virginia Class Action), allege that those defendants in each respective action exercised control over, or improperly derived income from, and/or obtained an improper interest in, American Web Loan’s payday lending activities as a result of a loan to American Web Loan. The loan was made by Medley Opportunity Fund II LP in 2011.

By orders dated August 7, 2018 and September 17, 2018, the Court presiding over the Virginia Class Actions consolidated those cases for all purposes. On October 12, 2018, Plaintiffs in Class Action 3 filed a notice of voluntary dismissal of all claims, and on October 29, 2018, Plaintiffs in Class Action 2 filed a notice of voluntary dismissal of all claims. On October 30, 2020, Plaintiffs in the Pennsylvania Class Action filed a Stipulation of Dismissal of all claims against all defendants with prejudice, and on November 2, 2020, the Court presiding over the Pennsylvania Class Action ordered Plaintiffs' claims dismissed with prejudice. On January 29, 2021, Plaintiff in the West Virginia Class Action filed a motion to stay proceedings to permit revision and final approval of a revised settlement agreement in Class Action 1, and also on January 29, 2021, the Court presiding over the West Virginia Class Action granted that motion and stayed the West Virginia Class Action.

On April 16, 2020, the parties to Class Action 1 reached a settlement reflected in a Settlement Agreement (the "Settlement Agreement") that has been publicly filed in Class Action 1 (ECF No. 414-1). Among other things, upon satisfaction of the conditions specified in the Settlement Agreement and upon the Effective Date, the Settlement Agreement (capitalized terms not otherwise defined have the meaning set forth in the Settlement Agreement): (1) requires Plaintiffs to seek certification of a nationwide settlement class of all persons in the United States to whom American Web Loan lent money from February 10, 2010 through a future date on which the Court may enter a Preliminary Approval Order as to the Settlement Agreement (which certification Defendants have agreed not to oppose); (2) requires American Web Loan, and only American Web Loan, to pay Monetary Consideration of $65,000,000 (none of Medley Opportunity Fund II LP, Medley LLC, Medley Capital Corporation, Medley Management, Inc., Medley Group, LLC, Brook Taube, or Seth Taube are paying any Monetary Consideration pursuant to the Settlement Agreement); (3) requires American Web Loan, and only American Web Loan, to cancel (as a disputed debt) and release all claims that relate to or arise out of the loans in its Collection Portfolio, which is valued at Seventy-Six Million Dollars ($76,000,000) and comprised of loans to more than 39,000 borrowers (none of Medley Opportunity Fund II LP, Medley LLC, Medley Capital Corporation, Medley Management, Inc., Medley Group, LLC, Brook Taube, or Seth Taube have any interest in any of the loans that are being cancelled); (4) requires American Web Loan and Curry to provide certain Non-Monetary Benefits (none of Medley Opportunity Fund II LP, Medley LLC, Medley Capital Corporation, Medley Management, Inc., Medley Group, LLC, Brook Taube, or Seth Taube are conferring any Non-Monetary Benefits pursuant to the Settlement Agreement); (5) fully, finally, and forever releases Medley Opportunity Fund II LP, Medley LLC, Medley Capital Corporation, Medley Management, Inc., Medley Group, LLC, Brook Taube, and Seth Taube from any and all claims, causes of action, suits, obligations, debts, demands, agreements, promises, liabilities, damages, losses, controversies, costs, expenses and attorneys' fees of any nature whatsoever, whether arising under federal law, state law, common law or equity, tribal law, foreign law, territorial law, contract, rule, regulation, any regulatory promulgation (including, but not limited to, any opinion or declaratory ruling), or any other law, including Unknown Claims, whether suspected or unsuspected, asserted or unasserted, foreseen or unforeseen, actual or contingent, liquidated or unliquidated, punitive or compensatory, as of the date of the Final Fairness Approval Order and Judgment, that relate to or arise out of loans made by and/or in the name of AWL (including loans issued in the name of American Web Loan, Inc. or Clear Creek Lending) as of the date of entry of the Preliminary Approval Order (with the exception of claims to enforce the Settlement or the Judgment); (6) provides for a mutual general release between Medley Opportunity Fund II LP, Medley LLC, Medley Capital Corporation, Medley Management, Inc., Medley Group, LLC, Brook Taube, and Seth Taube on the one hand, and American Web Loan and Curry on the other hand; and (7) provides that, as of the future Effective Date, none of Medley Opportunity Fund II LP, Medley LLC, Medley Capital Corporation, Medley Management, Inc., Medley Group, LLC, Brook Taube, and Seth Taube shall (i) be entitled to indemnification from AWL Defendants (as defined in the Settlement Agreement) or (ii) bring any claim against any Released Parties, including American Web Loan and Curry, that relate to or arise out of loans made by and/or in the name of AWL (including loans issued in the name of American Web Loan, Inc. or Clear Creek Lending) as of the date of entry of the Preliminary Approval Order (with the exception of claims to enforce the Settlement or the Judgment).

On March 31, 2021, the parties to Class Action 1 and the Objectors filed a revised settlement agreement publicly in Class Action 1 (ECF No. 483-1) (the "Revised Settlement Agreement"). As relevant to Medley LLC, the Company, Medley Opportunity Fund II LP, Medley Management, Inc., Medley Group, LLC, Brook Taube, and Seth Taube, the terms of the Revised Settlement Agreement do not differ from the terms of the original Settlement Agreement. On April 7, 2021, the Court presiding over Class Action 1 held a hearing on Plaintiffs' motion for preliminary approval of the Revised Settlement Agreement, and entered an order granting preliminary approval of the revised settlement (the "Preliminary Approval Order"). Pursuant to the Preliminary Approval Order, the Court held a Final Approval Hearing relating to the Revised Settlement Agreement on July 9, 2021, and following the hearing, granted Final Approval of the Revised Settlement Agreement and entered the Final Judgment. The effective date of the Revised Settlement Agreement occurred on August 26, 2021.

On or about January 28, 2021, a purported class action lawsuit, captioned Kahn v. PhenixFIN Corporation, et al., was filed against the Company and its directors in the Court of Chancery of the State of Delaware. Plaintiffs allege that a provision in the Company's bylaws, which provides that directors may be removed from office for cause by the affirmative vote of 75% of capital stock entitled to vote, is inconsistent with provisions of the Delaware General Corporate Law, which plaintiffs allege would permit removal for cause by a simple majority of capital stock entitled to vote. The plaintiffs seek a declaration that the bylaw provision is invalid and to enjoin the defendants from enforcing it, as well as a reasonable allowance of attorneys' fee. On February 10, 2021, the Board of the Company approved an amendment to the Company's Bylaws, which, among other things, allows for the removal of directors for cause by affirmative vote of the holders of a majority of the capital stock entitled to vote at an election of directors.

On May 5, 2021, plaintiffs filed a notice and proposed order voluntarily dismissing the Action as moot and providing that jurisdiction would be retained solely to resolve an anticipated application for attorneys' fees and expenses, which proposed order was granted by the Court of Chancery on May 5, 2021. The parties to the Action subsequently agreed to a payment by PhenixFIN to plaintiffs' counsel of $25,000, in full satisfaction of their claim for attorneys' fees, expenses and costs in connection with the Action. The Court of Chancery has not been asked to review or approve, and will pass no judgment on, this payment. The Court of Chancery granted the proposed order on July 28, 2021.

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

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

As of September 30, 2021, we had 11stockholders 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, 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)%
Fiscal year ending September 30, 2020					
Fourth Quarter	$ 55.30	$ 18.19	$ 12.40	(67.11)%	(77.58)%
Third Quarter	54.83	18.70	9.00	(65.89)%	(83.59)%
Second Quarter	52.04	45.00	7.00	(13.53)%	(86.55)%
First Quarter	80.99	52.60	38.60	(35.05)%	(52.34)%
Fiscal year ending September 30, 2019					
Fourth Quarter	$ 79.40	$ 56.20	$ 44.80	(29.22)%	(43.58)%
Third Quarter	91.00	69.00	44.00	(24.18)%	(51.65)%
Second Quarter	102.20	72.00	52.40	(29.55)%	(48.73)%
First Quarter	112.20	79.00	53.20	(29.59)%	(52.58)%

(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 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 15, 2021 was $42.38 per share, approximately 74.25% of the Company's then-current NAV. As of December 15, 2021 we had 11 stockholders of record of our common stock, including stockholders for whom shares are held in "nominee" or "street name."

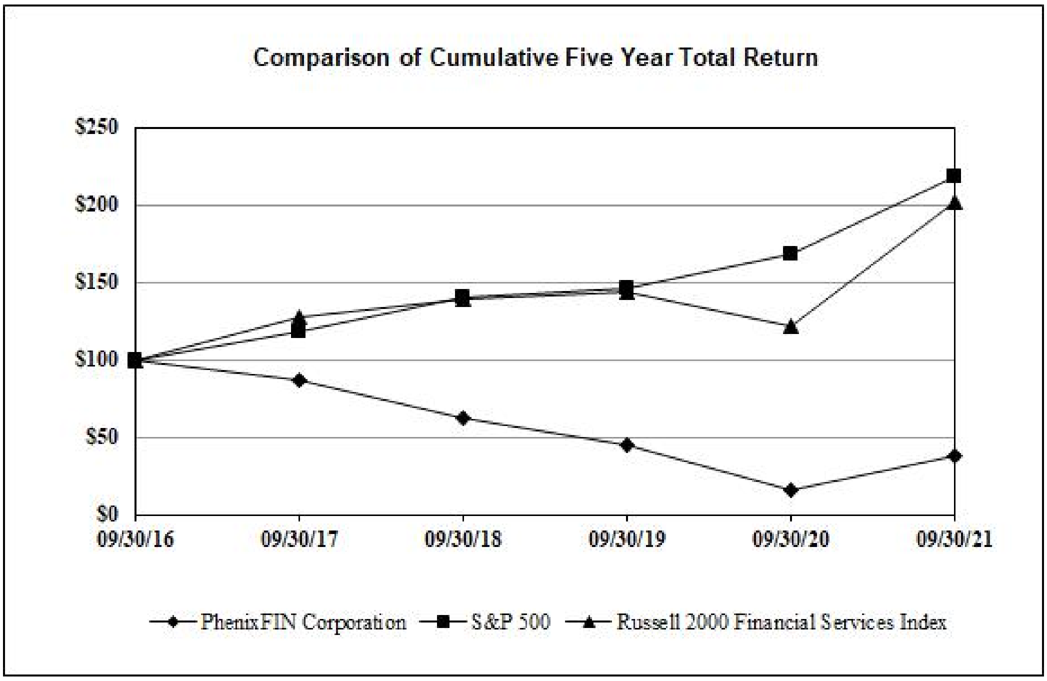
Sales of Unregistered Securities

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, 2016 to September 30, 2021 with that of the Standard & Poor's 500 Stock Index and the Russell 2000 Financial Services Index. This graph assumes that on September 30, 2016, $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, 2021is as follows:

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
Total	206,488		$ 8,203,444

Item 6. Selected Financial Data

The following selected consolidated financial data should be read in conjunction with Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, and Part II, Item 8, *Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K. The following selected financial and other data for the years ended September 30, 2021, 2020, 2019, 2018, and 2017 (dollars in thousands, except per share amounts) is derived from the audited consolidated financial statements for such years, and included in Part II, Item 8, *Consolidated Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K.

	For the years ended September 30				
	2021	2020	2019	2018	2017
Statement of Operations data:					
Total investment income	$ 32,307	$ 21,522	$ 46,299	$ 66,820	$ 96,256
Base management fees	1,146	6,359	11,190	14,724	17,773
Incentive fees	-	-	-	-	896
All other expenses	12,638	17,883	55,976	40,072	41,309
Management fee waiver	-	-	-	(380)	(48)
Incentive fee waiver	-	-	-	-	(44)
Net investment income/(loss)	18,523	(2,720)	(20,867)	12,404	36,370
Net realized gains/(losses) on investments	(42,486)	(49,979)	(112,173)	(89,221)	(73,086)
Net unrealized appreciation/(depreciation) on investments	25,363	(10,633)	38,498	(32,194)	21,644
Change in provision for deferred taxes on unrealized (appreciation)/depreciation on investments	-	-	-	474	1,092
Loss on extinguishment of debt	(122)	(2,481)	(2,033)	(2,387)	(1,097)
Net increase/(decrease) in net assets resulting from operations	1,278	(65,813)	(96,575)	(110,924)	(15,077)
Per share data:					
Net asset value per common share at year end	$ 57.08	$ 55.30	$ 79.46	$ 117.92	$ 169.04
Market price at year end	42.90	17.83	51.80	76.40	119.40
Net investment income/(loss)	6.92	(1.00)	(7.66)	4.55	13.35
Net realized and unrealized gains/(losses) on investments	(6.39)	(22.25)	(27.04)	(44.58)	(18.88)
Change in provision for deferred taxes on unrealized (appreciation)/depreciation on investments	-	-	-	0.17	0.40
Loss on extinguishment of debt	(0.05)	(0.91)	(0.75)	(0.88)	(0.40)
Net increase/(decrease) in net assets resulting from operations	0.48	(24.16)	(35.45)	(40.74)	(5.53)
Dividends paid	-	-	3.00	10.40	15.20
Statement of Assets and Liabilities data:					
Total investments at fair value	$ 151,640	$ 246,744	$ 396,889	$ 655,430	$ 836,991
Cash and cash equivalents	69,433	56,522	68,245	75,666	108,572
Other assets	4,019	2,837	21,133	10,500	13,997
Total assets	225,092	306,103	486,267	741,596	959,560
Total liabilities	81,398	155,483	269,834	420,417	499,131
Total net assets	143,694	150,620	216,433	321,179	460,429
Other data:					
Weighted average annual yield on debt investments(1)	6.75%	8.50%	9.50%	9.90%	10.80%
Total return based on market value(2)	140.61%	(65.58)%	(29.91)%	(27.82)%	(12.73)%
Total return based on net asset value(3)	(4.60)%	(30.41)%	(29.47)%	(21.29)%	(0.68)%
Number of portfolio companies	42	42	51	67	64

(1) The weighted average yield is based upon original cost on our income bearing debt investments.
(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.

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 impact from the COVID-19 pandemic: including its impact on the global and U.S. capital markets and the global and U.S. economy; the length and duration of the COVID-19 outbreak in the United States as well as worldwide and the magnitude of the economic impact of that outbreak; the effect of the COVID-19 pandemic on our business prospects and the operational and financial performance of our portfolio companies, including our and their ability to achieve their respective objectives; and the effect of the disruptions caused by the COVID-19 pandemic on our ability to continue to effectively manage our business; and
- risks and uncertainties relating to the possibility that the Company may explore strategic alternatives, including, but are not limited to: the timing, benefits and outcome of any exploration of strategic alternatives by the Company; potential disruptions in the Company's business and stock price as a result of our exploration of any strategic alternatives; the ability to realize anticipated efficiencies, or strategic or financial benefits; potential transaction costs and risks; and the risk that any exploration of strategic alternatives may have an adverse effect on our existing business arrangements or relationships, including our ability to retain or hire key personnel. There is no assurance that any exploration of strategic alternatives will result in a transaction or other strategic change or outcome.

Such forward-looking statements may include statements preceded by, followed by or that otherwise include the words "trend," "opportunity," "pipeline," "believe," "comfortable," "expect," "anticipate," "current," "intention," "estimate," "position," "assume," "potential," "outlook," "continue," "remain," "maintain," "sustain," "seek," "achieve," and similar expressions, or future or conditional verbs such as "will," "would," "should," "could," "may," or similar expressions. The forward looking statements contained in this 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.

COVID-19 Developments

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

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

We have evaluated subsequent events from September 30, 2021 through the filing date of this annual report on Form 10-K. However, as the discussion in this Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations relates to the Company's financial statements for the quarterly period ended June 30, 2021, the analysis contained herein may not fully account for impacts relating to the COVID-19 pandemic. In that regard, for example, as of September 30, 2021, the Company valued its portfolio investments in conformity with U.S. generally accepted accounting principles ("GAAP") based on the facts and circumstances known by the Company at that time, or reasonably expected to be known at that time. Due to the overall volatility that the COVID-19 pandemic may have caused during the months following our most recent valuation (as of September 30, 2021), any valuations conducted now or in the future in conformity with U.S. GAAP could result in a lower fair value of our portfolio. The longer-term impact of COVID-19 on the operations and the performance of the Company (including certain portfolio companies) is difficult to predict, but may also be adverse. The longer-term potential impact on such operations and performance could depend to a large extent on future developments and actions taken by authorities and other entities to contain COVID-19 and its economic impact. The impacts, as well as the uncertainty over impacts to come, of COVID-19 (including the Delta variant) have adversely affected the performance of the Company and may continue to do so in the future. Further, the potential exists for additional variants of COVID-19, including the Omicron variant, to impede the global economic recovery and exacerbate geographic differences in the spread of, and response to, COVID-19.

Overview

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

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

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

As a BDC, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in "qualifying assets," including securities of private or thinly traded public U.S. companies, cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less. In addition, we are only allowed to borrow money such that our asset coverage, as defined in the 1940 Act, equals at least 200% (or 150% if, pursuant to the 1940 Act, certain requirements are met) after such borrowing, with certain limited exceptions. To maintain our RIC tax treatment, we must meet specified source-of-income and asset diversification requirements. In addition, to maintain our RIC tax treatment, we must timely distribute at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, for the taxable year.

Reverse Stock Split; Authorized Share Reduction

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

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

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

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

Revenues

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

Expenses

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

- our organization and continued corporate existence;
- calculating our NAV (including the cost and expenses of any independent valuation firms);
- expenses incurred in monitoring our financial and legal affairs and in monitoring our investments and performing due diligence on our prospective portfolio companies;
- interest payable on debt, if any, incurred to finance our investments;
- the costs of all offerings of common stock and other securities, if any;
- operating costs associated with employing investment professionals and other staff;
- distributions on our shares;
- administration fees payable under our administration agreement;
- amounts payable to third parties relating to, or associated with, making investments;
- transfer agent and custodial fees;
- registration fees and listing fees;
- U.S. federal, state and local taxes;

- independent director fees and expenses;
- costs of preparing and filing reports or other documents with the SEC or other regulators;
- the costs of any reports, proxy statements or other notices to our stockholders, including printing costs;
- our fidelity bond;
- directors and officers/errors and omissions liability insurance, and any other insurance premiums;
- the operating lease of our office space;
- 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 (as described in Note 10)), at $667,000 per month (the "Cap"). Under the Expense Support Agreement, the Cap became effective on June 1, 2020 and was to expire on September 30, 2020. On September 29, 2020, the board of directors, including all of the independent directors, extended the term of the Expense Support Agreement through the end of quarter ending December 31, 2020. The Expense Support Agreement expired by its terms at the close of business on December 31, 2020, in connection with the adoption of the internalized management structure by the board of directors.

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

Portfolio and Investment Activity

As of September 30, 2021 and 2020, our portfolio had a fair market value of approximately $151.6 million and $246.7 million, respectively.

During the year ended September 30, 2021, we received proceeds from sale and settlements of investments of $124.3 million, including principal and dividend proceeds, realized net losses on investments of $42.5 million, and invested $45.3 million, of which $6.5 million was invested in two new portfolio companies and two new securities in an existing portfolio company during the year.

During the year ended September 30, 2020, we received proceeds from sale and settlements of investments of $110.6 million, including principal and dividend proceeds, realized net losses on investments of $50.0 million, and invested $16.8 million.

The following table summarizes the amortized cost and the fair value of our average portfolio company, including until its sale on October 8, 2020, the equity investment in the MCC Senior Loan Strategy JV I LLC ("MCC JV"), which had been our largest portfolio company:

	September 30, 2021		September 30, 2020	
	Amortized Cost	**Fair Value**	**Amortized Cost**	**Fair Value**
Average portfolio company	$ 3,100	$ 2,263	$ 7,813	$ 5,875
Largest portfolio company	19,469	26,863	37,987	40,807

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

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

The following table summarizes the amortized cost and the fair value of investments as of September 30, 2020 (dollars in thousands):

	Amortized Cost	Percentage	Fair Value	Percentage
Senior Secured First Lien Term Loans	$ 178,843	54.5%	$ 106,463	43.2%
Senior Secured Second Lien Term Loans	15,476	4.7	13,927	5.6
Unsecured Debt	4,601	1.4	2,669	1.1
MCC Senior Loan Strategy JV I LLC	79,888	24.4	41,019	16.6
Equity/Warrants	49,327	15.0	82,666	33.5
Total	$ 328,135	100.0%	$ 246,744	100.0%

As of September 30, 2021, our income-bearing investment portfolio based upon cost represented 86.6% of our total portfolio of which 74.6% bore interest based on floating rates, such as the London Interbank Offering Rate ("LIBOR"), while 25.4% bore interest at fixed rates. As of September 30, 2021, the weighted average yield based upon cost of our total portfolio was approximately 6.75%. As of September 30, 2020, the weighted average yield based upon cost of our total portfolio was approximately 8.5%. 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 COVID-19 pandemic impacted our investment ratings, causing downgrades of certain portfolio companies. As the COVID-19 situation continues to evolve, we continue to maintain close communications with our portfolio companies to proactively assess and manage potential risks across our investment portfolio. We have also increased oversight and analysis of credits in vulnerable industries in an attempt to improve loan performance and reduce credit risk

The following table shows the distribution of our investments on the 1 to 5 investment performance rating scale at fair value as of September 30, 2021 and 2020 (dollars in thousands):

	September 30, 2021		September 30, 2020	
	Fair Value	Percentage	Fair Value	Percentage
1	$ -	0.0%	$ 54,256	22.0%
2	121,508	80.1%	130,742	53.0%
3	13,416	8.8%	40,645	16.5%
4	9,925	6.6%	11,325	4.6%
5	6,791	4.5%	9,776	3.9%
Total	$ 151,640	100.0%	$ 246,744	100.0%

Results of Operations

Operating results for the years ended September 30, 2021, 2020, and 2019 are as follows (dollars in thousands):

	For the years ended September 30		
	2021	2020	2019
Total investment income	$ 32,307	$ 21,522	$ 46,299
Less: Net expenses	13,784	24,242	67,166
Net investment income/(loss)	18,523	(2,720)	(20,867)
Net realized gains (losses) on investments	(42,486)	(49,979)	(112,173)
Net change in unrealized gains (losses) on investments	25,363	(10,633)	38,498
Loss on extinguishment of debt	(122)	(2,481)	(2,033)
Net increase (decrease) in net assets resulting from operations	$ 1,278	$ (65,813)	$ (96,575)

Investment Income

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.

For the year ended September 30, 2020, investment income totaled $21.5 million, of which $20.8 million was attributable to portfolio interest and dividend income, and $0.7 million to fee income.

For the year ended September 30, 2019, investment income totaled $46.3 million, of which $44.0 million was attributable to portfolio interest and dividend income, and $2.3 million to fee income.

Operating Expenses

Operating expenses for the years ended September 30, 2021, 2020, and 2019 are as follows (dollars in thousands):

	For the years ended September 30		
	2021	2020	2019
Base management fees	$ 1,146	$ 6,359	$ 11,190
Interest and financing expenses	5,800	14,935	24,049
General and administrative	1,012	3,285	7,399
Salaries and benefits	1,993	-	-
Administrator expenses	613	2,227	3,324
Insurance	1,620	1,463	623
Directors fees	1,040	1,451	1,258
Professional fees, net	560	(4,768)	19,323
Expenses before waivers and reimbursements	13,784	24,952	67,166
Expense support reimbursement	-	(710)	-
Expenses, net of waivers and reimbursements	$ 13,784	$ 24,242	$ 67,166

For the year ended September 30, 2021, total operating expenses before management and incentive fee waivers decreased by $11.2 million, or 44.8%, compared to the year ended September 30, 2020.

For the year ended September 30, 2020, total operating expenses before management and incentive fee waivers decreased by $42.2 million, or 62.9%, compared to the year ended September 30, 2019.

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

Interest and Financing Expenses

Interest and financing expenses for the year ended September 30, 2021 decreased by $9.1 million, or 61.2%, compared to the year ended September 30, 2020. The decrease in interest and financing expenses was primarily due to the full repayment of the 2021 Notes on November 20, 2020 and the completion of the repayment of the Israeli Notes (as defined below) on April 14, 2020.

Interest and financing expenses for the year ended September 30, 2020 decreased by $9.1 million, or 37.9%, compared to the year ended September 30, 2019. The decrease in interest and financing expenses was primarily due to the voluntary repayment of $135.0 million SBA-guaranteed debentures (the “SBA Debentures”), which the Company repaid between March 28, 2019 and May 10, 2019, as well as the full repayment of $120.2 million Series A Notes (the “Israeli Notes”) between August 12, 2019 and April 14, 2020.

Base Management Fees and Incentive Fees

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.

Base management fees for the year ended September 30, 2020 decreased by $4.8 million, or 43.2%, compared to the year ended September 30, 2019 principally due to the decline in our gross assets during the period.

No incentive fees were paid for the year ended September 30, 2021 or the year ended September 30, 2020. Since January 1, 2021, the Company no longer incurs incentive fees under its current internalized structure.

Professional Fees and Other General and Administrative Expenses

Professional fees and general and administrative expenses for the year ended September 30, 2021 increased by $3.1 million, or 206.0%, compared to the year ended September 30, 2020 primarily due to a decrease in the insurance proceeds received in the year ended September 30, 2021 which offset legal expenses.

Professional fees and general and administrative expenses for the year ended September 30, 2020 decreased by $28.3 million, or 88.5%, compared to the year ended September 30, 2019 primarily due to insurance proceeds received related to legal expenses relating to the dismissed stockholder class action, captioned as FrontFour Capital Group LLC, et al. v Brook Taube et al, as well as a decrease in legal expenses, general and administrative expenses, administrator expenses, valuation expenses, and audit expenses, offset by an increase in independent directors expenses and insurance expenses.

Net Realized Gains/Losses from Investments

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

During the 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.

During the year ended September 30, 2020, we recognized $50.0 million of realized losses on our portfolio investments. The realized losses were primarily due to the sale of three investments and the write-off of two investments.

During the year ended September 30, 2019, we recognized $112.2 million of realized losses on our portfolio investments. The realized losses were primarily due to the non-cash restructuring transactions of two investments, the sale of two investments and the write-off of two investments, partially offset by a realized gain resulting from exercising warrants and converting junior preferred equity in one portfolio company into common shares of a new portfolio company.

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, 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.

During the year ended September 30, 2020, the Company recognized a net loss on extinguishment of debt of $2.5 million, which was due to the Company's $34.1 million repayment of the Israeli Notes on December 31, 2019, $34.9 million repayment of the Israeli Notes on March 31, 2020 and $21.1 million repayment of the Israeli Notes on April 14, 2020.

During the year ended September 30, 2019, the Company recognized a net loss on extinguishment of debt of $2.0 million, which was primarily due to a loss on extinguishment of debt of $1.8 million from the pre-payment of $135.0 million of SBA Debentures in connection with SBIC LP's surrender of its SBIC license and a $0.2 million loss on extinguishment of debt from the $12.0 million partial redemption of the 2023 Notes.

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, 2021, we had $25.3 million of net 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.

For the year ended September 30, 2020, we had $10.6 million of net unrealized depreciation on investments. The net unrealized depreciation comprised of $37.1 million of net unrealized depreciation on investments, offset by $26.5 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, 2019, we had $38.5 million of net unrealized appreciation on investments. The net unrealized appreciation comprised of $59.6 million of net unrealized depreciation on investments, offset by $98.1 million of net unrealized appreciation that resulted from the reversal of previously recorded unrealized depreciation on investments that were realized 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, 2021, 2020 and 2019, 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, 2021, we recorded a net increase in net assets resulting from operations of $1.2 million compared to a net decrease in net assets resulting from operations of $65.8 million for the year ended September 30, 2020, and a net decrease in net assets resulting from operations of $96.6 million for the year ended September 30, 2019 as a result of the factors discussed above. Based on 2,677,891, 2,723,709, and 2,723,709 weighted average common shares outstanding for the years ended September 30, 2021, 2020, and 2019, respectively, our per share net increase (decrease) in net assets resulting from operations was $0.46, $(24.16) and $(35.46) for the years ended September 30, 2021, 2020, and 2019, 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 Revolving Credit Facility (which the Company voluntarily satisfied and terminated) and net proceeds from the issuance of notes as well as cash flows from operations. In the future, we may generate cash from future offerings of securities, future borrowings and cash flows from operations, including interest earned from the temporary investment of cash in U.S. government securities and other high-quality debt investments that mature in one year or less. Our primary use of funds is investments in our targeted asset classes, cash distributions to our stockholders, and other general corporate purposes.

As of September 30, 2021, we had $69.4 million in cash and cash equivalents.

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

Unsecured Notes

2021 Notes

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

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

2023 Notes

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

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

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

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

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

Secured Notes

Israeli Notes

On January 26, 2018, the Company priced a debt offering in Israel of $121.3 million of Israeli Notes. The Israeli Notes were listed on the TASE and denominated in New Israeli Shekels, but linked to the US Dollar at a fixed exchange rate which mitigates any currency exposure to the Company.

On June 5, 2018, the Company announced that on June 1, 2018, its board of directors authorized the Company to repurchase and retire up to $20 million of the Company's outstanding Israeli Notes on the TASE.

During the quarter ended December 31, 2018, the Company exchanged $1.0 million United States Dollars to New Israeli Shekels at a rate of 3.73 USD/NIS in order to repurchase the Israeli Notes on the TASE. As the Israeli Notes were trading below par at the time of the repurchase, and the USD/NIS (foreign currency) spot rate was higher than the fixed exchange rate agreed upon in the deed of trust, the Company was able to repurchase and retire 3,812,000 units, which resulted in $1,119,201 aggregate principal amount of the Israeli Notes being retired. The redemption was accounted for as a debt extinguishment in accordance with ASC 470-50, Modifications and Extinguishments, which resulted in a realized gain of $0.1 million and was recorded on the Consolidated Statements of Operations as a gain on extinguishment of debt.

On December 31, 2019 in addition to the scheduled 12.5% quarterly amortization payment, the Company used proceeds from its principal collections in PhenixFIN SLF and PhenixFIN Small Business Fund to pre-pay an additional $19.1 million of the Israeli Notes. The pre-payment was accounted for as a debt extinguishment in accordance with ASC 470-50, Modifications and Extinguishments, which resulted in a realized loss of $0.9 million and was recorded on the Consolidated Statements of Operations as a net loss on extinguishment of debt.

On March 31, 2020, in addition to the scheduled 12.5% quarterly amortization payment, the Company used proceeds from its principal repayments in assets held by PhenixFIN SLF and PhenixFIN Small Business Fund to pre-pay an additional $19.8 million of the Israeli Notes. The pre-payment was accounted for as a debt extinguishment in accordance with ASC 470-50, Modifications and Extinguishments, which resulted in a realized loss of $0.9 million and was recorded on the Consolidated Statements of Operations as a net loss on extinguishment of debt.

On April 14, 2020, the Company repaid the remaining $21.1 million of Israeli Notes outstanding, and as such is no longer subject to any covenants relating thereto. The Israeli Notes were redeemed at 100% of their principal amount, plus the accrued interest thereon, through April 14, 2020.

Contractual Obligations and Off-Balance Sheet Arrangements

As of September 30, 2021 and 2020, we had commitments under loan and financing agreements to fund up to $4.9 million to six portfolio companies and $3.9 million to five portfolio companies, respectively. These commitments are primarily composed of senior secured term loans and revolvers, and the determination of their fair value is included in the Consolidated Schedule of Investments. The commitments are generally subject to the borrowers meeting certain criteria such as compliance with covenants and certain operational metrics. The terms of the borrowings and financings subject to commitment are comparable to the terms of other loan and equity securities in our portfolio. A summary of the composition of the unfunded commitments as of September 30, 2021 and 2020 is shown in the table below (dollars in thousands):

	September 30, 2021	September 30, 2020
Redwood Services Group, LLC - Revolver	$ 1,575	$ 1,050
1888 Industrial Services, LLC - Revolver	1,078	1,078
Alpine SG - Revolver	1,000	-
Kemmerer Operations, LLC - Delayed Draw Term Loan	908	908
NVTN LLC - DDTL	220	220
Black Angus Steakhouses, LLC - Super Priority DDTL	167	-
DataOnline Corp. - Revolver	-	179
NVTN LLC - Super Priority DDTL	-	500
Total unfunded commitments	$ 4,948	$ 3,935

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.

As of September 30, 2021, the future fixed commitments for cash payments in connection with our Notes due 2023 and rent obligations under our office lease for each of the next five years and thereafter are as follows:

	2022	2023	2024	2025	2026	Thereafter	Total
2023 Notes	$ -	$ (77,846,800)	$ -	$ -	$ -	$ -	$ (77,846,800)
Operating Lease Obligation [1]	(84,000)	(144,000)	(144,000)	(144,000)	(144,000)	(24,000)	(684,000)
Total contractual obligations	$ (84,000)	$ (77,990,800)	$ (144,000)	$ (144,000)	$ (144,000)	$ (24,000)	$ (78,530,800)

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

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

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

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

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

Distributions

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

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

1) at least 98.0% of our ordinary income (not taking into account any capital gains or losses) for the calendar year;

2) at least 98.2% of the amount by which our capital gains exceed our capital losses (adjusted for certain ordinary losses) for a one-year period ending on October 31st of the calendar year; and

3) income realized, but not distributed, in preceding years and on which we did not pay federal income tax.

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

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

To the extent our taxable earnings fall below the total amount of our distributions for a taxable year, a portion of those distributions may be deemed a return of capital to our stockholders for U.S. federal income tax purposes.

Stockholders should read any written disclosure accompanying a distribution carefully and should not assume that the source of any distribution is our ordinary income or gains.

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

There were no dividend distributions during the year ended September 30, 2021.

Related Party Transactions

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

- We entered into the Investment Management Agreement with MCC Advisors on January 11, 2011, which expired December 31, 2020. Mr. Brook Taube, Chairman and Chief Executive Officer through December 31, 2020 and director through January 21, 2021 and Mr. Seth Taube, director through January 21, 2021, are both affiliated with MCC Advisors and Medley.

- Through December 31, 2020, MCC Advisors provided us with the office facilities and administrative services necessary to conduct day-to-day operations pursuant to our administration agreement. We reimbursed MCC Advisors for the allocable portion (subject to the review and approval of our board of directors) of overhead and other expenses incurred by it in performing its obligations under the administration agreement, including rent, the fees and expenses associated with performing compliance functions, and our allocable portion of the cost of our Chief Financial Officer and Chief Compliance Officer and their respective staffs.

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

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

Investment Management Agreement

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

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

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

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

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

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

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

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

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

Base Management Fee

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

Incentive Fee

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

Incentive Fee Based on Income

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

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

Critical Accounting Policies

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

Valuation of Portfolio Investments

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

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities at the measurement date.

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

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

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

Valuation methods may include comparisons of financial ratios of the portfolio companies that issued such private equity securities to peer companies that are public, the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flows, the markets in which the portfolio company does business, and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we will consider the pricing indicated by the external event to corroborate the private equity valuation. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the investments may differ significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

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

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

- Our quarterly valuation process generally begins with each investment being initially valued by a Valuation Firm.

- Preliminary valuation conclusions will then be documented and discussed with senior management.

- The audit committee of the board of directors reviews the preliminary valuations with management and the Valuation Firms.

- The board of directors discusses the valuations and determines the fair value of each investment in the Company's portfolio in good faith based on the input of management, the respective Valuation Firms and the audit committee.

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

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

Revenue Recognition

Our revenue recognition policies are as follows:

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

Non-accrual We place loans on non-accrual status when principal and interest payments are past due by 90 days or more, or when there is reasonable doubt that we will collect principal or interest. Accrued interest is generally reversed when a loan is placed on non-accrual. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in our management's judgment, are likely to remain current. At September 30, 2021, certain investments in 9 portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately $13.9 million, or 9.2% of the fair value of our portfolio. At September 30, 2020, certain investments in eight portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately $21.7 million, or 8.8% of the fair value of our portfolio. At September 30, 2019, certain investments in seven portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately $22.3 million, or 5.6% of the fair value of our portfolio.

Federal Income Taxes

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

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

Recent Developments

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

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

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.

Subsequent to fiscal year ended September 30, 2021, the COVID-19 pandemic continues and may further continue to have adverse consequences on the U.S. and global economies. The ultimate economic fallout from the pandemic, and the long-term impact on economies, markets, industries and individual portfolio companies, remains uncertain. The Company cannot predict the extent to which its financial condition and results of operations will be affected. The potential impact to our results will depend to an extent on future developments and new information that may emerge regarding the duration and lasting severity of COVID-19. The Company continues to observe and respond to the evolving COVID-19 environment and its potential impact on areas across its business. Further, the potential exists for additional variants of COVID-19, including the Omicron variant, to impede the global economic recovery and exacerbate geographic differences in the spread of, and response to, COVID-19.

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 LIBOR, to the extent our debt investments include floating interest rates. In the future, we expect other loans in our portfolio will have floating interest rates. In addition, U.S. and global capital markets and credit markets have experienced a higher level of stress due to the global COVID-19 pandemic, which has resulted in an increase in the level of volatility across such markets. We may hedge against interest rate fluctuations by using standard hedging instruments such as futures, options and forward contracts subject to the requirements of the 1940 Act. For the year ended September 30, 2021, we did not engage in hedging activities.

As of September 30, 2021, 58.1% of our income-bearing investment portfolio bore interest based on floating rates based upon fair value. In connection with the COVID-19 pandemic, the U.S. Federal Reserve and other central banks have reduced certain interest rates and LIBOR has decreased. A prolonged reduction in interest rates will reduce our gross investment income and could result in a decrease in our net investment income if such decreases in LIBOR are not offset by a corresponding increase in the spread over LIBOR that we earn on any portfolio investments, a decrease in our operating expenses, including with respect to any income incentive fee, or a decrease in the interest rate of our floating interest rate liabilities tied to LIBOR. In contrast, a rise in the general level of interest rates can be expected to lead to higher interest rates applicable to any variable rate investments we hold and to declines in the value of any fixed rate investments we hold. In addition, a rise in interest rates may increase the likelihood that a portfolio company defaults on a loan. However, many of our variable rate investments provide for an interest rate floor, which may prevent our interest income from increasing until benchmark interest rates increase beyond a threshold amount. The composition of our floating rate debt investments by cash interest rate LIBOR floor as of September 30, 2021 was as follows (dollars in thousands):

	September 30, 2021	
LIBOR Floor	**Fair Value**	**% of Floating Rate Portfolio**
Under 1%	$ -	-%
1% to under 2%	59,323	100.0
2% to under 3%	-	-
No Floor	-	-
Total	$ 59,323	100.0%

Based on our Consolidated Statements of Assets and Liabilities as of September 30, 2021, the following table (dollars in thousands) shows the approximate increase/(decrease) in components of net assets resulting from operations of hypothetical LIBOR base rate changes in interest rates, assuming no changes in our investment and capital structure.

Change in Interest Rates	**Interest Income(1)**	**Interest Expense**	**Net Increase/ (Decrease)**
Up 300 basis points	$ 6,500	$ (2,300)	$ 4,200
Up 200 basis points	4,300	(1,600)	2,700
Up 100 basis points	2,200	(800)	1,400
Down 100 basis points	(2,200)	800	(1,400)
Down 200 basis points	(4,300)	1,600	(2,700)
Down 300 basis points	(6,500)	2,300	(4,200)

(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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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of PhenixFIN Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of assets and liabilities of PhenixFIN Corporation (the Company), including the consolidated schedules of investments, as of September 30, 2021 and 2020, the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period ended September 30, 2021, 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, 2021 and 2020, and the results of its operations, changes in its net assets, and its cash flows for each of the three years in the period ended September 30, 2021 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 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 its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of investments owned as of September 30, 2021 and 2020, by correspondence with the custodians, directly with designees of the portfolio companies, debt agents and brokers, as applicable, or by other appropriate auditing procedures where replies were not received. 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.

Critical Audit Matter

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

Valuation of investments using significant unobservable inputs and assumptions

Description of the Matter	At September 30, 2021, the fair value of the Company’s investments categorized as Level 3 within the fair value hierarchy (Level 3 investments) totaled $115.8 million. As further described in Notes 2 and 4 to the Company’s consolidated financial statements, management determines the fair value of Level 3 investments by using valuation methodologies (e.g., market or income approach) and associated techniques including, among others, valuations of comparable public companies, recent sales of private and public comparable companies, discounted cash flows, and/or enterprise value analysis. These techniques require management to make judgments about the significant unobservable inputs and assumptions including, among others, market yields, EBITDA multiples, and revenue multiples. Auditing the fair value of the Company’s Level 3 investments is complex, as the unobservable inputs and assumptions used by the Company require significant management judgment or estimation and have a significant effect on the fair value measurements of such investments. Also, applying audit procedures to address the estimation uncertainty involves a high degree of auditor subjectivity.
How We Addressed the Matter in Our Audit	Our audit procedures performed to test the fair value of the Company’s Level 3 investments included, among others and on a sample basis, evaluating the Company’s valuation methodologies and significant unobservable inputs and assumptions used in the valuations, as well as testing the mathematical accuracy of the Company’s valuation models utilized to calculate the fair value. For a sample of Level 3 investments, we obtained and reviewed management’s valuation models and compared the significant portfolio company-specific inputs used in the models to credit agreements, underlying source documents, and/or portfolio company financial information provided to the Company by the investees, as applicable. We assessed whether the significant unobservable inputs and assumptions used by the Company were developed in a manner consistent with its valuation policies. We also evaluated the appropriateness of the inputs and assumptions used in the fair value estimates by comparing them to portfolio company financial information and/or available market information and evaluated the appropriateness of any significant adjustments. Additionally, for a sample of Level 3 investments and with the assistance of our valuation specialists, we developed independent fair value estimates to compare to the Company’s fair value measurements by using market information from third-party sources, such as market multiples and market yields, and/or portfolio company financial information, as applicable. We searched for and evaluated information that corroborated or contradicted the Company's significant unobservable inputs and assumptions. We also evaluated subsequent events and transactions and considered whether they corroborated or contradicted the Company's year-end valuations.

/s/ Ernst & Young LLP

We have served as the Company’s auditor since 2010.

New York, New York
December 20, 2021

PHENIXFIN CORPORATION
Consolidated Statements of Assets and Liabilities

	September 30, 2021	September 30, 2020
Assets:		
Investments at fair value		
Non-controlled, non-affiliated investments (amortized cost of $92,214,167 and $117,360,954, respectively)	$ 84,152,678	$ 114,321,948
Affiliated investments (amortized cost of $75,963,427 and $92,898,755, respectively)	57,595,245	84,873,023
Controlled investments (amortized cost of $39,490,097 and $117,874,821, respectively)	9,891,860	47,548,578
Total Investments at fair value	151,639,783	246,743,549
Cash and cash equivalents	69,433,256	56,522,148
Receivables:		
Fees receivable	1,872,700	119,028
Interest receivable	371,576	624,524
Paydown receivable	292,015	-
Dividends receivable	81,211	-
Other assets	1,401,746	2,093,559
Total Assets	$ 225,092,287	$ 306,102,808
Liabilities:		
Notes payable (net of debt issuance costs of $412,795 and $905,624, respectively)	$ 77,434,005	$ 150,960,662
Due to broker	1,586,000	-
Accounts payable and accrued expenses	1,416,524	2,108,225
Due to affiliates	280,323	53,083
Administrator expenses payable (see Note 6)	67,920	156,965
Management and incentive fees payable (see Note 6)	-	1,392,022
Interest and fees payable	-	801,805
Deferred revenue	-	10,529
Other liabilities	613,534	-
Total Liabilities	81,398,306	155,483,291
Commitments and Contingencies (see Note 8)		
Net Assets:		
Common Shares, $0.001 par value; 5,000,000 shares authorized; 2,723,709 shares issued; 2,517,221 and 2,723,709 common shares outstanding, respectively	2,517	2,724
Capital in excess of par value	688,866,642	672,381,617
Total distributable earnings (loss)	(545,175,178)	(521,764,824)
Total Net Assets	143,693,981	150,619,517
Total Liabilities and Net Assets	$ 225,092,287	$ 306,102,808
Net Asset Value Per Common Share	$ 57.08	$ 55.30

See accompanying notes to consolidated financial statements.

PHENIXFIN CORPORATION
Consolidated Statements of Operations

	For the Years Ended September 30		
	2021	**2020**	**2019**
Interest Income:			
Interest from investments			
Non-controlled, non-affiliated investments:			
Cash	$ 5,974,807	$ 9,137,394	$ 25,368,027
Payment in-kind	609,964	863,744	1,755,260
Affiliated investments:			
Cash	1,099,809	1,182,294	2,197,555
Payment in-kind	327,804	2,425,557	2,604,279
Controlled investments:			
Cash	75,000	84,505	337,956
Payment in-kind	-	500,767	2,800,890
Total interest income	8,087,384	14,194,261	35,063,967
Dividend income	21,564,348	6,256,250	8,218,480
Interest from cash and cash equivalents	10,402	378,077	712,017
Fee income (see Note 9)	2,566,519	692,988	2,304,287
Other income	78,204	-	-
Total Investment Income	32,306,857	21,521,576	46,298,751
Expenses:			
Base management fees (see Note 6)	1,146,403	6,358,750	11,189,646
Interest and financing expenses	5,800,100	14,935,017	24,049,485
General and administrative expenses	1,012,147	3,285,259	7,398,534
Salaries and benefits	1,993,277	-	-
Administrator expenses (see Note 6)	612,983	2,226,831	3,323,989
Insurance expenses	1,619,536	1,463,391	623,064
Directors fees	1,039,717	1,451,077	1,258,378
Professional fees, net (see Note 8)	559,975	(4,768,050)	19,323,082
Expenses before expense support reimbursement and management and incentive fee waivers	13,784,138	24,952,275	67,166,178
Expense support reimbursement (see Note 6)	-	(710,294)	-
Total expenses net of expense support reimbursement and management and incentive fee waivers	13,784,138	24,241,981	67,166,178
Net Investment Income	18,522,719	(2,720,405)	(20,867,427)
Realized and unrealized gains (losses) on investments			
Net realized gains (losses):			
Non-controlled, non-affiliated investments	7,747,672	(9,973,416)	(24,762,224)
Affiliated investments	(10,088,405)	(928,990)	(7,670,970)
Controlled investments	(40,144,795)	(39,076,425)	(79,739,742)
Total net realized gains (losses)	(42,485,528)	(49,978,831)	(112,172,936)
Net change in unrealized gains (losses):			
Non-controlled, non-affiliated investments	(5,022,484)	9,898,237	20,727,499
Affiliated investments	(10,342,450)	2,648,353	(6,864,255)
Controlled investments	40,728,006	(23,178,993)	24,634,707
Total net change in unrealized gains (losses)	25,363,072	(10,632,403)	38,497,951
Loss on extinguishment of debt (see Note 5)	(122,355)	(2,481,374)	(2,032,655)
Total realized and unrealized gains (losses)	(17,244,811)	(63,092,608)	(75,707,640)
Net Increase (Decrease) in Net Assets Resulting from Operations	$ 1,277,908	$ (65,813,013)	$ (96,575,067)
Weighted Average Basic and diluted earnings per common share	$ 0.48	$ (24.16)	$ (35.46)
Weighted Average Basic and diluted net investment income (loss) per common share	$ 6.92	$ (1.00)	$ (7.66)
Weighted Average Common Shares Outstanding - Basic and Diluted (see Note 11)	2,677,891	2,723,709	2,723,709
Dividends Declared per Common Share	$ -	$ -	$ 3.00

See accompanying notes to consolidated financial statements.

PHENIXFIN CORPORATION
Consolidated Statements of Changes in Net Assets

	Common Stock			Total	
	Shares	Par Amount	Capital in Excess of Par Value	Distributable Earnings/(Loss)	Total Net Assets
Balance at September 30, 2018	2,723,709	$ 2,724	$ 698,638,520	$ (377,462,517)	$ 321,178,727
OPERATIONS					
Net investment income (loss)	-	-	-	(20,867,427)	(20,867,427)
Net realized gains (losses) on investments	-	-	-	(112,172,936)	(112,172,936)
Net change in unrealized appreciation (depreciation) on investments	-	-	-	38,497,951	38,497,951
Net loss on extinguishment of debt	-	-	-	(2,032,655)	(2,032,655)
SHAREHOLDER DISTRIBUTIONS					
Return of Capital	-	-	(8,171,130)	-	(8,171,130)
Tax reclassification of shareholders' equity in accordance with generally accepted accounting principles	-	-	(16,882,923)	16,882,923	-
Total Increase (Decrease) in Net Assets	-	-	(25,054,053)	(79,692,144)	(104,746,197)
Balance at September 30, 2019	2,723,709	2,724	673,584,467	(457,154,661)	216,432,530
OPERATIONS					
Net investment income (loss)	-	-	-	(2,720,405)	(2,720,405)
Net realized gains (losses) on investments	-	-	-	(49,978,831)	(49,978,831)
Net change in unrealized appreciation (depreciation) on investments	-	-	-	(10,632,403)	(10,632,403)
Net loss on extinguishment of debt	-	-	-	(2,481,374)	(2,481,374)
SHAREHOLDER DISTRIBUTIONS					
Tax reclassification of shareholders' equity in accordance with generally accepted accounting principles	-	-	(1,202,850)	1,202,850	-
Total Increase (Decrease) in Net Assets	-	-	(1,202,850)	(64,610,163)	(65,813,013)
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					
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

See accompanying notes to consolidated financial statements.

PHENIXFIN CORPORATION
Consolidated Statements of Cash Flows

	For the Years Ended September 30		
	2021	2020	2019
Cash Flows from Operating Activities:			
Net increase (decrease) in net assets resulting from operations	$ 1,277,908	$ (65,813,013)	$ (96,575,067)
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	(937,768)	(4,211,154)	(9,606,292)
Net amortization of premium (discount) on investments	(44,455)	(118,290)	(286,665)
Amortization of debt issuance cost	363,812	2,870,483	3,022,516
Net realized (gain) loss from investments	42,485,528	49,978,831	112,172,936
Net unrealized (appreciation) depreciation on investments	(25,363,072)	10,632,403	(38,497,951)
Proceeds from sale and settlements of investments	124,303,888	110,627,326	261,233,495
Purchases, originations and participations	(45,340,354)	(16,763,667)	(66,474,607)
Loss on extinguishment of debt	122,355	2,481,374	2,032,655
(Increase) decrease in operating assets:			
Other assets (1)	1,305,347	880,172	446,711
Interest receivable	252,948	967,883	4,784,670
Receivable for dispositions and investments sold	-	419,299	(259,042)
Receivable for paydowns	(292,015)	-	-
Fees receivable	(1,753,672)	(10,723)	78,971
Dividends receivable	(81,211)	-	-
Increase (decrease) in operating liabilities:			
Accounts payable and accrued expenses	(691,701)	(9,848,530)	9,020,922
Interest and fees payable	(801,805)	(2,102,943)	(375,270)
Management and incentive fees payable, net	(1,392,022)	(839,153)	(1,116,499)
Administrator expenses payable	(89,045)	(704,820)	53,239
Deferred revenue	(10,529)	(93,054)	(88,569)
Due to affiliate	227,240	8,746	5,286
Due to broker	1,586,000	-	-
Net cash provided by (used in) operating activities	95,127,377	78,361,170	179,571,439
Paydowns on debt	(74,012,825)	(106,122,925)	(163,122,780)
Debt issuance costs paid	-	-	(14,361)
Payments of cash dividends	-	-	(8,171,130)
Offering costs paid	-	-	354,754
Repurchase of common shares	(8,203,444)	-	-
Net cash provided by (used in) financing activities	(82,216,269)	(106,122,925)	(170,953,517)
Net increase (decrease) in cash and cash equivalents	12,911,108	(27,761,755)	8,617,922
Cash and cash equivalents, beginning of period	56,522,148	84,283,903	75,665,981
Cash and cash equivalents, end of period	$ 69,433,256	$ 56,522,148	$ 84,283,903
Supplemental information:			
Interest paid during the year	$ 6,601,905	$ 14,167,477	$ 21,402,239
Supplemental non-cash information:			
Non-cash purchase of investments	$ -	$ 12,950,924	$ 20,576,235
Non-cash sale of investments	$ -	$ 12,950,924	$ 20,528,752
Cash	$ 69,433,256	$ 56,522,148	$ 68,245,213
Restricted Cash	-	-	16,038,690
Total cash and restricted cash shown in the statement of cash flows	$ 69,433,256	$ 56,522,148	$ 84,283,903

(1) Excludes non-cash recognition of a right of use asset of $613,534.

See accompanying notes to consolidated financial statements.

PHENIXFIN CORPORATION
Consolidated Schedule of Investments
September 30, 2021

Company[1]	Industry	Type of Investment	Maturity	Par Amount[2]	Cost[3]	Fair Value[4]	% of Net Assets[5]
Non-Controlled/Non-Affiliated Investments:							
Alpine SG, LLC [8]	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.75% Cash, 1.00% LIBOR Floor)[14]	11/16/2022	$ 4,715,808	$ 4,715,809	$ 4,715,809	3.29%
		Senior Secured Incremental First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[14]	11/16/2022	472,087	472,087	472,087	0.33%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 5.75% Cash, 1.00% LIBOR Floor)[14]	11/16/2022	2,277,293	2,277,293	2,277,293	1.58%
		Senior Secured Incremental First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)[14]	11/16/2022	4,174,037	4,107,317	4,174,037	2.90%
		Senior Secured Incremental First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)[14]	11/16/2022	2,999,802	2,946,540	2,999,802	2.09%
		Senior Secured Incremental First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)[14]	11/16/2022	1,000,000	982,916	1,000,000	0.70%
				15,639,027	15,501,962	15,639,028	10.89%
Autosplice, Inc.	Automotive	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash & 2.00% PIK, 1.00% LIBOR Floor)[14]	4/30/2022	11,826,036	11,826,036	11,826,036	8.23%
				11,826,036	11,826,036	11,826,036	8.23%
Be Green Packaging, LLC	Containers, Packaging & Glass	Equity - 417 Common Units		1	416,250	-	0.00%
				1	416,250	-	0.00%
Chimera Investment Corp.[11]	Banking, Finance, Insurance & Real Estate	Equity - 117,310 Class C Preferred Units[17][20]		117,310	2,884,724	3,019,559	2.10%
				117,310	2,884,724	3,019,559	2.10%
Cleaver-Brooks, Inc.	Manufacturing	7.875% Senior Secured Notes[18]	3/1/2023	9,364,000	9,306,052	9,270,360	6.45%
				9,364,000	9,306,052	9,270,360	6.45%
CM Finance SPV, LLC	Energy: Oil & Gas	Unsecured Debt[10]		101,463	101,463	-	0.00%
				101,463	101,463	-	0.00%
CPI International, Inc.	Aerospace & Defense	Senior Secured Second Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor)[13]	7/28/2025	2,607,062	2,599,906	2,489,744	1.73%
				2,607,062	2,599,906	2,489,744	1.73%
DataOnline Corp.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor)[14]	11/13/2025	4,912,500	4,912,500	4,863,375	3.39%
		Revolving Credit Facility (LIBOR + 6.25% Cash, 1.00% LIBOR Floor)[14][16]	11/13/2025	714,286	714,286	707,143	0.49%
				5,626,786	5,626,786	5,570,518	3.88%
Dividend and Income Fund[11]	Banking, Finance, Insurance & Real Estate	Equity - 87,483 Common Units[17]		87,483	1,281,845	1,275,502	0.89%
				87,483	1,281,845	1,275,502	0.89%
Dream Finders Homes, LLC[11]	Construction & Building	Preferred Equity (8.00% PIK)		4,905,011	4,905,011	4,757,860	3.31%
				4,905,011	4,905,011	4,757,860	3.31%

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

Company[1]	Industry	Type of Investment	Maturity	Par Amount[2]	Cost[3]	Fair Value[4]	% of Net Assets[5]
SMART Financial Operations, LLC	Retail	Equity - 700,000 Class A Preferred Units		700,000	700,000	-	0.00%
				700,000	700,000	-	0.00%
Stancor, Inc.	Services: Business	Equity - 263,814.43 Class A Units		263,814	263,814	-	0.00%
				263,814	263,814	-	0.00%
Thryv Holdings, Inc.[11]	Services: Business	Senior Secured First Lien Term Loan B (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[13]	3/1/2026	5,770,000	5,610,988	5,863,763	4.08%
				5,770,000	5,610,988	5,863,763	4.08%
Velocity Pooling Vehicle, LLC	Automotive	Equity - 5,441 Class A Units		5,441	302,464	64,167	0.05%
		Warrants - 0.65% of Outstanding Equity	3/30/2028	6,506	361,667	76,727	0.05%
				11,947	664,131	140,894	0.10%
Walker Edison Furniture Company LLC	Consumer goods: Durable	Equity - 10,244 Common Units		10,244	1,500,000	2,361,242	1.64%
				10,244	1,500,000	2,361,242	1.64%
Watermill-QMC Midco, Inc.	Automotive	Equity - 1.3% Partnership Interest[9]		518,283	518,283	-	0.00%
				518,283	518,283	-	0.00%
Wingman Holdings, Inc. (f/k/a Crow Precision Components, LLC)	Aerospace & Defense	Equity - 350 Common Units		350	700,000	-	0.00%
				350	700,000	-	0.00%
Subtotal Non-Controlled/Non-Affiliated Investments				**$ 75,318,491**	**$ 92,214,167**	**$ 84,152,678**	58.56%
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][14]	9/30/2021[25]	$ 9,946,741	$ 9,473,066	$ -	0.00%
		Senior Secured First Lien Term Loan B (LIBOR + 8.00% PIK, 1.00% LIBOR Floor)[10][14]	9/30/2021[25]	25,937,520	19,468,870	-	0.00%
		Senior Secured First Lien Term Loan C (LIBOR + 5.00%, 1.00% LIBOR Floor)[14]	9/30/2021[25]	1,231,932	1,191,257	24,637	0.02%
		Revolving Credit Facility (LIBOR +5.00% PIK, 1.00% LIBOR Floor)[14][16]	9/30/2021[25]	3,554,069	3,554,069	3,554,069	2.47%
		Equity - 17,493.63 Class A Units		-	-	-	0.00%
				40,670,262	33,687,262	3,578,706	2.49%
Black Angus Steakhouses, LLC[8]	Hotel, Gaming & Leisure	Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[13]	6/30/2022	758,929	758,929	758,929	0.53%
		Senior Secured First Lien Term Loan (LIBOR + 9.00% PIK, 1.00% LIBOR Floor)[10][13]	6/30/2022	8,412,596	7,767,533	2,279,814	1.59%
		Senior Secured First Lien Super Priority DDTL (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[13][16]	6/30/2022	1,500,000	1,500,000	1,500,000	1.04%
				10,671,525	10,026,462	4,538,743	3.16%

Company[1]	Industry	Type of Investment	Maturity	Par Amount[2]	Cost[3]	Fair Value[4]	% of Net Assets[5]
Caddo Investors Holdings 1 LLC[11]	Forest Products & Paper	Equity - 6.15% Membership Interest[19]		2,528,826	2,528,826	3,454,786	2.40%
				2,528,826	2,528,826	3,454,786	2.40%
Dynamic Energy Services International LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 13.50% PIK)[10][15]	12/31/2021	12,109,957	7,328,568	-	0.00%
		Equity - 12,350,000 Class A Units		12,350,000	-	-	0.00%
				24,459,957	7,328,568	-	0.00%
JFL-NGS Partners, LLC	Construction & Building	Equity - 57,300 Class B Units		57,300	57,300	26,862,813	18.69%
				57,300	57,300	26,862,813	18.69%
JFL-WCS Partners, LLC	Environmental Industries	Equity - 129,588 Class B Units		129,588	129,588	8,099,949	5.64%
				129,588	129,588	8,099,949	5.64%
Kemmerer Operations, LLC[8]	Metals & Mining	Senior Secured First Lien Term Loan (15.00% PIK)	6/21/2023	2,381,985	2,381,985	2,360,547	1.64%
		Senior Secured First Lien Delayed Draw Term Loan (15.00% PIK)[16]	6/21/2023	163,915	163,915	162,441	0.11%
		Equity - 6.7797 Common Units		7	962,717	553,746	0.39%
				2,545,907	3,508,617	3,076,734	2.14%
Path Medical, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan A (LIBOR + 9.50% Cash, 1.00% LIBOR Floor)[10][13]	10/11/2021	5,805,894	5,805,894	2,249,835	1.57%
		Senior Secured First Lien Term Loan B (LIBOR + 13.00% PIK, 1.00% LIBOR Floor)[10][13]	10/11/2021	7,646,823	6,483,741	-	0.00%
		Warrants - 7.68% of Outstanding Equity		123,867	499,751	-	0.00%
				13,576,584	12,789,386	2,249,835	1.57%
URT Acquisition Holdings Corporation	Services: Business	Warrants		28,912	-	920,000	0.64%
				28,912	-	920,000	0.64%
US Multifamily, LLC [11]	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (10.00% Cash)	12/31/2022	2,577,418	2,577,418	2,577,418	1.79%
		Equity - 33,300 Preferred Units		33,300	3,330,000	2,236,261	1.56%
				2,610,718	5,907,418	4,813,679	3.35%
Subtotal Affiliated Investments				**$ 97,279,579**	**$ 75,963,427**	**$ 57,595,245**	40.08%
Controlled Investments:[7]							
FlexFIN LLC	Services: Business	Equity Interest		$ 2,500,000	$ 2,500,000	$ 2,500,000	1.74%
				2,500,000	2,500,000	2,500,000	1.74%
NVTN LLC[8]	Hotel, Gaming & Leisure	Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 4.00% Cash, 1.00% LIBOR Floor)[10][13][16]	12/31/2024	6,565,875	6,565,875	6,414,860	4.47%
		Senior Secured First Lien Super Priority DDTL (LIBOR + 4.00% Cash, 1.00% LIBOR Floor)[13][16]	12/31/2024	1,000,000	998,150	977,000	0.68%
		Senior Secured First Lien Term Loan B (LIBOR + 9.25% PIK, 1.00% LIBOR Floor)[10][13]	12/31/2024	14,963,195	12,305,096	-	0.00%

Company[1]	Industry	Type of Investment	Maturity	Par Amount[2]	Cost[3]	Fair Value[4]	% of Net Assets[5]
		Senior Secured First Lien Term Loan C (LIBOR + 12.00% PIK, 1.00% LIBOR Floor)[10][13]	12/31/2024	10,014,223	7,570,054	-	0.00%
		Equity - 787.4 Class A Units		9,550,922	9,550,922	-	0.00%
				42,094,215	36,990,097	7,391,860	5.15%
Subtotal Control Investments				**$ 44,594,215**	**$ 39,490,097**	**$ 9,891,860**	6.89%
	Total Investments, September 30, 2021			**$ 217,192,285**	**$ 207,667,691**	**$ 151,639,783**	105.53%

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

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

PHENIXFIN CORPORATION
Consolidated Schedule of Investments
September 30, 2020

Company[1]	Industry	Type of Investment	Maturity	Par Amount[2]	Cost[3]	Fair Value[6]	% of Net Assets[4]
Non-Controlled/Non-Affiliated Investments:							
Alpine SG, LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.75% Cash, 1.00% LIBOR Floor)[13]	11/16/2022	4,715,809	4,715,809	4,466,815	3.0%
		Senior Secured Incremental First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[13]	11/16/2022	472,087	472,087	472,087	0.3%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 5.75% Cash, 1.00% LIBOR Floor)[13]	11/16/2022	2,277,293	2,277,293	2,157,052	1.4%
		Revolving Credit Facility (LIBOR + 5.75% Cash, 1.00% LIBOR Floor)[13] [15]	11/16/2022	1,000,000	1,000,000	947,200	0.6%
				8,465,189	8,465,189	8,043,154	
American Dental Partners, Inc.	Healthcare & Pharmaceuticals	Senior Secured Second Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[13]	9/25/2023	4,387,500	4,387,500	3,948,750	2.6%
				4,387,500	4,387,500	3,948,750	
Autosplice, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[13]	12/17/2021	12,780,349	12,780,349	11,898,505	7.9%
				12,780,349	12,780,349	11,898,505	
Avantor, Inc.[10]	Wholesale	Equity - 545,931 Common Units[16]		—	9,553,793	12,277,988	8.2%
				—	9,553,793	12,277,988	
Be Green Packaging, LLC	Containers, Packaging & Glass	Equity - 417 Common Units		—	416,250	—	0.0%
				—	416,250	—	
CM Finance SPV, LLC	Banking, Finance, Insurance & Real Estate	Unsecured Debt	6/24/2021	101,463	101,463	101,463	0.1%
				101,463	101,463	101,463	
CPI International, Inc.	Aerospace & Defense	Senior Secured Second Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor)[12]	7/28/2025	2,607,062	2,598,252	2,219,392	1.5%
				2,607,062	2,598,252	2,219,392	
Crow Precision Components, LLC	Aerospace & Defense	Equity - 350 Common Units		—	700,000	723,131	0.5%
				—	700,000	723,131	
CT Technologies Intermediate Holdings, Inc.[11]	Healthcare & Pharmaceuticals	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[13]	12/1/2022	7,500,000	7,500,000	6,832,500	4.5%
				7,500,000	7,500,000	6,832,500	
DataOnline Corp.[7]	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor)[13]	11/13/2025	4,962,500	4,962,500	4,786,331	3.2%
		Revolving Credit Facility (LIBOR + 6.25% Cash, 1.00% LIBOR Floor)[13] [15]	11/13/2025	535,714	535,714	510,357	0.3%
				5,498,214	5,498,214	5,296,688	
Dream Finders Homes, LLC	Construction & Building	Preferred Equity (8.00% PIK)		4,531,472	4,531,472	3,928,786	2.6%
				4,531,472	4,531,472	3,928,786	

Company[1]	Industry	Type of Investment	Maturity	Par Amount[2]	Cost[3]	Fair Value[6]	% of Net Assets[4]
Footprint Acquisition, LLC	Services: Business	Preferred Equity (8.75% PIK)		3,969,998	3,969,998	3,969,998	2.6%
		Equity - 150 Common Units		—	—	1,960,830	1.3%
				3,969,998	3,969,998	5,930,828	
Global Accessories Group, LLC[11]	Consumer goods: Non-durable	Equity - 3.8% Membership Interest		—	151,337	—	0.0%
				—	151,337	—	
Impact Group, LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 7.37% Cash, 1.00% LIBOR Floor)[13]	6/27/2023	3,219,964	3,219,964	2,994,565	2.0%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 7.37% Cash, 1.00% LIBOR Floor)[13]	6/27/2023	9,330,056	9,330,056	8,676,952	5.8%
				12,550,020	12,550,020	11,671,517	—
InterFlex Acquisition Company, LLC	Containers, Packaging & Glass	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[12]	8/18/2022	12,098,406	12,098,406	11,987,100	8.0%
				12,098,406	12,098,406	11,987,100	
Lighting Science Group Corporation	Containers, Packaging & Glass	Warrants - 0.62% of Outstanding Equity[17]	2/19/2024	—	955,680	—	0.0%
				—	955,680	—	
Manna Pro Products, LLC	Consumer goods: Non-durable	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[12]	12/8/2023	5,343,674	5,343,674	5,123,515	3.4%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[12]	12/8/2023	1,085,219	1,085,219	1,040,508	0.7%
				6,428,893	6,428,893	6,164,023	
Point.360	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% PIK)[9][14][21]	7/8/2020	2,777,366	2,103,712	186,083	0.1%
				2,777,366	2,103,712	186,083	
RateGain Technologies, Inc.	Hotel, Gaming & Leisure	Unsecured Debt[18]	7/31/2020	704,106	704,106	—	0.0%
		Unsecured Debt[18]	7/31/2021	761,905	761,905	—	0.0%
				1,466,011	1,466,011	—	
Redwood Services Group, LLC[7]	Services: Business	Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[12][15]	6/6/2023	700,000	700,000	647,500	0.4%
				700,000	700,000	647,500	
Sendero Drilling Company, LLC	Energy: Oil & Gas	Unsecured Debt (8.00% Cash)[9]	8/31/2021	488,750	465,319	—	0.0%
				488,750	465,319	—	
Seotowncenter, Inc.	Services: Business	Equity - 3,434,169.6 Common Units		—	566,475	686,834	0.5%
				—	566,475	686,834	
SFP Holding, Inc.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor)[13]	9/1/2022	4,776,955	4,776,955	4,733,962	3.1%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor)[13]	9/1/2022	1,852,522	1,852,522	1,835,850	1.2%
		Equity - 101,165.93 Common Units in CI (Summit) Investment Holdings LLC		—	1,067,546	657,578	0.4%
				6,629,477	7,697,023	7,227,390	

Company[1]	Industry	Type of Investment	Maturity	Par Amount[2]	Cost[3]	Fair Value[6]	% of Net Assets[4]
SMART Financial Operations, LLC	Retail	Equity - 700,000 Class A Preferred Units		—	700,000	343,000	0.2%
				—	700,000	343,000	
Stancor, Inc.	Services: Business	Equity - 263,814.43 Class A Units		—	263,814	150,374	0.1%
				—	263,814	150,374	
Starfish Holdco, LLC	High Tech Industries	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[12]	8/18/2025	1,000,000	989,935	926,500	0.6%
				1,000,000	989,935	926,500	—
URT Acquisition Holdings Corporation	Services: Business	Unsecured Debt (10.00% PIK)	6/23/2021	2,567,929	2,567,929	2,567,929	1.7%
				2,567,929	2,567,929	2,567,929	
Velocity Pooling Vehicle, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 11.00% PIK, 1.00% LIBOR Floor)[13]	4/28/2023	1,014,440	951,628	1,014,440	0.7%
		Equity - 5,441 Class A Units		—	302,464	12,841	0.0%
		Warrants - 0.65% of Outstanding Equity	3/30/2028	—	361,667	15,354	0.0%
				1,014,440	1,615,759	1,042,635	
Walker Edison Furniture Company LLC	Consumer goods: Durable	Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor)[13]	9/26/2024	3,519,878	3,519,878	3,519,878	2.3%
		Equity - 1,500 Common Units		—	1,500,000	6,000,000	4.0%
				3,519,878	5,019,878	9,519,878	
Watermill-QMC Midco, Inc.	Automotive	Equity - 1.3% Partnership Interest[8]		—	518,283	—	0.0%
				—	518,283	—	
Subtotal Non-Controlled/Non-Affiliated Investments				**$ 101,082,417**	**$ 117,360,954**	**$ 114,321,948**	
Affiliated Investments:[20]							
1888 Industrial Services, LLC[7]	Energy: Oil & Gas	Senior Secured First Lien Term Loan A (LIBOR + 5.00% PIK, 1.00% LIBOR Floor)[9][13]	9/30/2021	9,946,741	9,473,067	—	0.0%
		Senior Secured First Lien Term Loan B (LIBOR + 8.00% PIK, 1.00% LIBOR Floor)[9][13]	9/30/2021	25,937,520	19,468,870	—	0.0%
		Senior Secured First Lien Term Loan C (LIBOR + 5.00%, 1.00% LIBOR Floor)[9][13]	9/30/2021	1,231,932	1,191,257	1,166,763	0.8%
		Revolving Credit Facility (LIBOR + 5.00% PIK, 1.00% LIBOR Floor)[13][15]	9/30/2021	3,554,069	3,554,069	3,554,069	2.4%
		Equity - 17,493.63 Class A Units		—	—	—	0.0%
				40,670,262	33,687,263	4,720,832	
Access Media Holdings, LLC	Media: Broadcasting & Subscription	Senior Secured First Lien Term Loan (10.00% PIK)[9][21]	7/22/2020	11,105,630	8,446,385	1,110,563	0.7%
		Preferred Equity Series A		1,600,000	1,600,000	—	0.0%
		Preferred Equity Series AA		800,000	800,000	—	0.0%
		Preferred Equity Series AAA		971,200	971,200	—	0.0%
		Equity - 16 Common Units		—	—	—	0.0%
				14,476,830	11,817,585	1,110,563	
Black Angus Steakhouses, LLC	Hotel, Gaming & Leisure	Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[12]	12/31/2020	758,929	758,929	758,929	0.5%
		Senior Secured First Lien Term Loan (LIBOR + 9.00% PIK, 1.00% LIBOR Floor)[9][12]	12/31/2020	8,412,596	7,767,532	5,047,557	3.4%
		Equity - 17.9% Membership Interest		—	—	—	0.0%
				9,171,525	8,526,461	5,806,486	

Company[1]	Industry	Type of Investment	Maturity	Par Amount[2]	Cost[3]	Fair Value[6]	% of Net Assets[4]
Caddo Investors Holdings 1 LLC[10]	Forest Products & Paper	Equity - 6.15% Membership Interest[19]		—	2,528,826	2,990,776	2.0%
				—	2,528,826	2,990,776	—
Dynamic Energy Services International LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 13.50% PIK)[9][14]	12/31/2021	12,930,235	7,824,974	905,116	0.6%
		Equity - 12,350,000 Class A Units		—	—	—	0.0%
				12,930,235	7,824,974	905,116	
JFL-NGS Partners, LLC	Construction & Building	Preferred Equity - A-2 Preferred (3.00% PIK)		1,795,034	1,795,034	1,795,034	1.2%
		Preferred Equity - A-1 Preferred (3.00% PIK)		232,292	232,292	232,292	0.2%
		Equity - 57,300 Class B Units		—	57,300	38,780,067	25.7%
				2,027,326	2,084,626	40,807,393	—
JFL-WCS Partners, LLC	Environmental Industries	Preferred Equity - Class A Preferred (6.00% PIK)		1,310,649	1,310,649	1,310,649	0.9%
		Equity - 129,588 Class B Units		—	129,588	4,535,580	3.0%
				1,310,649	1,440,237	5,846,229	—
Kemmerer Operations, LLC[7]	Metals & Mining	Senior Secured First Lien Term Loan (15.00% PIK)	6/21/2023	2,051,705	2,051,705	2,051,705	1.4%
		Senior Secured First Lien Delayed Draw Term Loan (15.00% PIK)	6/21/2023	515,699	515,699	515,699	0.4%
		Equity - 6.7797 Common Units		—	962,717	962,717	0.6%
				2,567,404	3,530,121	3,530,121	
Path Medical, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan A (LIBOR + 9.50% Cash, 1.00% LIBOR Floor)[12]	10/11/2021	5,905,080	5,905,080	5,905,080	3.9%
		Senior Secured First Lien Term Loan B (LIBOR + 13% PIK, 1.00% LIBOR Floor)[9][12]	10/11/2021	7,783,840	6,599,918	6,794,514	4.5%
		Warrants - 7.68% of Outstanding Equity	1/9/2027	—	499,751	—	0.0%
				13,688,920	13,004,749	12,699,594	
US Multifamily, LLC[10]	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (10.00% Cash)	6/17/2021	5,123,913	5,123,913	5,123,913	3.4%
		Equity - 33,300 Preferred Units		—	3,330,000	1,332,000	0.9%
				5,123,913	8,453,913	6,455,913	
Subtotal Affiliated Investments				**$ 101,967,064**	**$ 92,898,755**	**$ 84,873,023**	
Controlled Investments:[5]							
MCC Senior Loan Strategy JV I LLC[10]	Multisector Holdings	Equity - 87.5% ownership of MCC Senior Loan Strategy JV I LLC		—	79,887,500	41,018,500	27.2%
				—	79,887,500	41,018,500	

Company(1)	Industry	Type of Investment	Maturity	Par Amount(2)	Cost(3)	Fair Value(6)	% of Net Assets(4)
NVTN LLC(7)	Hotel, Gaming & Leisure	Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 4.00% Cash, 1.00% LIBOR Floor)(9)(12)	12/31/2024	6,565,875	6,565,875	4,530,078	3.0%
		Senior Secured First Lien Super Priority DDTL (LIBOR + 4.00% Cash, 1.00% LIBOR Floor)(9)(12)	12/31/2024	2,000,000	1,995,374	2,000,000	1.3%
		Senior Secured First Lien Term Loan B (LIBOR + 9.25% PIK, 1.00% LIBOR Floor)(9)(12)	12/31/2024	14,963,195	12,305,096	—	0.0%
		Senior Secured First Lien Term Loan C (LIBOR + 12.00% PIK, 1.00% LIBOR Floor)(9)(12)	12/31/2024	10,014,223	7,570,054	—	0.0%
		Equity - 787.4 Class A Units		—	9,550,922	—	0.0%
				33,543,293	37,987,321	6,530,078	
Subtotal Control Investments				**$ 33,543,293**	**$ 117,874,821**	**$ 47,548,578**	
Total Investments, September 30, 2020				**$ 236,592,774**	**$ 328,134,530**	**$ 246,743,549**	163.8%

(1) All of our investments are domiciled in the United States. Certain investments also have international operations.
(2) Par amount includes accumulated payment-in-kind ("PIK") interest, as applicable, and is net of repayments.
(3) Gross unrealized appreciation, gross unrealized depreciation, and net unrealized depreciation for U.S. federal income tax purposes totaled $53,757,923, $134,877,746, and $81,119,823, respectively. The tax cost basis of investments is $327,863,372 as of September 30, 2020.
(4) Percentage is based on net assets of $150,619,517 as of September 30, 2020.
(5) 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.
(6) 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).
(7) The investment has an unfunded commitment as of September 30, 2020 (see Note 8),and includes an analysis of the value of any unfunded commitments.
(8) Represents 1.3% partnership interest in Watermill-QMC Partners, LP and Watermill-EMI Partners, LP.
(9) The investment was on non-accrual status as of September 30, 2020.
(10) 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, 2020, 25.4% of the Company's portfolio investments were non-qualifying assets.
(11) A portion of this investment was sold via a participation agreement. The amount stated is the portion retained by the Company (see Note 3).
(12) The interest rate on these loans is subject to the greater of a London Interbank Offering Rate ("LIBOR") floor, or 1 month LIBOR plus a base rate. The 1 month LIBOR as of September 30, 2020 was 0.15%.
(13) The interest rate on these loans is subject to the greater of a LIBOR floor, or 3 month LIBOR plus a base rate. The 3 month LIBOR as of September 30, 2020 was 0.23%.
(14) The interest rate on these loans is subject to 3 month LIBOR plus a base rate. The 3 month LIBOR as of September 30, 2020 was 0.24%.
(15) This investment earns 0.50% commitment fee on all unused commitment as of September 30, 2020, and is recorded as a component of interest income on the Consolidated Statements of Operations.
(16) This investment represents a Level 1 security in the ASC 820 table as of September 30, 2020 (see Note 4).
(17) This investment represents a Level 2 security in the ASC 820 table as of September 30, 2020 (see Note 4).
(18) Security is non-income producing.
(19) As a practical expedient, the Company uses net asset value ("NAV") to determine the fair value of this investment.
(20) 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.
(21) The investment was past due as of September 30, 2020.

See accompanying notes to 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 is a wholly owned subsidiary of Medley LLC, which is controlled by Medley Management Inc. (NYSE: MDLY), a publicly traded asset management firm ("MDLY"), which in turn is controlled by Medley Group LLC, an entity wholly owned by the senior professionals of Medley LLC. We use the term "Medley" to refer collectively to the activities and operations of Medley Capital LLC, Medley LLC, MDLY, Medley Group LLC, MCC Advisors, associated investment funds and their respective affiliates. Since January 1, 2021 the Company has been managed pursuant to an internalized management structure.

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

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

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

Reverse Stock Split; Authorized Share Reduction

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

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

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

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

Sale of MCC JV

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

COVID-19 Developments

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

Note 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.

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, 2021 and 2020, we had $69.4 million and $56.5 million in cash and cash equivalents, respectively.

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.

Debt Issuance Costs

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

Indemnification

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

Revenue Recognition

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

The Company holds debt investments in its portfolio that contain a payment-in-kind ("PIK") interest provision. PIK interest, which represents contractually deferred interest added to the investment balance that is generally due at maturity, is recorded on the accrual basis to the extent such amounts are expected to be collected. PIK interest is not accrued if the Company does not expect the issuer to be able to pay all principal and interest when due. For the years ended September 30, 2021, 2020 and 2019, the Company earned approximately $0.9 million, $3.8 million, and $7.2 million in PIK interest, respectively.

Origination/closing, amendment and transaction break-up fees associated with investments in portfolio companies are recognized as income when we become entitled to such fees. Prepayment penalties received by the Company for debt instruments paid back to the Company prior to the maturity date are recorded as income upon repayment of debt. Administrative agent fees received by the Company are capitalized as deferred revenue and recorded as fee income when the services are rendered. For the years ended September 30, 2021, 2020 and 2019, fee income was approximately $2.6 million, $0.7 million and $2.3 million, respectively (see Note 9).

Investment transactions are accounted for on a trade date basis. Realized gains or losses on investments are measured by the difference between the net proceeds from the disposition and the amortized cost basis of investment, without regard to unrealized gains or losses previously recognized. During the years ended September 30, 2020 and 2019, $0.9 million and $47.8 million, respectively, of the Company's realized losses were related to certain non-cash restructuring transactions, which are recorded on the Consolidated Statements of Operations as a component of net realized gain/(loss) from investments. The Company reports changes in fair value of investments as a component of the net unrealized appreciation/(depreciation) on investments in the Consolidated Statements of Operations.

Management reviews all loans that become 90 days or more past due on principal or interest or when there is reasonable doubt that principal or interest will be collected for possible placement on management's designation of non-accrual status. Interest receivable is analyzed regularly and may be reserved against when deemed not collectible. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment regarding collectability. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current, although we may make exceptions to this general rule if the loan has sufficient collateral value and is in the process of collection. At September 30, 2021, certain investments in 9 portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately $13.9 million, or 9.2% of the fair value of our portfolio. At September 30, 2020, certain investments in eight portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately $21.7 million, or 8.8% of the fair value of our portfolio.

Investment Classification

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

Valuation of Investments

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

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

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

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

- The "Market Approach" uses prices and other relevant information generated by market transactions involving identical or comparable (that is, similar) assets, liabilities, or a group of assets and liabilities, such as a business.

- The "Income Approach" converts future amounts (for example, cash flows or income and expenses) to a single current (that is, discounted) amount. When the Income Approach is used, the fair value measurement reflects current market expectations about those future amounts.

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

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

- valuations of comparable public companies ("Guideline Comparable Approach");

- recent sales of private and public comparable companies ("Guideline Comparable Approach");

- recent acquisition prices of the company, debt securities or equity securities ("Recent Arms-Length Transaction");

- external valuations of the portfolio company, offers from third parties to buy the company ("Estimated Sales Proceeds Approach");

- subsequent sales made by the company of its investments ("Expected Sales Proceeds Approach"); and

- estimating the value to potential buyers.

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

- discounting the forecasted cash flows of the portfolio company or securities (Discounted Cash Flow ("DCF") Approach); and

- Black-Scholes model or simulation models or a combination thereof (Income Approach - Option Model) with respect to the valuation of warrants.

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

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

- our quarterly valuation process generally begins with each portfolio investment being internally valued by a Valuation Firm;

- preliminary valuation conclusions are then documented and discussed with senior management;

- the audit committee of the board of directors reviews the preliminary valuations with management and the Valuation Firms; and

- the board of directors discusses the valuations and determines the fair value of each investment in the Company's portfolio in good faith based on the input of management, the respective Valuation Firms and the audit committee.

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

Fair Value of Financial Instruments

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

Recent Accounting Pronouncements

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

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

Federal Income Taxes

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

The Company is subject to a nondeductible U.S. federal excise tax of 4% on undistributed income if it does not distribute at least 98% of its ordinary income in any calendar year and 98.2% of its capital gain net income for each one-year period ending on October 31 of such calendar year and any income realized, but not distributed, in preceding years and on which it did not pay federal income tax. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions for excise tax purposes, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. There was no provision for federal excise tax for the calendar year ended 2020 accrued at September 30, 2021 and the calendar year ended 2019 accrued at September 30, 2020. For the calendar year ended December 31, 2018, there was no excise tax expense as the Company distributed at least 98% of its ordinary income and 98.2% of its capital gains.

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, 2021 and 2020, 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, 2021, 2020 and 2019, the Company did not record a change in provision for deferred taxes on the unrealized (appreciation)/depreciation on investments.

As of September 30, 2021 and 2020, the Company had a deferred tax asset of $22.2 million and $22.8 million, respectively, consisting primarily of net operating losses and net unrealized losses on the investments held within its Taxable Subsidiaries. As of September 30, 2021 and 2020, the Company has booked a valuation allowance of $22.2 million and $22.8 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, 2021, 2020 and 2019, 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		
	2021	2020	2019
Capital in excess of par value	$ 24,688,262	$ (1,202,850)	$ (16,882,923)
Accumulated undistributed net investment income/(loss)	(19,047,396)	1,202,850	23,174,206
Accumulated net realized gain/(loss) from investments	(5,640,866)	—	(6,291,283)

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, 2021, 2020 and 2019 were as follows:

	For the years ended September 30		
	2021	2020	2019
Ordinary income	$ —	$ —	$ —
Distributions of long-term capital gains	—	—	—
Return of capital	—	—	8,171,130
Distributions on a tax basis	$ —	$ —	$ 8,171,130

For federal income tax purposes, the cost of investments owned at September 30, 2021, 2020 and 2019 were approximately $206.9 million, $327.9 million, and $464.9 million, respectively.

At September 30, 2021, 2020 and 2019, 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		
	2021	2020	2019
Undistributed ordinary income	$ 265,798	$ —	$ —
Accumulated capital and other losses(1)	(490,032,788)	(440,538,935)	(389,066,323)
Other temporary differences	(89,856)	(106,066)	(122,274)
Unrealized appreciation/(depreciation)	(55,318,332)	(81,119,823)	(67,966,064)
Components of distributable earnings/(accumulated deficits) at year end	$ (545,175,178)	$ (521,764,824)	$ (457,154,661)

(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, 2021, the Company had a long-term capital loss carryforward available to offset future realized capital gains of $488,446,626 and a short-term capital loss carryforward of $1,586,162.

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, 2021. Although we file federal and state tax returns, our major tax jurisdiction is federal. The Company's federal and state tax returns for the prior three fiscal years remain open, subject to examination by the Internal Revenue Service and applicable state tax authorities.

Retroactive Adjustments for Reverse Stock Split and the Authorized Share Reduction

The per share amount of the common stock and the authorized shares of common stock in the audited financial statements and notes thereto have been retroactively adjusted for all periods presented to give effect to the Reverse Stock Split effected on July 24, 2020. See Note 1 for more information regarding the Reverse Stock Split and the Authorized Share Reduction.

Segments

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

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

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

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

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

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

Note 3. Investments

The composition of our investments as of September 30, 2021 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	$ 136,740	65.7%	$ 61,934	40.9%
Senior Secured Second Lien Term Loans	2,600	1.3	2,490	1.6
Senior Secured Notes	9,306	4.5	9,270	6.1
Secured Debt	2,500	1.2	2,500	1.6
Unsecured Debt	1,561	0.8	-	-
Equity/Warrants	54,961	26.5	75,446	49.8
Total Investments	$ 207,668	100.0%	$ 151,640	100.0%

The composition of our investments as of September 30, 2020 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	$ 178,843	54.5%	$ 106,463	43.2%
Senior Secured Second Lien Term Loans	15,476	4.7	13,927	5.6
Unsecured Debt	4,601	1.4	2,669	1.1
MCC Senior Loan Strategy JV I LLC	79,888	24.4	41,019	16.6
Equity/Warrants	49,327	15.0	82,666	33.5
Total	$ 328,135	100.0%	$ 246,744	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, 2021 and 2020, the total fair value of warrants was $996.7 thousand and $15.3 thousand, respectively, and were included in investments at fair value on the Consolidated Statements of Assets and Liabilities. During the year ended September 30, 2021, the Company acquired additional warrants in one existing portfolio company. During the year ended September 30, 2020, the Company had no warrant activity.

Total unrealized depreciation related to warrants for the years ended September 30, 2021, 2020, and 2019 was $981.4 thousand, $9.6 thousand, and $0.5 million, 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.

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

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

The following table shows the portfolio composition by industry grouping at fair value at September 30, 2020 (dollars in thousands):

	Fair Value	Percentage
Construction & Building	$ 51,964	21.1%
Multisector Holdings	41,019	16.6
High Tech Industries	26,165	10.6
Healthcare & Pharmaceuticals	23,481	9.5
Services: Business	21,841	8.9
Hotel, Gaming & Leisure	12,337	5.0
Wholesale	12,278	5.0
Containers, Packaging & Glass	11,987	4.8
Consumer goods: Durable	9,520	3.8
Banking, Finance, Insurance & Real Estate	6,557	2.7
Consumer goods: Non-durable	6,164	2.5
Environmental Industries	5,846	2.4
Energy: Oil & Gas	5,626	2.3
Metals & Mining	3,530	1.4
Forest Products & Paper	2,991	1.2
Aerospace & Defense	2,942	1.2
Media: Broadcasting & Subscription	1,110	0.5
Automotive	1,043	0.4
Retail	343	0.1
Total	$ 246,744	100.0%

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

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

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

The following table shows the portfolio composition by geographic location at fair value at September 30, 2020 (dollars in thousands):

	Fair Value	Percentage
Northeast	$ 98,555	39.9%
West	55,400	22.5
Southeast	42,321	17.1
Midwest	27,574	11.2
Mid-Atlantic	13,334	5.4
Southwest	9,560	3.9
Total	$ 246,744	100.0%

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, 2021 and 2020 were as follows:

Name of Investment[3]	Type of Investment	Fair Value at September 30, 2020	Purchases/ (Sales) of or Advances/ (Distributions)	Transfers In/(Out) of Affiliates	Unrealized Gain/(Loss)	Realized Gain/(Loss)	Fair Value at September 30, 2021	Income Earned
Affiliated Investments								
1888 Industrial Services, LLC	Senior Secured First Lien Term Loan A	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Senior Secured First Lien Term Loan B	-	-	-	-	-	-	-
	Senior Secured First Lien Term Loan C	1,166,763	-	-	(1,142,124)	-	24,639	93,832
	Revolving Credit Facility	3,554,069	-	-	-	-	3,554,069	219,687
Access Media Holdings, LLC	Senior Secured First Lien Term Loan	1,110,563	(1,239,334)	-	7,335,819	(7,207,048)	-	-
	Preferred Equity Series A	-	-	-	1,600,000	(1,600,000)	-	-
	Preferred Equity Series AA	-	-	-	800,000	(800,000)	-	-
	Preferred Equity Series AAA	-	-	-	971,200	(971,200)	-	-
Black Angus Steakhouses,LLC	Senior Secured First Lien Delayed Draw Term Loan	758,929	-	-	-	-	758,929	76,947
	Senior Secured First Lien Term Loan	5,047,557	-	-	(2,767,743)	-	2,279,814	-
	Senior Secured First Lien Super Priority DDTL	-	1,500,000	-	-	-	1,500,000	125,262
Caddo Investors Holdings 1 LLC	Equity	2,990,776	-	-	464,010	-	3,454,786	-
Dynamic Energy Services International LLC	Senior Secured First Lien Term Loan	905,116	(820,278)	-	(408,709)	323,871	-	-
JFL-NGS Partners, LLC	Preferred Equity A-2	1,795,034	(2,110,987)	-	-	315,953	-	(16,377)
	Preferred Equity A-1	232,292	-	-	-	(232,292)	-	(2,119)
	Equity	38,780,067	-	-	(11,917,254)	-	26,862,813	-
JFL-WCS Partners, LLC	Preferred Equity Class A	1,310,649	(1,330,460)	-	-	19,811	-	(53,623)
	Equity	4,535,580	-	-	3,564,369	-	8,099,949	-
Kemmerer Operations, LLC	Senior Secured First Lien Term Loan	2,051,705	330,280	-	(21,438)	-	2,360,547	330,418
	Senior Secured First Lien Delayed Draw Term Loan	515,699	(351,784)	-	(1,474)	-	162,441	54,849
	Equity	962,717	-	-	(408,971)	-	553,746	-
Path Medical, LLC	Senior Secured First Lien Term Loan A	5,905,080	(99,186)	-	(3,556,059)	-	2,249,835	105,026
	Senior Secured First Lien Term Loan B	6,794,514	(137,017)	-	(6,678,337)	20,840	-	2,974
URT Acquisition Holdings Corporation	Unsecured Debt	-	(2,609,589)	2,567,929	-	41,660	-	168,642
	Warrants	-	-	-	920,000	-	920,000	-
US Multifamily, LLC	Senior Secured First Lien Term Loan	5,123,913	(2,546,497)	-	-	-	2,577,416	322,095
	Equity	1,332,000	-	-	904,261	-	2,236,261	-
Total Affiliated Investments		$ 84,873,023	$ (9,414,852)	$ 2,567,929	$ (10,342,450)	$ (10,088,405)	$ 57,595,245	$ 1,427,613

Name of Investment[3]	Type of Investment	Fair Value at September 30, 2020	Purchases/ (Sales) of or Advances/ (Distributions)	Transfers In/(Out) of Affiliates	Unrealized Gain/(Loss)	Realized Gain/(Loss)	Fair Value at September 30, 2021	Income Earned
Controlled Investments								
FlexFin LLC	Equity Interest	$ -	$ 2,500,000	$ -	$ -	$ -	$ 2,500,000	$ 75,000
MCC Senior Loan Strategy JV I LLC(1) (2)	Equity	41,018,500	(39,739,929)	-	38,869,000	(40,147,571)	-	-
NVTN LLC	Senior Secured First Lien Term Loan	4,530,078	-	-	1,884,782	-	6,414,860	-
	Super Priority Senior Secured First Lien Term Loan	2,000,000	(1,000,000)	-	(25,776)	2,776	977,000	-
Total Controlled Investments		$ 47,548,578	$ (38,239,929)	$ -	$ 40,728,006	$ (40,144,795)	$ 9,891,860	$ 75,000

Name of Investment[3]	Type of Investment	Fair Value at September 30, 2019	Purchases/ (Sales) of or Advances/ (Distributions)	Transfers In/(Out) of Affiliates	Unrealized Gain/(Loss)	Realized Gain/(Loss)	Fair Value at September 30, 2020	Income Earned
Affiliated Investments								
1888 Industrial Services, LLC	Senior Secured First Lien Term Loan A	$ 9,304,145	$ 168,923	$ —	$ (9,473,068)	$ —	$ —	$ 167,086
	Senior Secured First Lien Term Loan B	5,886,892	—	—	(5,886,892)	—	—	—
	Senior Secured First Lien Term Loan C	1,170,014	21,242	—	(24,493)	—	1,166,763	21,012
	Senior Secured First Lien Term Loan D	224,456	(224,456)	—	—	—	—	15,103
	Senior Secured First Lien Term Loan E	—	—	—	—	—	—	53,342
	Revolving Credit Facility	4,387,025	(832,956)	—	—	—	3,554,069	246,271
	Equity	—	—	—	—	—	—	—
Access Media Holdings, LLC	Senior Secured First Lien Term Loan	2,509,089	—	—	(1,398,526)	—	1,110,563	—
	Preferred Equity Series A	—	—	—	—	—	—	—
	Preferred Equity Series AA	—	—	—	—	—	—	—
	Preferred Equity Series AAA	(100,800)	—	—	100,800	—	—	—
	Equity	—	—	—	—	—	—	—
Black Angus Steakhouses, LLC	Senior Secured First Lien Delayed Draw Term Loan	—	—	758,929	—	—	758,929	11,148
	Senior Secured First Lien Term Loan	—	—	5,863,872	(816,315)	—	5,047,557	—
	Equity	—	—	—	—	—	—	—
Caddo Investors Holdings 1 LLC	Equity	2,830,051	2,452	—	158,273	—	2,990,776	—
Dynamic Energy Services International LLC	Senior Secured First Lien Term Loan	1,264,841	—	—	(359,725)	—	905,116	—
	Revolving Credit Facility	545,103	(545,103)	—	—	—	—	6,692
	Equity	—	—	—	—	—	—	—
JFL-NGS Partners, LLC	Preferred Equity A-2	20,150,684	(18,355,650)	—	—	—	1,795,034	352,315
	Preferred Equity A-1	2,607,661	(2,375,369)	—	—	—	232,292	45,592
	Equity	19,096,371	—	—	19,683,696	—	38,780,067	—
JFL-WCS Partners, LLC	Preferred Equity Class A	1,236,269	74,380	—	—	—	1,310,649	77,412
	Equity	2,755,041	—	—	1,780,539	—	4,535,580	—
Kemmerer Operations, LLC	Senior Secured First Lien Term Loan	1,766,511	285,194	—	—	—	2,051,705	285,313
	Senior Secured First Lien Delayed Draw Term Loan	706,604	(190,905)	—	—	—	515,699	80,201
	Equity	962,717	—	—	—	—	962,717	—

Name of Investment[3]	Type of Investment	Fair Value at September 30, 2019	Purchases/ (Sales) of or Advances/ (Distributions)	Transfers In/(Out) of Affiliates	Unrealized Gain/(Loss)	Realized Gain/(Loss)	Fair Value at September 30, 2020	Income Earned
Path Medical, LLC	Senior Secured First Lien Term Loan	8,845,167	(8,639,959)	—	449,792	(655,000)	—	1,203,692
	Senior Secured First Lien Term Loan A	3,047,473	(3,010,987)	—	237,504	(273,990)	—	380,499
	Senior Secured First Lien Term Loan C	344,291	(344,463)	—	172	—	—	17,776
	Senior Secured First Lien Term Loan A	—	5,905,080	—	—	—	5,905,080	51,670
	Senior Secured First Lien Term Loan B	—	6,599,918	—	194,596	—	6,794,514	—
	Equity	—	—	—	—	—	—	—
US Multifamily, LLC	Senior Secured First Lien Term Loan	6,670,000	(1,546,087)	—	—	—	5,123,913	592,727
	Equity	3,330,000	—	—	(1,998,000)	—	1,332,000	—
Total Affiliated Investments		$ 99,539,605	$ (23,008,746)	$ 6,622,801	$ 2,648,353	$ (928,990)	$ 84,873,023	$ 3,607,851

Name of Investment[3]	Type of Investment	Fair Value at September 30, 2019	Purchases/ (Sales) of or Advances/ (Distributions)	Transfers In/(Out) of Affiliates	Unrealized Gain/(Loss)	Realized Gain/(Loss)	Fair Value at September 30, 2020	Income Earned
Controlled Investments								
MCC Senior Loan Strategy JV I LLC[1][2]	Equity	$ 69,948,970	$ 1,312,500	$ —	$ (30,242,970)	$ —	$ 41,018,500	$ 6,256,250
NVTN LLC	Senior Secured First Lien Term Loan	4,255,990	2,309,885	—	(2,035,797)	—	4,530,078	62,840
	Super Priority Senior Secured First Lien Term Loan	—	1,995,374	—	4,626	—	2,000,000	1,983
	Senior Secured First Lien Term Loan B	7,152,352	—	—	(7,152,352)	—	—	—
	Senior Secured First Lien Term Loan C	—	—	—	—	—	—	—
	Equity	—	—	—	—	—	—	—
TPG Plastics LLC	Senior Secured Second Lien Term Loan	352,984	(352,984)	—	—	—	—	12,806
	Unsecured Debt	278,810	(278,810)	—	—	—	—	6,876
	Unsecured Debt	1,644,751	(1,630,312)	—	1,672,398	(1,686,837)	—	—
URT Acquisition Holdings Corporation	Senior Secured Second Lien Term Loan	18,905,403	1,594,416	—	—	(20,499,819)	—	500,767
	Preferred Equity	4,914,667	(2,533,622)	—	1,638,223	(4,019,268)	—	—
	Equity	—	(66,378)	—	12,936,879	(12,870,501)	—	—
Total Controlled Investments		$ 107,453,927	$ 2,350,069	$ —	$ (23,178,993)	$ (39,076,425)	$ 47,548,578	$ 6,841,522

(1) The Company and GALIC were the members of MCC JV, a joint venture formed as a Delaware limited liability company that was not consolidated by either member for financial reporting purposes. The members of MCC JV made capital contributions as investments by MCC JV were completed, and all portfolio and other material decisions regarding MCC JV were submitted to MCC JV's board of managers, which was comprised of an equal number of members appointed by each of the Company and GALIC. Approval of MCC JV's board of managers required the unanimous approval of a quorum of the board of managers, with a quorum consisting of equal representation of members appointed by each of the Company and GALIC. Because management of MCC JV was shared equally between the Company and GALIC, the Company did not have operational control over MCC JV for purposes of the 1940 Act or otherwise. On October 8, 2020, the Company, GALIC, MCC JV, and an affiliate of Golub entered into a Membership Interest Purchase Agreement pursuant to which a fund affiliated with and managed by Golub concurrently purchased all of the Company's interest in MCC JV and all of GALIC's interest in MCC JV.

(2) Amount of income earned represented distributions from MCC JV to the Company and is a component of dividend income, net of provisional taxes in the Consolidated Statements of Operations.

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

(4) Securities with a zero value at the beginning and end of the period, and those that had no transaction activity were excluded from the roll forward.

Purchases/(sales) of or advances to/(distributions) from Affiliated Investments and Controlled Investments represent the proceeds from sales and settlements of investments, purchases, originations and participations, investment increases due to PIK interest as well as net amortization of premium/(discount) on investments and are included in the purchases and sales presented on the Consolidated Statements of Cash Flows for the years ended September 30, 2021, 2020 and 2019. 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, as applicable. 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, 2021, 2020 and 2019.

Loan Participation Sales

The Company may sell portions of its investments via participation agreements to a managed account, managed by an affiliate and non-affiliate of the Company. At September 30, 2021, there were no participation agreements outstanding. At September 30, 2020, there were two participation agreements outstanding with an aggregate fair value of $6.8 million. The transfer of the participated portion of the investments met the criteria set forth in ASC 860, *Transfers and Servicing* for treatment as a sale. In each case, the Company’s loan participation agreements satisfy the following conditions:

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

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

During the year ended September 30, 2021, the Company did not collect interest and principal payments on behalf of any participant, since there were no participation agreements outstanding. During the years ended September 30, 2020 and 2019, the Company collected interest and principal payments on behalf of the participants in aggregate amounts of $2.7 million and $3.7 million, respectively. Under the terms of the participation agreements, the Company collected and remitted periodic payments to the participants equal to the participant’s proportionate share of any principal and interest payments received by the Company from the underlying investee companies.

MCC Senior Loan Strategy JV I LLC

On March 27, 2015, the Company and GALIC entered into a limited liability company operating agreement to co-manage MCC JV. All portfolio and other material decisions regarding MCC JV were submitted to MCC JV’s board of managers, which was comprised of four members, two of whom were selected by the Company and the other two of whom were selected by GALIC. The Company concluded that it did not operationally control MCC JV. As the Company did not operationally control MCC JV, it did not consolidate the operations of MCC JV within the consolidated financial statements.

On August 4, 2015, MCC JV entered into a senior secured revolving credit facility (the “JV Facility”) led by Credit Suisse AG, Cayman Islands Branch (“CS”) with commitments of $100 million subject to leverage and borrowing base restrictions. On March 30, 2017, the Company amended the JV Facility previously administered by CS and facilitated the assignment of all rights and obligations of CS under the JV Facility to Deutsche Bank AG, New York Branch (“DB”) and increased the total loan commitments to $200 million. On March 29, 2019, the JV Facility reinvestment period was extended from March 30, 2019 to June 28, 2019. On June 28, 2019, the JV Facility reinvestment period was further extended from June 28, 2019 to October 28, 2019. On October 28, 2019, the JV Facility reinvestment period was further extended from October 28, 2019 to March 31, 2020 and the interest rate was modified from bearing an interest rate of LIBOR (with a 0.00% floor) + 2.50% per annum to LIBOR (with a 0.00% floor) + 2.75% per annum. Effective as of March 31, 2020, the maturity date of the JV Facility was extended to March 31, 2023. As of September 30, 2020, there was approximately $111.3 million outstanding under the JV Facility.

On March 31, 2020, the JV Facility ended its reinvestment period and entered its amortization period, during which time the interest rate was increased to LIBOR (with a 0.00% floor) + 3.00% per annum.

On April 20, 2020, the JV Facility was amended to (i) during each 12-month period during the amortization period permit the sale of investments below a price of 97% as long as the sale was approved by DB and the balance of all such investments sold is not greater than 30% of the adjusted balance of all loans as of the first date of each 12-month period and (ii) establish a target effective advance rate at various measurement dates during the amortization period. All principal collections were to be swept to amortize the amount outstanding under the JV Facility and interest collections were to be swept, as applicable, in order to meet the target effective advance rate for the applicable period.

On October 8, 2020, the Company, GALIC, MCC JV, and an affiliate of Golub entered into a Membership Interest Purchase Agreement pursuant to which a fund affiliated with and managed by Golub concurrently purchased all of the Company's interest in MCC JV and all of GALIC's interest in MCC JV 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.

Due to the sale transaction on October 8, 2020, the Company no longer held an investment in MCC JV at September 30, 2021. At September 30, 2020, MCC JV had total investments at fair value of $163.1 million. As of September 30, 2020, MCC JV's portfolio was comprised of senior secured first lien term loans of 45 borrowers. As of September 30, 2020, certain investments in one portfolio company held by MCC JV were on non-accrual status.

Below is a summary of MCC JV's portfolio, excluding equity investments, as of September 30, 2020, followed by a listing of the individual investments in MCC JV's portfolio as of September 30, 2020:

	September 30, 2020
Senior secured loans(1)	$ 182,514,110
Weighted average current interest rate on senior secured loans(2)	6.02%
Number of borrowers in MCC JV	45
Largest loan to a single borrower(1)	$ 10,653,501
Total of five largest loans to borrowers(1)	$ 39,191,213

(1) At par value.
(2) Computed as the (a) annual stated interest rate on accruing senior secured loans, divided by (b) total senior secured loans at par.

MCC JV Loan Portfolio as of September 30, 2020

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value(2)	% of Net Assets(3)
4Over International, LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor)(1)	6/7/2022	$10,653,501	$10,653,501	$ 9,995,115	16.8%
				10,653,501	10,653,501	9,995,115	
Cardenas Markets LLC	Retail	Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor)(1)	11/29/2023	5,293,750	5,269,829	5,287,398	8.9%
				5,293,750	5,269,829	5,287,398	
CHA Consulting, Inc.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)(1)	4/10/2025	1,340,389	1,336,046	1,274,308	2.1%
		Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)(1)	4/10/2025	592,500	592,500	563,290	0.9%
				1,932,889	1,928,546	1,837,598	
Covenant Surgical Partners, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 4.00%)(1)	7/1/2026	4,950,187	4,909,373	4,435,496	7.4%
				4,950,187	4,909,373	4,435,496	
CT Technologies Intermediate Holdings, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor)(1)	12/1/2021	5,086,116	5,005,862	4,875,042	8.2%
				5,086,116	5,005,862	4,875,042	

Company	Industry	Type of Investment	Maturity	Par Amount	Fair Value [(2)]	Cost	% of Net Assets [(3)]
Envision Healthcare Corporation	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 3.75%, 1.00% LIBOR Floor)[(1)]	10/10/2025	1,940,438	1,888,530	1,397,503	2.3%
				1,940,438	1,888,530	1,397,503	
GC EOS Buyer, Inc.	Automotive	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)[(1)]	8/1/2025	1,420,440	1,404,814	1,304,532	2.2%
				1,420,440	1,404,814	1,304,532	
GK Holdings, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor)[(1)]	1/20/2021	2,877,863	2,876,803	2,142,856	3.6%
				2,877,863	2,876,803	2,142,856	
Glass Mountain Pipeline Holdings, LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)[(1)]	12/23/2024	4,850,625	4,839,587	2,601,390	4.4%
				4,850,625	4,839,587	2,601,390	
Golden West Packaging Group LLC	Forest Products & Paper	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor)[(1)]	6/20/2023	4,069,771	4,069,771	3,968,027	6.7%
				4,069,771	4,069,771	3,968,027	
High Ridge Brands Co.	Consumer Goods: Non-Durable	Senior Secured First Lien Term Loan (LIBOR + 7.00%, 1.00% LIBOR Floor)[(1)(4)]	6/30/2022	1,732,439	1,724,570	593,187	1.0%
				1,732,439	1,724,570	593,187	
Highline Aftermarket Acquisitions, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 3.50%, 1.00% LIBOR Floor)[(1)]	4/26/2025	4,025,000	4,016,286	3,597,545	6.0%
				4,025,000	4,016,286	3,597,545	
Infogroup, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 6.50%, 1.00% LIBOR Floor)[(1)]	4/3/2023	4,825,000	4,804,770	4,224,770	7.1%
				4,825,000	4,804,770	4,224,770	
Intermediate LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor)[(1)]	7/1/2026	2,722,500	2,708,089	2,513,684	4.2%
				2,722,500	2,708,089	2,513,684	
Isagenix International, LLC	Wholesale	Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor)[(1)]	6/16/2025	2,626,629	2,616,715	1,337,742	2.2%
				2,626,629	2,616,715	1,337,742	
IXS Holdings, Inc.	Automotive	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor)[(1)]	3/5/2027	994,874	985,714	981,543	1.6%
				994,874	985,714	981,543	
Keystone Acquisition Corp.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor)[(1)]	5/1/2024	6,099,815	6,040,757	5,505,083	9.2%
				6,099,815	6,040,757	5,505,083	
KNB Holdings Corporation	Consumer Goods: Durable	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor)[(1)]	4/26/2024	4,743,170	4,694,643	1,992,131	3.3%
				4,743,170	4,694,643	1,992,131	
Liason Acquisition, LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)[(1)]	12/20/2026	3,466,288	3,458,579	3,372,351	5.7%
				3,466,288	3,458,579	3,372,351	

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value (2)	% of Net Assets (3)
LifeMiles Ltd.	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor)(1)	8/18/2022	4,229,263	4,220,573	3,880,349	6.5%
				4,229,263	4,220,573	3,880,349	
Manna Pro Products, LLC	Consumer Goods: Non-Durable	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor)(1)	12/8/2023	2,998,542	2,998,542	2,875,002	4.8%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor)(1)	12/8/2023	608,958	608,958	583,869	1.0%
				3,607,500	3,607,500	3,458,871	
Mileage Plus Holdings, LLC	Transportation: Consumer	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor)(1)	6/21/2027	4,401,819	4,407,746	4,475,769	7.5%
				4,401,819	4,407,746	4,475,769	
NGS US Finco, LLC	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor)(1)	10/1/2025	2,943,223	2,932,700	2,755,445	4.6%
				2,943,223	2,932,700	2,755,445	
Northern Star Industries, Inc.	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)(1)	3/28/2025	4,143,750	4,130,394	3,630,754	6.1%
				4,143,750	4,130,394	3,630,754	
Offen, Inc.	Transportation: Cargo	Senior Secured First Lien Term Loan (LIBOR + 5.00%)(1)	6/22/2026	3,626,659	3,596,886	3,494,880	5.9%
				3,626,659	3,596,886	3,494,880	
Patriot Rail Company LLC	Transportation: Cargo	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor)(1)	10/19/2026	1,741,250	1,711,104	1,730,454	2.9%
				1,741,250	1,711,104	1,730,454	
PetroChoice Holdings, Inc.	Chemicals, Plastics and Rubber	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor)(1)	8/19/2022	6,279,803	6,270,073	5,418,842	9.1%
				6,279,803	6,270,073	5,418,842	
Port Townsend Holdings Company, Inc.	Forest Products & Paper	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor)(1)	4/3/2024	2,945,600	2,928,240	2,632,777	4.4%
				2,945,600	2,928,240	2,632,777	
PT Network, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor, 2% PIK)(1)(5)	11/30/2023	4,955,627	4,638,237	4,460,064	7.5%
		Class C Common Stock		1	—	—	
				4,955,628	4,638,237	4,460,064	

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value [2]	% of Net Assets [3]
PVHC Holding Corp	Containers, Packaging and Glass	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor)[1]	8/5/2024	1,952,427	1,946,107	1,850,511	3.1%
				1,952,427	1,946,107	1,850,511	
Quartz Holding Company	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor)[1]	4/2/2026	3,936,357	3,924,382	3,847,789	6.5%
				3,936,357	3,924,382	3,847,789	
RB Media, Inc.	Media: Diversified & Production	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)[1]	8/29/2025	5,651,270	5,620,482	5,605,495	9.4%
				5,651,270	5,620,482	5,605,495	
Salient CRGT Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor)[1]	2/28/2022	2,533,036	2,518,601	2,343,058	3.9%
				2,533,036	2,518,601	2,343,058	
SFP Holding, Inc.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 6.25%, 1.00% LIBOR Floor)[1]	9/1/2022	4,776,954	4,739,017	4,733,961	7.9%
		Senior Secured First Lien Term Loan (LIBOR + 6.25%, 1.00% LIBOR Floor)[1]	9/1/2022	1,852,521	1,852,521	1,835,849	3.1%
				6,629,475	6,591,538	6,569,810	
Shift4 Payments, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)[1]	11/29/2024	7,304,819	7,283,042	7,255,877	12.2%
				7,304,819	7,283,042	7,255,877	
Simplified Logistics, LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.50%, 1.00% LIBOR Floor)[1]	2/27/2022	3,447,500	3,447,500	3,358,899	5.6%
				3,447,500	3,447,500	3,358,899	
Syniverse Holdings, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor)[1]	3/9/2023	2,905,253	2,891,007	2,229,200	3.7%
				2,905,253	2,891,007	2,229,200	
The Octave Music Group, Inc.	Media: Diversified & Production	Senior Secured First Lien Term Loan (LIBOR + 4.75%,1.00% LIBOR Floor)[1]	5/29/2025	5,896,552	5,844,063	5,071,034	8.5%
				5,896,552	5,844,063	5,071,034	
ThoughtWorks, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 3.75%, 1.00% LIBOR Floor)[1]	10/11/2024	2,627,704	2,620,849	2,585,136	4.3%
				2,627,704	2,620,849	2,585,136	
Vero Parent, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)[1]	8/16/2024	3,875,924	3,856,982	3,813,522	6.4%
				3,875,924	3,856,982	3,813,522	
Wawona	Beverage & Food	Senior Secured First Lien Term Loan	9/11/2026	945,350	937,295	912,358	1.5%

Delaware Holdings, LLC		(LIBOR + 4.75%, 1.00% LIBOR Floor)(1)					
				945,350	937,295	912,358	
Wheels Up Partners LLC	Aerospace & Defense	Senior Secured First Lien Term Loan (LIBOR + 8.55%, 1.00% LIBOR Floor)(1)	10/15/2021				
				1,509,917	1,497,761	1,509,917	2.5%
				1,509,917	1,497,761	1,509,917	

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value(2)	% of Net Assets(3)
Wok Holdings Inc.	Retail	Senior Secured First Lien Term Loan (LIBOR + 6.50%, 1.00% LIBOR Floor)(1)	3/1/2026	6,550,249	6,505,809	4,864,216	8.2%
				6,550,249	6,505,809	4,864,216	
Wrench Group LLC	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor)(1)	4/30/2026	2,942,820	2,920,082	2,834,231	4.8%
				2,942,820	2,920,082	2,834,231	
Xebec Global Holdings, LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor)(1)	2/12/2024	8,053,168	8,053,168	8,053,168	13.5%
				8,053,168	8,053,168	8,053,168	
Z Medica, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor)(1)	9/29/2022	2,566,500	2,566,500	2,528,002	4.3%
				2,566,500	2,566,500	2,528,002	
Total Investments, September 30, 2020				**$ 182,514,111**	**$ 181,365,360**	**$ 163,133,421**	273.5%

(1) Represents the annual current interest rate as of September 30, 2020. All interest rates are payable in cash, unless otherwise noted.
(2) Represents the fair value in accordance with ASC 820 as reported by MCC JV. The determination of such fair value is not included in the Company's board of directors' valuation process described elsewhere herein.
(3) Percentage is based on MCC JV's net assets of $59,617,800 as of September 30, 2020.
(4) This investment was on non-accrual status as of September 30, 2020.
(5) Par amount includes accumulated PIK interest and is net of repayments.

Below is certain summarized financial Information for MCC JV as of September 30, 2020, and for the years ended September 30, 2020 and 2019:

	September 30, 2020
Selected Consolidated Statement of Assets and Liabilities Information:	
Investments in loans at fair value (amortized cost of $181,365,360)	$ 163,133,421
Cash	6,055,178
Other assets	1,148,102
Total assets	$ 170,336,701
Line of credit (net of debt issuance costs of $1,574,115)	$ 109,745,367
Other liabilities	424,095
Interest payable	549,439
Total liabilities	110,718,901
Members' capital	59,617,800
Total liabilities and members' capital	$ 170,336,701

	For the Years Ended September 30	
	2020	2019
Selected Consolidated Statement of Operations Information:		
Total revenues	$ 15,727,674	$ 20,351,843
Total expenses	(9,346,799)	(10,962,484)
Net unrealized appreciation/(depreciation)	(8,203,330)	(9,055,476)
Net realized gain/(loss)	(12,851,425)	(772,239)
Net income/(loss)	$ (14,673,880)	$ (438,356)

Unconsolidated Significant Subsidiaries

The Company evaluated and determined that it had no significant subsidiaries as of September 30, 2021.

Note 4. Fair Value Measurements

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

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

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

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

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

(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, 2020 (dollars in thousands):

	Level 1	Level 2	Level 3	Total
Senior Secured First Lien Term Loans	$ —	$ —	$ 106,463	$ 106,463
Senior Secured Second Lien Term Loans	—	—	13,927	13,927
Unsecured Debt	—	—	2,669	2,669
MCC Senior Loan Strategy JV I LLC(1)	—	—	41,019	41,019
Equity/Warrants	12,278	—	67,397	79,675
Total	$ 12,278	$ —	$ 231,475	$ 243,753
Investments measured at net asset value(2)				2,991
Total Investments, at fair value				$ 246,744

(1) MCC Senior Loan Strategy JV I LLC was sold on October 8, 2020 and as such fair value was measured as a Level 3 investment as of September 30, 2020. Previously fair value had been measured using NAV.

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

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the year ended September 30, 2021 (dollars in thousands):

	Senior Secured First Lien Term Loans	Senior Secured Second Lien Term Loans	Secured Debt	Unsecured Debt	MCC Senior Loan Strategy JV I LLC	Equities/ Warrants	Total
Balance as of September 30, 2020	$ 106,463	$ 13,927	$ -	$ 2,669	$ 41,019	$ 67,397	$ 231,475
Purchases and other adjustments to cost	11,026	-	2,500	-	-	-	13,526
Sales	(28,374)	(11,892)	-	(3,070)	(39,740)	(7,635)	(90,711)
Net realized gains/(losses) from investments	(24,818)	4	-	30	(40,148)	311	(64,621)
Net unrealized gains/(losses)	(2,363)	451	-	371	38,869	(11,184)	26,144
Balance as of September 30, 2021	$ 61,934	$ 2,490	$ 2,500	$ -	$ -	$ 48,889	$ 115,813

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, 2020 (dollars in thousands):

	Senior Secured First Lien Term Loans	Senior Secured Second Lien Term Loans	Unsecured Debt	MCC Senior Loan Strategy JV I LLC	Equities/ Warrants	Total
Balance as of September 30, 2019	$ 192,770	$ 36,508	$ 2,653	$ —	$ 78,329	$ 310,260
Purchases and other adjustments to cost	1,820	655	168	—	1,259	3,902
Originations	28,085	945	2,500	—	182	31,712
Sales	(186)	(1,237)	—	—	(5,714)	(7,137)
Settlements	(86,048)	(613)	(721)	—	(24,881)	(112,263)
Net realized gains/(losses) from investments	(929)	(23,362)	—	—	(18,577)	(42,868)
Net transfers in and/or out of Level 3	—	—	—	41,019	—	41,019
Net unrealized gains/(losses)	(29,049)	1,031	(1,931)	—	36,799	6,850
Balance as of September 30, 2020	$ 106,463	$ 13,927	$ 2,669	$ 41,019	$ 67,397	$ 231,475

Net change in unrealized gain (loss) for the years ended September 30, 2021 and 2020 included in earnings related to investments still held as of September 30, 2021 and 2020 was approximately $(24.3) million and $(42.6) million, respectively.

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

Sales represent net proceeds received from investments sold.

Settlements represent principal paydowns received.

A review of the fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the quarter in which the reclassifications occur. During the year ended September 30, 2021, none of our investments transferred into or out of Level 3. During the year ended September 30, 2020 MCC JV transferred into the Level 3 category as the investment was sold subsequently to September 30, 2020 (see Note 3). In previous periods, as a practical expedient the Company had used the net asset value of MCC JV to determine the fair value of the investment.

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

	Fair Value	Valuation Methodology	Unobservable Input	Range (Weighted Average)
Senior Secured First Lien Term Loans	$ 25,783	Market Approach	Market Yield	7.50% - 102.38% (32.78%)
Senior Secured First Lien Term Loans	15,639	Market Approach	Arms Length Transaction	N/A
Senior Secured First Lien Term Loans	7,567	Market Approach (Guideline Comparable)	Market Yield	5.00% - 8.00% (5.55%)
Senior Secured First Lien Term Loans	4,539	Market Approach	EBITDA Multiple(1)	4.50x - 5.50x (5.00x)
Senior Secured First Lien Term Loans	3,579	Enterprise Value Analysis	Revenue Multiple(1)	0.40x - 0.50x (0.45x)
Senior Secured First Lien Term Loans	2,577	Market Approach	Capitalization Rate	4.50% - 5.50% (5.00%)
			Estimated Proceeds	$1.04 - $8.10 ($4.57)
Senior Secured First Lien Term Loans	2,250	Market Approach	Revenue Multiple(1)	0.25x - 0.40x (0.33x)
Senior Secured Second Lien Term Loans	2,490	Market Approach (Guideline Comparable)	EBITDA Multiple(1)	9.75x - 10.75x (10.25x)
Secured Debt	2,500	Cost Approach	Replacement Cost	N/A
Equity/Warrants	38,939	Market Approach	EBITDA Multiple(1)	1.25x - 12.75x (12.31x)
Equity/Warrants	4,758	Market Approach	Market Yield	10.50% - 12.00% (11.25%)
Equity/Warrants	2,956	Market Approach	Revenue Multiple(1)	0.11x - 0.40x (0.16x)
Equity/Warrants	2,236	Market Approach	Capitalization Rate	4.50% - 5.50% (5.00%)
			Estimated Proceeds	$1.04 - $8.10 ($4.57)
Total	**$ 115,813**			

(1) Represents inputs used when the Company has determined that market participants would use such multiples when measuring the fair value of these investments.

The following table presents the quantitative information about Level 3 fair value measurements of our investments, as of September 30, 2020 (dollars in thousands):

	Fair Value	Valuation Methodology	Unobservable Input	Range (Weighted Average)
Senior Secured First Lien Term Loans	$ 50,135	Income Approach (DCF)	Market yield	7.52% - 15.27% (10.34%)
Senior Secured First Lien Term Loans	55,856	Market Approach (Guideline Comparable)//Income Approach (DCF)/ Enterprise Value Analysis	Revenue Multiple(1)	0.25x - 0.50x (0.49x)
			EBITDA Multiple(1)	2.50x - 8.50x (5.73x)
			Capitalization Rate	5.50x - 5.50x (5.50x)
			Discount Rate	17.90% - 17.90% (17.90%)
			Expected Proceeds	$8.25 - $52.00 ($45.65)
Senior Secured First Lien Term Loans	472	Recent Arms-Length Transaction	Recent Arms Length Transaction	N/A
Senior Secured Second Lien Term Loan	9,978	Income Approach (DCF)	Market yield	12.01% - 14.82% (14.01%)
Senior Secured Second Lien Term Loans	3,949	Market Approach (Guideline Comparable)/Income Approach (DCF)	EBITDA Multiple(1)	8.00x - 8.00x (8.00x)
			Discount Rate	21.00% - 21.00% (21.00%)
Unsecured Debt	—	Market Approach (Guideline Comparable)	EBITDA Multiple(1)	2.50x - 4.50x (3.50x)
Unsecured Debt	2,669	Recent Arms-Length Transaction	Recent Arms Length Transaction	N/A
MCC Senior Loan Strategy JV I LLC	41,019	Recent Arms-Length Transaction	Recent Arms Length Transaction	N/A
Equity	63,468	Market Approach (Guideline Comparable)/Income Approach/Enterprise Value Analysis	Revenue Multiple(1)	0.50x - 0.88x (0.69x)
			EBITDA Multiple(1)	2.50x - 9.50x (8.25x)
			Capitalization Rate	5.50% - 5.50% (5.50%)
			Discount Rate	14.50% - 14.50% (14.50%)
			Expected Proceeds	$8.25 - $52.00 ($38.00)
Equity	3,929	Income Approach (DCF)	Market Yield	15.40% - 15.40% (15.40%)
Total	**$ 231,475**			

(1) Represents inputs used when the Company has determined that market participants would use such multiples when measuring the fair value of these investments.

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, 2021 and September 30, 2020, 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.

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

As of September 30, 2020, the Company's asset coverage was 199.2% after giving effect to leverage and therefore the Company's asset coverage was below 200%, the minimum asset coverage requirement under the 1940 Act. As a result, the Company was prohibited from making distributions to stockholders, including the payment of any dividend, and could not employ further leverage until the Company's asset coverage was at least 200% after giving effect to such leverage.

The Company's outstanding debt excluding debt issuance costs as of September 30, 2021 and 2020 was as follows (dollars in thousands):

	September 30, 2021				September 30, 2020			
	Aggregate Principal Available	Principal Amount Outstanding	Carrying Value	Fair Value	Aggregate Principal Available	Principal Amount Outstanding	Carrying Value	Fair Value
2021 Notes	$ -	$ -	$ -	$ -	$ 74,013	$ 74,013	$ 73,803	$ 73,095
2023 Notes	77,847	77,847	77,434	79,092	77,847	77,847	77,158	72,460
Total debt	$ 77,847	$ 77,847	$ 77,434	$ 79,092	$ 151,860	$ 151,860	$ 150,961	$ 145,555

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 bear interest at a rate of 6.125% per year, payable quarterly on March 30, June 30, September 30 and December 30 of each year, beginning June 30, 2013.

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

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

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

Secured Notes

Israeli Notes

On January 26, 2018, the Company priced a debt offering in Israel of $121.3 million of Israeli Notes (as defined below). The Israeli Notes were listed on the TASE and denominated in New Israeli Shekels, but linked to the US Dollar at a fixed exchange rate which mitigates any currency exposure to the Company.

On June 5, 2018, the Company announced that on June 1, 2018, its board of directors authorized the Company to repurchase and retire up to $20 million of the Company's outstanding Israeli Notes on the TASE.

During the quarter ended December 31, 2018, the Company exchanged $1.0 million United States Dollars to New Israeli Shekels at a rate of 3.73 USD/NIS in order to repurchase the Israeli Notes on the TASE. As the Israeli Notes were trading below par at the time of the repurchase, and the USD/NIS (foreign currency) spot rate was higher than the fixed exchange rate agreed upon in the deed of trust, the Company was able to repurchase and retire 3,812,000 units, which resulted in $1,119,201 aggregate principal amount of the Israeli Notes being retired. The redemption was accounted for as a debt extinguishment in accordance with ASC 470-50, Modifications and Extinguishments, which resulted in a realized gain of $0.1 million and was recorded on the Consolidated Statements of Operations as a gain on extinguishment of debt.

On December 31, 2019, in addition to the scheduled 12.5% quarterly amortization payment, the Company used proceeds from its principal repayments in assets held by PhenixFIN SLF and PhenixFIN Small Business Fund to pre-pay an additional $19.1 million of the Israeli Notes. The pre-payment was accounted for as a debt extinguishment in accordance with ASC 470-50, Modifications and Extinguishments, which resulted in a realized loss of $0.9 million and was recorded on the Consolidated Statements of Operations as a net loss on extinguishment of debt.

On March 31, 2020, in addition to the scheduled 12.5% quarterly amortization payment, the Company used proceeds from its principal repayments in assets held by PhenixFIN SLF and PhenixFIN Small Business Fund to pre-pay an additional $19.8 million of the Israeli Notes. The pre-payment was accounted for as a debt extinguishment in accordance with ASC 470-50, Modifications and Extinguishments, which resulted in a realized loss of $0.9 million and was recorded on the Consolidated Statements of Operations as a loss on extinguishment of debt.

On April 14, 2020, the Company repaid the remaining $21.1 million of Israeli Notes outstanding, and as such is no longer subject to any covenants relating thereto. The Israeli Notes were redeemed at 100% of their principal amount, plus the accrued interest thereon, through April 14, 2020.

Fair Value of Debt Obligations

The fair values of our debt obligations are determined in accordance with ASC 820, which defines fair value in terms of the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value of the Notes, which are publicly traded, is based upon closing market quotes as of the measurement date. As of September 30, 2021 and September 30, 2020, the Notes would be deemed to be Level 1 in the fair value hierarchy, as defined in Note 4.

In accordance with ASU 2015-03, the debt issuance costs related to the Notes are reported on the Consolidated Statements of Assets and Liabilities as a direct deduction from the face amount of the Notes. As of September 30, 2021 and September 30, 2020, debt issuance costs related to the Notes were as follows (dollars in thousands):

	September 30, 2021		**September 30, 2020**		
	2023 Notes	**Total**	**2021 Notes**	**2023 Notes**	**Total**
Total debt issuance costs	$ 3,102	$ 3,102	$ 3,226	$ 3,102	$ 6,328
Amortized debt issuance costs	2,689	2,689	3,016	2,406	5,422
Unamortized debt issuance costs	$ 413	$ 413	$ 210	$ 696	$ 906

For the years ended September 30, 2021, 2020 and 2019, the components of interest expense, amortized debt issuance costs, weighted average stated interest rate and weighted average outstanding debt balance for the Notes were as follows (dollars in thousands):

	For the Years Ended September 30		
	2021	2020	2019
2021 Notes Interest	$ 668	$ 4,811	$ 4,811
2023 Notes Interest	4,768	4,768	4,954
2023 Notes Premium	(3)	(3)	(3)
Israeli Notes Interest	-	2,486	6,817
Amortization of debt issuance costs	367	2,873	2,735
Total	$ 5,800	$ 14,935	$ 19,314
Weighted average stated interest rate	7.0%	6.4%	6.1%
Weighted average outstanding balance	$ 82,930	$ 189,039	$ 273,211

Note 6. Agreements

Investment Management Agreement

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

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

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

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

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

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

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

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

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

Base Management Fee

Through December 31, 2020, for providing investment advisory and management services to us, MCC Advisors received a base management fee. The base management fee was calculated at an annual rate of 1.75% (0.4375% per quarter) of up to $1.0 billion of the Company’s gross assets and 1.50% (0.375% per quarter) of any amounts over $1.0 billion of the Company’s gross assets and was payable quarterly in arrears. The base management fee was calculated based on the average value of the Company’s gross assets at the end of the two most recently completed calendar quarters. For the years ended September 30, 2021, 2020 and 2019, the Company incurred base management fees to MCC Advisors of $1.1 million, $6.4 million and $11.2 million, respectively. Since January 1, 2021, the Company no longer incurs management fees under its current internalized structure.

Incentive Fee

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

Incentive Fee Based on Income

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

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

For the years ended September 30, 2021, 2020, and 2019, the Company did not incur any incentive fees on net investment income because pre-incentive fee net investment income did not exceed the hurdle amount under the formula set forth in the Investment Management Agreement. The Investment Management Agreement terminated as of December 31, 2020, and the Company no longer incurs incentive fees under the Investment Management Agreement as a result.

As of September 30, 2021 and 2020, $0 and $1.4 million, respectively, were included in “management and incentive fees payable” in the accompanying Consolidated Statements of Assets and Liabilities.

As of September 30, 2020 and 2019, $1.4 million and $2.2 million, respectively, were included in “management and incentive fees payable” in the accompanying Consolidated Statements of Assets and Liabilities.

Administration Agreement

On January 19, 2011, the Company entered into an administration agreement with MCC Advisors. Pursuant to the administration agreement, MCC Advisors furnished us with office facilities and equipment, clerical, bookkeeping, recordkeeping and other administrative services related to the operations of the Company. We reimbursed MCC Advisors for our allocable portion of overhead and other expenses incurred by it performing its obligations under the administration agreement, including rent and our allocable portion of the cost of our Chief Financial Officer and Chief Compliance Officer and their respective staffs. From time to time, our administrator was able to pay amounts owed by us to third-party service providers and we would subsequently reimburse our administrator for such amounts paid on our behalf. In connection with the adoption by the board of directors of an internalized management structure, on November 19, 2020, the Company entered into a Fund Accounting Servicing Agreement and an Administration Servicing Agreement on customary terms with U.S. Bancorp Fund Services, LLC d/b/a U.S. Bank Global Fund Services (“U.S. Bancorp”). The administration agreement with MCC Advisors terminated by its terms on December 31, 2020. Effective January 1, 2021, US Bancorp serves as custodian and provides us with fund accounting and financial reporting services pursuant to the Fund Accounting Servicing Agreement and Administration Servicing Agreement. For the years ended September 30, 2021, 2020 and 2019, we incurred $0.6 million, $2.2 million, and $3.3 million in administrator expenses, respectively.

As of September 30, 2021 and 2020, $0.1 million and $0.2 million, respectively, were included in “administrator expenses payable” in the accompanying Consolidated Statements of Assets and Liabilities.

Expense Support Agreement

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

Note 7. Related Party Transactions

Due to Affiliate

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

Note 8. Commitments

Insurance Reimbursements Related to Professional Fees

The Company has received insurance proceeds under its insurance policy primarily relating to the legal expenses associated with the dismissed stockholder class action, captioned as FrontFour Capital Group LLC, et al. v Brook Taube et al. During the year ended September 30, 2021, the Company received $2.1 million of insurance proceeds. During the year ended September 30, 2020, the Company received $6.1 million of insurance proceeds. The reimbursements have been recorded as an offset or reduction in professional fees and expenses on the Consolidated Statements of Operations.

Unfunded commitments

As of September 30, 2021 and 2020, we had commitments under loan and financing agreements to fund up to $4.9 million to six portfolio companies and $3.9 million to five portfolio companies, respectively. These commitments are primarily composed of senior secured term loans and revolvers, and the determination of their fair value is included in the Consolidated Schedule of Investments. The commitments are generally subject to the borrowers meeting certain criteria such as compliance with covenants and certain operational metrics. The terms of the borrowings and financings subject to commitment are comparable to the terms of other loan and equity securities in our portfolio. A summary of the composition of the unfunded commitments as of September 30, 2021 and 2020 is shown in the table below (dollars in thousands):

	September 30, 2021	September 30, 2020
Redwood Services Group, LLC - Revolver	$ 1,575	$ 1,050
1888 Industrial Services, LLC - Revolver	1,078	1,078
Alpine SG - Revolver	1,000	-
Kemmerer Operations, LLC - Delayed Draw Term Loan	908	908
NVTN LLC - DDTL	220	220
Black Angus Steakhouses, LLC - Super Priority DDTL	167	-
DataOnline Corp. - Revolver	-	179
NVTN LLC - Super Priority DDTL	-	500
Total unfunded commitments	$ 4,948	$ 3,935

Lease obligations

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

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

Total operating lease cost incurred by PhenixFIN for the year ended September 30, 2021 was $84,000. As of September 30, 2021, the asset related to the operating lease was $613,500 and is included in the Other assets balance on the Consolidated Balance Sheet. The lease liability was $(613,500) and is included in the Other liabilities balance on the Consolidated Balance Sheet. As of September 30, 2021, the remaining lease term was five years and the implied borrowing rate was 5.25%.

The following table shows future minimum payments under PhenixFIN's operating lease as of September 30, 2021:

For the Years Ended September 30,	**Amount**
2022	$ 84,000
2023	144,000
2024	144,000
2025	144,000
2026	144,000
Thereafter	24,000
	684,000
Difference between undiscounted and discounted cash flows	(70,466)
	$ 613,534

Note 9. Fee Income

Fee income consists of origination/closing fees, amendment fees, prepayment penalty and other miscellaneous fees which are non-recurring in nature, as well as administrative agent fees, which are recurring in nature. The following table summarizes the Company's fee income for the years ended September 30, 2021, 2020 and 2019 (dollars in thousands):

	For the Years Ended September 30		
	2021	**2020**	**2019**
Administrative agent fee	$ 414	$ 192	$ 316
Prepayment fee	-	139	1,281
Amendment fee	94	171	306
Other fees	2,059	90	56
Origination fee	-	101	345
Fee income	$ 2,567	$ 693	$ 2,304

Note 10. Directors Fees

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

On January 26, 2018, the board of directors established the special committee of the Board, comprised solely of directors who are not "interested persons" of the Company as such term is defined in Section 2(a)(19) of the 1940 Act (the "Special Committee"), for the purpose of assessing the merits of various proposed strategic transactions. As compensation for serving on the Special Committee, each independent director received a one-time retainer of $25,000 plus reimbursement of out-of-pocket expenses, consistent with the Company's policies for reimbursement of members of the board of directors. In addition, the chairman of the Special Committee received a monthly fee of $15,000 and other members received a monthly fee of $10,000. The Special Committee as well as the Transition Committee have each been dissolved and are each no longer in operation.

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, 2021, 2020 and 2019, we accrued $1.0 million, $1.5 million, and $1.3 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, 2021, 2020 and 2019.

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, 2021, 2020 and 2019 (dollars in thousands, except share and per share amounts):

	For the Years Ended September 30		
	2021	2020	2019
Basic and diluted:			
Net increase (decrease) in net assets resulting from operations	$ 1,278	$ (65,813)	$ (96,575)
Weighted average shares of common stock outstanding - basic and diluted	2,677,891	2,723,709	2,723,709
Earnings (loss) per share of common stock - basic and diluted	$ 0.48	$ (24.16)	$ (35.46)

PHENIXFIN CORPORATION
Notes to Consolidated Financial Statements (continued)
September 30, 2021

Note 12. Financial Highlights

The following is a schedule of financial highlights for the years ended September 30, 2021, 2020, 2019, 2018 and 2017:

	For the Years Ended September 30				
	2021	**2020**	**2019**	**2018**	**2017**
Per share data					
Net Asset Value per share at Beginning of Period	$ 55.30	$ 79.46	$ 117.92	$ 169.04	$ 189.78
Results of Operations:					
Net Investment Income/(Loss)(1)	6.92	(1.00)	(7.66)	4.55	13.35
Net Realized Gain/(Loss) on Investments	(15.86)	(18.35)	(41.18)	(32.76)	(26.83)
Net Unrealized Gain/(Loss) on Investments	9.47	(3.90)	14.13	(11.82)	7.95
Change in provision for deferred taxes on unrealized appreciation/(depreciation) on investments	-	-	-	0.17	0.40
Net loss on extinguishment of debt	(0.05)	(0.91)	(0.75)	(0.87)	(0.40)
Net Increase (Decrease) in Net Assets Resulting from Operations	0.48	(24.16)	(35.46)	(40.73)	(5.53)
Capital Share Transactions					
Distributions from net investment income	-	-	(3.00)	(10.40)	(15.20)
Repurchase of common stock under stock repurchase program	1.30	-	-	-	-
Other(4)	-	-	-	0.01	(0.01)
Net Increase (Decrease) Resulting from Capital Share Transactions	1.30	-	(3.00)	(10.39)	(15.21)
Net Asset Value per share at End of Period	$ 57.08	$ 55.30	$ 79.46	$ 117.92	$ 169.04
Net Assets at End of Period	143,693,981	$ 150,619,517	$ 216,432,530	$ 321,178,727	$ 460,429,317
Shares Outstanding at End of Period	2,517,221	2,723,709	2,723,709	2,723,709	2,723,709
Per share market value at end of period	$ 42.90	$ 17.83	$ 51.80	$ 76.40	$ 119.40
Total return based on market value(2)	140.61%	(65.58%)	(29.91%)	(27.82%)	(12.73%)
Total return based on net asset value(3)	(4.60%)	(30.41%)	(29.47%)	(21.29%)	(0.68%)
Portfolio turnover rate	24.97%	5.66%	11.93%	26.46%	26.01%

The following is a schedule of ratios and supplemental data for the years ended September 30, 2021, 2020, 2019, 2018 and 2017:

	For the Years Ended September 30				
	2021	**2020**	**2019**	**2018**	**2017**
Ratios:					
Ratio of net investment/(loss) income to average net assets after waivers, discounts and reimbursements(5)	12.44%	(1.64%)	(7.96%)	3.37%	7.50%
Ratio of total expenses to average net assets after waivers, discounts and reimbursements(5)	9.26%	14.64%	25.62%	14.77%	12.35%
Ratio of incentive fees to average net assets after waivers(5)	0.00%	0.00%	0.00%	0.00%	0.18%
Supplemental Data:					
Ratio of net operating expenses and credit facility related expenses to average net assets(5)(12)	9.26%	15.07%	25.62%	14.77%	12.17%
Percentage of non-recurring fee income(6)	7.94%	2.33%	4.29%	5.78%	6.23%
Average debt outstanding(7)	82,930,098	189,038,998	347,991,878	451,590,779	514,726,703
Average debt outstanding per common share	30.97	69.40	127.76	165.80	188.98
Asset coverage ratio per unit(8)	2,856	1,992	1,842	2,126	2,327
Total Debt Outstanding(13)					
Revolving Credit Facility	-	-	-	-	68,000,000
Term Loan Facility	-	-	-	-	102,000,000
2021 Notes(11)	-	74,012,825	74,012,825	74,012,825	74,012,825
2023 Notes	77,846,800	77,846,800	77,846,800	89,846,800	102,846,800
Israeli Notes(10)	-	-	105,136,927	121,275,690	-
SBA Debentures	-	-	-	135,000,000	150,000,000
Average market value per unit:					
2019 Notes(9)	N/A	N/A	N/A	N/A	25.39
2021 Notes(11)	N/A	23.61	24.82	25.48	25.80
2023 Notes	24.94	21.68	24.28	25.02	25.18
Israeli Notes(10)	N/A	N/A	254.43	273.95	N/A

(1) Net investment income/(loss) excluding management and incentive fee waivers, discounts and reimbursements based on total weighted average common stock outstanding equals $6.92, $(3.35), $(7.66), $4.41, and $13.32 per share for the years ended September 30, 2021, 2020, 2019, 2018, and 2017, 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) Represents the impact of the different share amounts used in calculating per share data as a result of calculating certain per share data based upon the weighted average basic shares outstanding during the period and certain per share data based on the shares outstanding as of a period end or transaction date.

(5) For the year ended September 30, 2021, prior to the effect of Expense Support Agreement, the ratio of net investment income/(loss), total expenses, incentive fees, and operating expenses and credit facility related expenses to average net assets is 12.44%, 9.26%, 0.00%, and 9.26%, respectively.

For the year ended September 30, 2020, excluding management and incentive fee waivers, the ratio of net investment income/(loss), total expenses, incentive fees, and operating expenses and credit facility related expenses to average net assets is (5.94)%, 18.94%, 0.00%, and 18.94%, respectively.

For the year ended September 30, 2019, excluding management and incentive fee waivers, the ratio of net investment income/(loss), total expenses, incentive fees, and operating expenses and credit facility related expenses to average net assets is (7.96)%, 25.62%, 0.00%, and 25.62%, respectively.

For the year ended September 30, 2018, excluding management and incentive fee waivers, the ratio of net investment income/(loss), total expenses, incentive fees, and operating expenses and credit facility related expenses to average net assets is 3.26%, 14.88%, 0.00%, and 14.88%, respectively.

For the year ended September 30, 2017, excluding management and incentive fee waivers, the ratio of net investment income/(loss), total expenses, incentive fees, and operating expenses and credit facility related expenses to average net assets is 7.48%, 12.37%, 0.18%, and 12.18%, respectively.

(6) Represents the impact of the non-recurring fees as a percentage of total investment income.

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

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

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

(9) During the year ended September 30, 2017, the 2019 Notes were redeemed in full and ceased trading on February 17, 2017. The average price for the year ended September 30, 2017 reflects the period from October 1, 2016 through February 17, 2017.

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

(11) 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.

(12) Excludes incentive fees.

(13) Total amount of each class of senior securities outstanding at the end of the period excluding debt issuance costs.

Note 13. Dividends

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

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

The Company did not make any distributions during the years ended September 30, 2021 and 2020.

Note 14. Share Transactions

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

The following table sets forth the number of shares of common stock repurchased by the Company at an average price of $33.94 per share under its share repurchase program from February 10, 2021 through September 30, 2021:

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
Total	206,488		$	8,203,444

The Company's net asset value per share was increased by approximately $1.31 as a result of the share repurchases.

Note 15. Selected Quarterly Financial Data (Unaudited)

The following tables represent selected unaudited quarterly financial data for the Company during the years ended September 30, 2021 and 2020 (dollars in thousands, except per share amounts):

	September 30, 2021		June 30, 2021		March 31, 2021		December 31, 2020	
Consolidated Statement of Operations data:								
Total investment income	$	4,368	$	8,684	$	6,454	$	12,801
Net investment income		1,076		5,430		3,687		8,330
Total realized and unrealized gains/(losses)		(37,529)		1,539		4,100		14,768
Loss on extinguishment of debt		-		-		-		(122)
Net increase/(decrease) in net assets resulting from operations		(7,040)		6,969		7,787		(6,438)
Earnings per share		(2.63)		2.60		2.87		(2.36)
Net asset value per common share at period end	$	57.08	$	58.49	$	55.91	$	52.94

	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Consolidated Statement of Operations data:				
Total investment income	$ 4,420	$ 4,309	$ 5,301	$ 7,491
Net investment income/(loss)	(858)	(719)	(4,216)	3,073
Net realized and unrealized gain/(loss)	2,082	8,984	(73,663)	1,986
Change in provision for deferred taxes on unrealized gain/(loss) on investments	50	36	(86)	—
Loss on extinguishment of debt	—	(697)	(895)	(889)
Net increase/(decrease) in net assets resulting from operations	1,274	7,604	(78,860)	4,170
Earnings per share	0.47	2.79	(28.95)	1.53
Net asset value per common share at period end	$ 55.30	$ 54.83	$ 52.04	$ 80.99

Note 16. 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, 2021.

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 due 2028 (the “2028 Notes”). The Offering occurred on November 15, 2021, pursuant to the Company’s effective shelf registration statement on Form N-2 previously filed with the SEC, as supplemented by a preliminary prospectus supplement dated November 8, 2021, the pricing term sheet dated November 9, 2021 and a final prospectus supplement dated November 9, 2021. Effective November 16, 2021, the 2028 Notes began trading on the NASDAQ Global Market under the trading symbol “PFXNZ.”

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

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.

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, 2021. The term "disclosure controls and procedures" is defined under Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), as amended. Based on the evaluation of our disclosure controls and procedures as of September 30, 2021, 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, 2021.

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

On November 18, 2020, the board of directors of the Company approved the adoption of an internalized management structure, effective January 1, 2021. In connection with the adoption of the 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. Prior to the internalization of the management structure, we historically relied on MCC Advisors for our business functions, including investment origination, monitoring, portfolio servicing, accounting and management functions. These functions are now performed by the internal management team and U.S. Bancorp. We consider the changes described above to be material changes in our internal controls over financial reporting.

Other than as described above, 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.

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 2022 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, 2021.

Item 11. Executive Compensation

The information required by Item 11 is hereby incorporated by reference from our definitive Proxy Statement relating to our 2022 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, 2021.

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 2022 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, 2021.

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 2022 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, 2021.

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 2022 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, 2021.

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:

	Page
Report of Independent Registered Public Accounting Firm	F-1
Consolidated Statements of Assets and Liabilities as of September 30, 2021 and 2020	F-3
Consolidated Statements of Operations for the years ended September 30, 2021, 2020 and 2019	F-4
Consolidated Statements of Changes in Net Assets for the years ended September 30, 2021, 2020 and 2019	F-5
Consolidated Statements of Cash Flows for the years ended September 30, 2021, 2020 and 2019	F-6
Consolidated Schedules of Investments as of September 30, 2021 and 2020	F-7
Notes to Consolidated Financial Statements	F-18

(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	Description of PhenixFIN Corporation's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 (Incorporated by reference to the Registrant's Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-258913), filed on October 15, 2021.
10.1	Form of Custody Agreement (Incorporated by reference to Exhibit 99.J.1 to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2 (File No. 333-166491), filed on November 23, 2010).

10.2	Form of Dividend Reinvestment Plan (Incorporated by reference to Exhibit 99.E to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2 (File No. 333-166491), filed on November 23, 2010).
10.3	Settlement Term Sheet, dated April 15, 2019 (Incorporated by reference to the Current Report on Form 8-K, filed on April 17, 2019).
10.4	Stipulation of Settlement, dated July 29, 2019, by and among Medley Capital Corporation, Brook Taube, Seth Taube, Jeff Tonkel, Mark Lerdal, Karin Hirtler-Garvey, John E. Mack, Arthur S. Ainsberg, Medley Management Inc., MCC Advisors LLC, Medley LLC and Medley Group LLC, on the one hand, and FrontFour Capital Group LLC and FrontFour Master Fund, Ltd., on behalf of themselves and a class of similarly situated stockholders of Medley Capital Corporation, on the other hand, in connection with the action styled In re Medley Capital Corporation Stockholder Litigation, Cons. C.A. No. 2019-0100-KSJM (Incorporated by reference to the Current Report on Form 8-K, filed on August 2, 2019).
10.5	Governance Agreement, dated July 29, 2019, by and among, Medley Capital Corporation, on the one hand, and FrontFour Capital Group LLC, FrontFour Master Fund, Ltd., FrontFour Capital Corp., FrontFour Opportunity Fund, David A. Lorber, Stephen E. Loukas and Zachary R. George, on the other hand (Incorporated by reference to the Current Report on Form 8-K, filed on August 2, 2019).
10.6	Standstill Agreement, dated as of August 19, 2020, by and between the Medley Capital Corporation and Howard Amster and the other persons and entities identified therein (Incorporated by reference to the Current Report on Form 8-K filed on August 21, 2020).
10.7	Fund Accounting Servicing Agreement, dated November 19, 2020, by and between Medley Capital Corporation and U.S. Bancorp Fund Services, LLC (Incorporated by reference to Exhibit 10.16 to the Annual Report on Form 10-K filed on December 11, 2020).
10.8	Administration Servicing Agreement, dated November 19, 2020, by and between Medley Capital Corporation and U.S. Bancorp Fund Services, LLC (Incorporated by reference to Exhibit 10.17 to the Annual Report on Form 10-K filed on December 11, 2020).
14.1	Code of Ethics & Insider Trading Policy of the Registrant (Incorporated by reference to Exhibit 99.R to the Registrant's Registration Statement on Form N-2 (File No. 333-258913), filed on August 19, 2021.
21.1	List of Subsidiaries*
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.*
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to section 906 of The Sarbanes-Oxley Act of 2002.*

* Filed herewith.

SIGNATURES

Pursuant to the requirements of 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 20, 2021

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 20, 2021.

/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 21.1

SUBSIDIARIES OF PHENIXFIN CORPORATION

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

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 20, 2021

/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 20, 2021

/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, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, David Lorber and Ellida McMillan, Chief Executive Officer and Chief Financial Officer, respectively, of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to our knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Dated: December 20, 2021

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

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