

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

Form 10-Q

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

For the Quarterly Period Ended March 31, 2024

or

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

For the transition period from to

Commission file number: 1-35040

PHENIXFIN CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of  
Incorporation or Organization)

27-4576073

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

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

(Address of Principal Executive Offices)

10022

(Zip Code)

(212) 859-0390

(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	PFX	The NASDAQ Global Market
5.25% Notes due 2028	PFXNZ	The NASDAQ Global Market

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

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

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

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

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

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

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

The Registrant had 2,019,790 shares of common stock, \$0.001 par value, outstanding as of May 10, 2024.

PHENIXFIN CORPORATION

TABLE OF CONTENTS

	Page
<b>PART I. Financial Information</b>	
Item 1. Financial Statements	
<a href="#">Consolidated Statements of Assets and Liabilities as of March 31, 2024 (unaudited) and September 30, 2023</a>	1
<a href="#">Consolidated Statements of Operations for the three and six months ended March 31, 2024 and 2023 (unaudited)</a>	2
<a href="#">Consolidated Statements of Changes in Net Assets for the three and six months ended March 31, 2024 and 2023 (unaudited)</a>	3
<a href="#">Consolidated Statements of Cash Flows for the six months ended March 31, 2024 and 2023 (unaudited)</a>	4
<a href="#">Consolidated Schedules of Investments as of March 31, 2024 (unaudited) and September 30, 2023</a>	5

<u>Notes to Consolidated Financial Statements (unaudited)</u>	21
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	46
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	59
<u>Item 4. Controls and Procedures</u>	60
<b>Part II. Other Information</b>	61
<u>Item 1. Legal Proceedings</u>	61
<u>Item 1A. Risk Factors</u>	61
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	76
<u>Item 3. Defaults Upon Senior Securities</u>	76
<u>Item 4. Mine Safety Disclosures</u>	76
<u>Item 5. Other Information</u>	77
<u>Item 6. Exhibits</u>	77
<b>SIGNATURES</b>	79

i

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

	<u>March 31, 2024 (Unaudited)</u>	<u>September 30, 2023</u>
<b>Assets:</b>		
Investments at fair value		
Non-controlled, non-affiliated investments (amortized cost of \$138,055,022 and \$134,339,121 respectively)	\$ 132,407,942	\$ 125,531,031
Affiliated investments (amortized cost of \$20,564,242 and \$48,233,910, respectively)	14,333,867	37,289,617
Controlled investments (amortized cost of \$90,793,284 and \$82,437,692, respectively)	73,307,525	63,640,043
Total Investments at fair value	<u>220,049,334</u>	<u>226,460,691</u>
Cash and cash equivalents	19,123,796	5,988,223
Receivables:		
Interest receivable	920,769	971,115
Dividends receivable	243,302	161,479
Other receivable	-	31,425
Due from Affiliate	5,326,933	409,214
Other assets	1,173,608	833,000
Deferred financing costs	724,568	699,124
Prepaid share repurchase	132,295	199,019
Receivable for investments sold	-	3,940,175
<b>Total Assets</b>	<b><u>\$ 247,694,605</u></b>	<b><u>\$ 239,693,465</u></b>
<b>Liabilities:</b>		
Credit facility and note payable (net of debt issuance costs of \$ 1,522,586 and \$1,688,835, respectively)	\$ 84,419,355	\$ 84,253,106
Payable for investments purchased	5,036,284	4,123,059
Accounts payable and accrued expenses	2,707,303	3,066,984
Interest and fees payable	724,564	690,398
Other liabilities	360,477	432,698
Due to Affiliate	99,725	-
Administrator expenses payable (see Note 6)	75,000	-
Deferred revenue	-	421,685
<b>Total Liabilities</b>	<b><u>93,422,708</u></b>	<b><u>92,987,930</u></b>
Commitments and Contingencies (see Note 8)		
<b>Net Assets:</b>		
Common Shares, \$0.001 par value; 5,000,000 shares authorized; 2,723,709 shares issued; 2,020,490 and 2,073,713 common shares outstanding, respectively	2,021	2,074
Capital in excess of par value	692,472,513	694,812,239
Total distributable earnings (loss)	(538,202,637)	(548,108,778)
<b>Total Net Assets</b>	<b><u>154,271,897</u></b>	<b><u>146,705,535</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 247,694,605</u></b>	<b><u>\$ 239,693,465</u></b>
<b>Net Asset Value Per Common Share</b>	<b>\$ 76.35</b>	<b>\$ 70.75</b>

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

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

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2024	2023	2024	2023
<b>Interest Income:</b>				
Interest from investments				
Non-controlled, non-affiliated investments:				
Cash	\$ 1,950,898	\$ 2,116,741	\$ 4,633,041	\$ 4,032,782
Payment in-kind	90,530	119,593	181,204	225,780
Affiliated investments:				
Cash	276,484	261,028	732,176	459,481
Payment in-kind	-	-	-	-
Controlled investments:				
Cash	294,028	57,188	580,266	251,815
Payment in-kind	118,864	155,994	268,831	245,737
Total interest income	2,730,804	2,710,544	6,395,518	5,215,595
Dividend income	1,652,262	1,503,375	3,665,988	3,535,733
Interest from cash and cash equivalents	199,266	125,471	240,374	217,697
Fee income (see Note 9)	76,517	171,055	78,625	244,654
Other income	-	401,986	22	401,986
<b>Total Investment Income</b>	<b>4,658,849</b>	<b>4,912,431</b>	<b>10,380,527</b>	<b>9,615,665</b>
<b>Expenses:</b>				
Interest and financing expenses	1,567,352	1,381,596	3,109,413	2,614,772
Salaries and benefits	1,524,508	802,090	2,949,500	1,659,623
General and administrative expenses	310,776	201,181	635,837	421,158
Professional fees, net	343,150	377,229	700,704	725,146
Directors fees	187,500	176,500	375,000	370,500
Insurance expenses	96,694	121,387	194,450	245,471
Administrator expenses (see Note 6)	57,550	77,937	135,402	155,821
Total expenses	4,087,530	3,137,920	8,100,306	6,192,491
<b>Net Investment Income</b>	<b>571,319</b>	<b>1,774,511</b>	<b>2,280,221</b>	<b>3,423,174</b>
<b>Realized and unrealized gains (losses) on investments</b>				
Non-controlled, non-affiliated investments	200,754	(838,070)	430,558	(824,622)
Affiliated investments	(1,991,456)	-	(1,991,456)	-
Controlled investments	-	23,273	-	23,273
<b>Total net realized gains (losses)</b>	<b>(1,790,702)</b>	<b>(814,797)</b>	<b>(1,560,898)</b>	<b>(801,349)</b>
Net change in unrealized gains (losses):				
Non-controlled, non-affiliated investments	1,796,767	803,513	3,161,010	2,326,612
Affiliated investments	2,282,655	274,063	4,713,918	989,600
Controlled investments	2,512,263	4,670,928	1,311,890	4,722,097
<b>Total net change in unrealized gains (losses)</b>	<b>6,591,685</b>	<b>5,748,504</b>	<b>9,186,818</b>	<b>8,038,309</b>
<b>Total realized and unrealized gains (losses)</b>	<b>4,800,983</b>	<b>4,933,707</b>	<b>7,625,920</b>	<b>7,236,960</b>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>\$ 5,372,302</b>	<b>\$ 6,708,218</b>	<b>\$ 9,906,141</b>	<b>\$ 10,660,134</b>
Weighted average basic and diluted earnings per common share	\$ 2.62	\$ 3.20	\$ 4.81	\$ 5.08
Weighted average common shares outstanding - basic and diluted (see Note 11)	2,048,622	2,095,193	2,060,723	2,098,041

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

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

	Common Stock			Total Distributable Earnings/(Loss)	Total Net Assets
	Shares	Par Amount	Capital in Excess of Par Value		
<b>Balance at December 31, 2022</b>	2,099,824	\$ 2,100	\$ 675,297,285	\$ (550,606,580)	\$ 124,692,805
<b>OPERATIONS</b>					
Net investment income (loss)	-	-	-	1,774,511	1,774,511
Net realized gains (losses) on investments	-	-	-	(814,797)	(814,797)
Net change in unrealized appreciation (depreciation) on investments	-	-	-	5,748,504	5,748,504
<b>CAPITAL SHARE TRANSACTIONS</b>					
Repurchase of common shares	(8,186)	(8)	(250,126)	-	(250,134)
<b>Total Increase (Decrease) in Net Assets</b>	<b>(8,186)</b>	<b>(8)</b>	<b>(250,126)</b>	<b>6,708,218</b>	<b>6,458,084</b>
<b>Balance at March 31, 2023</b>	<b>2,091,638</b>	<b>\$ 2,092</b>	<b>\$ 675,047,159</b>	<b>\$ (543,898,362)</b>	<b>\$ 131,150,889</b>

<b>Balance at December 31, 2023</b>	2,060,490	\$ 2,061	\$ 694,273,678	\$ (543,574,939)	\$ 150,700,800
OPERATIONS					
Net investment income (loss)	-	-	-	571,319	571,319
Net realized gains (losses) on investments	-	-	-	(1,790,702)	(1,790,702)
Net change in unrealized appreciation (depreciation) on investments	-	-	-	6,591,685	6,591,685
CAPITAL SHARE TRANSACTIONS					
Repurchase of common shares	(40,000)	(40)	(1,801,165)	-	(1,801,205)
<b>Total Increase (Decrease) in Net Assets</b>	<b>(40,000)</b>	<b>(40)</b>	<b>(1,801,165)</b>	<b>5,372,302</b>	<b>3,571,097</b>
<b>Balance at March 31, 2024</b>	<b>2,020,490</b>	<b>\$ 2,021</b>	<b>\$ 692,472,513</b>	<b>\$ (538,202,637)</b>	<b>\$ 154,271,897</b>
<b>Balance at September 30, 2022</b>	<b>2,102,129</b>	<b>\$ 2,102</b>	<b>\$ 675,401,802</b>	<b>\$ (554,558,496)</b>	<b>\$ 120,845,408</b>
OPERATIONS					
Net investment income (loss)	-	-	-	3,423,174	3,423,174
Net realized gains (losses) on investments	-	-	-	(801,349)	(801,349)
Net change in unrealized appreciation (depreciation) on investments	-	-	-	8,038,309	8,038,309
<b>Total Increase (Decrease) in Net Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
CAPITAL SHARE TRANSACTIONS					
Repurchase of common shares	(10,491)	(10)	(354,643)	-	(354,653)
<b>Total Increase (Decrease) in Net Assets</b>	<b>(10,491)</b>	<b>(10)</b>	<b>(354,643)</b>	<b>10,660,134</b>	<b>10,305,481</b>
<b>Balance at March 31, 2023</b>	<b>2,091,638</b>	<b>\$ 2,092</b>	<b>\$ 675,047,159</b>	<b>\$ (543,898,362)</b>	<b>\$ 131,150,889</b>
<b>Balance at September 30, 2023</b>	<b>2,073,713</b>	<b>\$ 2,074</b>	<b>\$ 694,812,239</b>	<b>\$ (548,108,778)</b>	<b>\$ 146,705,535</b>
OPERATIONS					
Net investment income (loss)	-	-	-	2,280,221	2,280,221
Net realized gains (losses) on investments	-	-	-	(1,560,898)	(1,560,898)
Net change in unrealized appreciation (depreciation) on investments	-	-	-	9,186,818	9,186,818
CAPITAL SHARE TRANSACTIONS					
Repurchase of common shares	(53,223)	(53)	(2,339,726)	-	(2,339,779)
<b>Total Increase (Decrease) in Net Assets</b>	<b>(53,223)</b>	<b>(53)</b>	<b>(2,339,726)</b>	<b>9,906,141</b>	<b>7,566,362</b>
<b>Balance at March 31, 2024</b>	<b>2,020,490</b>	<b>\$ 2,021</b>	<b>\$ 692,472,513</b>	<b>\$ (538,202,637)</b>	<b>\$ 154,271,897</b>

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

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

	For the Six Months Ended March 31,	
	2024	2023
<b>Cash Flows from Operating Activities:</b>		
Net increase (decrease) in net assets resulting from operations	\$ 9,906,141	\$ 10,660,134
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:		
Proceeds from sale and settlements of investments	45,595,165	26,919,844
Purchases, originations and participations	(30,835,453)	(25,975,213)
Investment increases due to payment-in-kind interest	(450,035)	(471,517)
Net amortization of premium (discount) on investments	(272,400)	(368,824)
Amortization of debt issuance cost	166,249	204,079
Amortization of deferred financing cost	212,333	113,963
Net realized (gains) losses from investments	1,560,898	801,349
Net unrealized (gains) losses on investments	(9,186,818)	(8,038,309)
(Increase) decrease in operating assets:		
Interest receivable	50,346	1,927
Due from affiliate	(4,917,719)	(121,627)
Receivable for investments sold	3,940,175	-
Dividends receivable	(81,823)	-
Paydown receivable	-	112,500
Other receivable	31,425	36,992
Prepaid share repurchase	66,724	364,828
Other assets	(340,608)	474,188
Increase (decrease) in operating liabilities:		
Due to broker	-	(16,550,000)
Payable for investments purchased	913,225	1,026,818
Accounts payable and accrued expenses	(359,681)	(673,784)
Due to Affiliate	99,725	-
Administrator expenses payable	75,000	(73,011)
Interest and fees payable	34,166	170,169
Deferred revenue	(421,685)	9,905
Other liabilities	(72,221)	(72,188)

<b>Net cash provided by (used in) operating activities</b>		<b>15,713,129</b>	<b>(11,447,777)</b>
Cash Flows from Financing Activities:			
Debt issuance		-	23,241,941
Paydowns on debt		-	(22,521,800)
Debt issuance costs paid		-	(9,751)
Deferred financing costs		(237,777)	(912,275)
Repurchase of common shares		(2,339,779)	(354,653)
Net cash provided by (used in) financing activities		(2,577,556)	(556,538)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>13,135,573</b>	<b>(12,004,315)</b>
Cash and cash equivalents, beginning of period		5,988,223	22,768,066
Cash and cash equivalents, end of period		<b>\$ 19,123,796</b>	<b>\$ 10,763,751</b>

**Supplemental information:**

Interest paid during the period	\$ 2,667,051	\$ 1,854,240
Non-cash purchase of investments	\$ 11,900,000	\$ -
Non-cash sale of investments	\$ 11,900,000	\$ -

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

4

**PHENIXFIN CORPORATION**  
**Consolidated Schedule of Investments**  
**As of March 31, 2024**  
**(Unaudited)**

<u>Company<sup>(1)</sup></u>	<u>Industry</u>	<u>Type of Investment</u>	<u>Maturity</u>	<u>Par Amount/Shares/Units<sup>(2)</sup></u>	<u>Amortized Cost<sup>(3)</sup></u>	<u>Fair Value<sup>(4)</sup></u>	<u>% of Net Assets<sup>(5)</sup></u>
<b>Non-Controlled/Non-Affiliated Investments:</b>							
1888 Industrial Services, LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan C	8/31/2024	350,000 350,000	\$ 196,411 196,411	\$ 350,000 350,000	0.23% 0.23%
Altisource S.A.R.L. (11)	Services: Business	Senior Secured First Lien Term Loan B (SOFR + CSA + 5.00%, 3.75% PIK)(20)(24) Warrants(21)	4/30/2025 5/22/2027	13,700,174 97,899 13,798,073	10,725,095 - 10,725,095	10,042,228 133,143 10,175,371	6.50% 0.08% 6.58%
Arcline FM Holdings, LLC	Aerospace & Defense	First Lien Term Loans (SOFR + CSA + 4.75%, 0.75% Floor)(20)(24)	6/23/2028	2,665,823 2,665,823	2,577,794 2,577,794	2,652,493 2,652,493	1.71% 1.71%
Be Green Packaging, LLC	Containers, Packaging & Glass	Equity - 417 Common Units(21)		417 417	416,250 416,250	- -	0.00% 0.00%
Boostability Seotowncenter, Inc.	Services: Business	Equity - 833,152 Common Units(21)		833,152 833,152	66,475 66,475	- -	0.00% 0.00%
CB&L Associates Holdco I, LLC	Real Estate	First Lien Term Loan (SOFR + CSA+ 2.75%, 1.00% Floor)(14)(20)(23)	11/1/2025	5,827,281 5,827,281	4,915,259 4,915,259	5,302,825 5,302,825	3.44% 3.44%
Chimera Investment Corp.(11)	Real Estate	Equity - 117,310 Class C Preferred Units(13)(15) Equity - 163,601 Class D Preferred Units, (SOFR + 5.38%)(13)(24)		117,310 193,754 311,064	2,884,724 4,182,010 7,066,734	2,404,855 4,793,474 7,198,329	1.56% 3.11% 4.67%
Copper Property CTL Pass Through Trust	Real Estate	Equity Certificates(14)		622,795 622,795	7,767,811 7,767,811	6,118,961 6,118,961	3.97% 3.97%
Deer Management Systems LLC	Consumer Discretionary	First Lien Term Loan (SOFR + CSA + 8.25%, 3.00% Floor)(8)(20)(24)	5/1/2028	3,315,000 3,315,000	3,243,748 3,243,748	3,348,150 3,348,150	2.17% 2.17%

5

**PHENIXFIN CORPORATION**  
**Consolidated Schedule of Investments**  
**As of March 31, 2024**  
**(Unaudited)**

<b>Company<sup>(1)</sup></b>	<b>Industry</b>	<b>Type of Investment</b>	<b>Maturity</b>	<b>Par Amount/ Shares/Units<sup>(2)</sup></b>	<b>Amortized Cost<sup>(3)</sup></b>	<b>Fair Value<sup>(4)</sup></b>	<b>% of Net Assets<sup>(5)</sup></b>
DirecTV Financing, LLC	Media: Broadcasting & Subscription	Senior Secured First Lien Term Loan (SOFR + CSA + 5.00%, 0.75% Floor)(14)(20)(23)	8/2/2027				
		First Lien Term Loan (SOFR + CSA + 5.25%, .0.75% Floor)(23)	8/2/2029	3,812,783	3,812,783	3,827,081	2.48%
				977,500	965,281	976,278	0.63%
				4,790,283	4,778,064	4,803,359	3.11%
Epic Y-Grade Services, LP	Energy: Oil & Gas	First Lien Term Loan (SOFR + CSA + 6.00%, 1.00% Floor)(24)	6/30/2027	5,994,859	5,939,961	5,979,871	3.88%
				5,994,859	5,939,961	5,979,871	3.88%
First Brands Group, LLC	Automotive	Senior Secured First Lien Term Loan (SOFR + CSA + 5.00%, 1.00% Floor)(20)(25)	3/30/2027	3,899,498	3,899,498	3,860,503	2.50%
				3,899,498	3,899,498	3,860,503	2.50%
Franklin BSP Realty Trust, Inc.(11)	Real Estate	Equity - 66,107 Common Units(13)		66,107	907,782	883,190	0.57%
				66,107	907,782	883,190	0.57%
Global Accessories Group, LLC	Consumer goods: Non-durable	Equity - 3.8% Membership Interest(21)		380	151,337	-	0.00%
				380	151,337	-	0.00%
Innovate Corp.(11)	Construction & Building	8.50% Senior Secured Notes(14)	2/1/2026	4,250,000	3,714,663	3,065,313	1.99%
				4,250,000	3,714,663	3,065,313	1.99%
Invesco Mortgage Capital, Inc.(11)	Real Estate	Equity - 205,000 Class C Preferred Units(13)(16)		205,000	5,035,506	4,532,550	2.94%
				205,000	5,035,506	4,532,550	2.94%
NGS-WCS Group Holdings	Construction & Building	Senior Secured First Lien Term Loan B (SOFR + CSA+ 5.50%, 1.00% Floor)(20)(23)	11/12/2026	844,021	846,435	846,131	0.55%
JFL-NGS-WCS Partners, LLC	Construction & Building	Equity - 10,000,000 Units(21)		10,000,000	10,000,000	10,759,154	6.97%
				10,844,021	10,846,435	11,605,285	7.52%
Lighting Science Group Corporation	Containers, Packaging & Glass	Warrants - 0.62% of Outstanding Equity(21)		5,000,000	955,680	-	0.00%
				5,000,000	955,680	-	0.00%

**PHENIXFIN CORPORATION**  
**Consolidated Schedule of Investments**  
**As of March 31, 2024**  
**(Unaudited)**

<b>Company<sup>(1)</sup></b>	<b>Industry</b>	<b>Type of Investment</b>	<b>Maturity</b>	<b>Par Amount/ Shares/Units<sup>(2)</sup></b>	<b>Amortized Cost<sup>(3)</sup></b>	<b>Fair Value<sup>(4)</sup></b>	<b>% of Net Assets<sup>(5)</sup></b>
Lucky Bucks, LLC	Consumer Discretionary	Priority Second Out Term LoanTL(SOFR + CSA + 7.50%, 1.00% Floor)(20)(23)	10/2/2029				
		Priority First Out Exit Term LoanTL(SOFR + CSA + 7.50%, 1.00% Floor)(20)(23)	10/2/2028	\$ 1,357,837	\$ 1,330,680	\$ 1,357,836	0.88%
		Equity - 180,739 Membership Units(21)		687,817	624,953	687,817	0.45%
				180,739	174,393	1,566,290	1.02%
				2,226,393	2,130,026	3,611,943	2.35%
McKissock Investment Holdings, LLC (dba Colibri)	Services: Consumer	Senior Secured First Lien Term Loan (SOFR + CSA + 5.00%, 0.75% Floor)(20)(24)	3/10/2029	4,899,999	4,861,787	4,850,543	3.14%
				4,899,999	4,861,787	4,850,543	3.14%

MFA Financial, Inc. (11)	Real Estate	Equity - 97,426 Class C Preferred Units(13)(24)		97,426 97,426	2,318,487 2,318,487	2,160,909 2,160,909	1.40% 1.40%
New York Mortgage Trust, Inc.(11)	Real Estate	Equity - 165,000 Class E Preferred Units(13)(18)		165,000 165,000	4,102,076 4,102,076	3,790,050 3,790,050	2.46% 2.46%
PHH Mortgage Corp.	Banking, Finance, Insurance & Real Estate	7.875% Senior Secured Note(14)	3/15/2026				
				9,686,000 9,686,000	8,780,720 8,780,720	9,306,631 9,306,631	6.03% 6.03%
Point.360	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% PIK)(10)(21)	7/8/2020				
				2,777,366 2,777,366	2,103,712 2,103,712	- -	0.00% 0.00%
Power Stop LLC	Automotive	Senior Secured First Lien Term Loan (SOFR + CSA + 4.75%, 0.50% Floor)(20)(23)	1/26/2029				
				6,884,353 6,884,353	6,485,730 6,485,730	6,195,918 6,195,918	4.02% 4.02%
Rithm Capital Corp. (11)	Banking	Equity - 206,684 Class B Preferred Units(13)(24)					
				206,684 206,684	5,129,170 5,129,170	5,047,223 5,047,223	3.27% 3.27%
Secure Acquisition Inc. (dba Paragon Films)	Packaging	Senior Secured First Lien Term Loan (SOFR + CSA + 5.00%, 0.50% Floor)(20)(24)	12/16/2028				
				3,527,463 3,527,463	3,516,477 3,516,477	3,527,463 3,527,463	2.29% 2.29%

**PHENIXFIN CORPORATION**  
**Consolidated Schedule of Investments**  
**As of March 31, 2024**  
**(Unaudited)**

Company <sup>(1)</sup>	Industry	Type of Investment	Maturity	Par Amount/Shares/Units <sup>(2)</sup>	Amortized Cost <sup>(3)</sup>	Fair Value <sup>(4)</sup>	% of Net Assets <sup>(5)</sup>
SMC Roofing	Services: Consumer	First Out Term Loan (SOFR + CSA + 3.50%, 2.00% Floor)(24)	10/16/2028				
		First Out Delayed Draw Term Loan (SOFR + CSA + 3.50%, 2.00% Floor)(8)(24)	10/16/2028	660,714	654,107	654,107	0.42%
		Last Out Term Loan (SOFR + CSA + 11.75%, 2.00% Floor)(24)	10/16/2028	-	(446)	-	0.00%
		Last Out Delayed Draw Term Loan (SOFR + CSA + 11.75%, 2.00% Floor)(8)(24)	10/16/2028	1,863,568	1,821,638	1,821,638	1.18%
				-	(3,864)	-	0.00%
				2,524,282	2,471,435	2,475,745	1.60%
SS Acquisition, LLC (dba Soccer Shots Franchising)	Services: Consumer	Senior Secured First Lien Term Loan (SOFR + CSA + 6.50%, 1.00% Floor)(20)(23)	12/30/2026				
		Senior Secured First Lien Delayed Draw Term Loan (SOFR + CSA + 6.50%, 1.00% Floor)(20)(23)	12/30/2026	6,666,667	6,602,650	6,666,667	4.32%
				3,200,000	3,165,673	3,200,000	2.07%
				9,866,667	9,768,323	9,866,667	6.39%
Stancor (dba Industrial Flow Solutions Holdings, LLC)	Services: Business	Equity - 358,867 Class A Units(21)					
				358,867	345,491	375,719	0.24%
				358,867	345,491	375,719	0.24%
Staples, Inc.	Services: Consumer	First Lien Term Loan (LIBOR + 4.50%)(14)(22)	9/12/2024				
				3,672,879	3,636,583	3,661,401	2.38%
				3,672,879	3,636,583	3,661,401	2.38%
Tamarix Capital Partners II, L.P.(8)(11)	Banking	Fund Investment(8)(21)					
				N/A	1,026,818	783,465	0.52%
				-	1,026,818	783,465	0.52%

Thryv Holdings, Inc. (11)	Media: Broadcasting & Subscription	Senior Secured First Lien Term Loan (SOFR + CSA + 8.50%, 1.00% Floor)(14)(20) (23)	3/1/2026				
				6,869,478	6,809,553	6,878,065	4.47%
				6,869,478	6,809,553	6,878,065	4.47%
Velocity Pooling Vehicle, LLC	Automotive	Equity - 5,441 Class A Units(21) Warrants - 0.65% of Outstanding Equity(21)	3/30/2028	5,441	302,464	-	0.00%
				6,506	361,667	-	0.00%
				11,947	664,131	-	0.00%
Wingman Holdings, Inc.	Aerospace & Defense	Equity - 350 Common Shares(21)		350	700,000	-	0.00%
				350	700,000	-	0.00%
<b>Subtotal Non- Controlled/Non- Affiliated Investments</b>				<b>116,548,907</b>	<b>\$138,055,022</b>	<b>\$132,407,942</b>	<b>85.841%</b>

8

**PHENIXFIN CORPORATION**  
**Consolidated Schedule of Investments**  
**As of March 31, 2024**  
**(Unaudited)**

Company <sup>(1)</sup>	Industry	Type of Investment	Maturity	Par Amount/ Shares/Units <sup>(2)</sup>	Amortized Cost <sup>(3)</sup>	Fair Value <sup>(4)</sup>	% of Net Assets <sup>(5)</sup>
<b><u>Affiliated Investments:</u></b> <sup>(6)</sup>							
Black Angus Steakhouses, LLC	Hotel, Gaming & Leisure	Senior Secured First Lien Delayed Draw Term Loan (SOFR + CSA + 9.00% PIK, 1.00% Floor)(10)(20)(23) Senior Secured First Lien Term Loan (SOFR + CSA + 9.00% PIK, 1.00% Floor)(10)(20)(23) Senior Secured First Lien Super Priority Delayed Draw Term Loan (SOFR + CSA + 9.00% PIK, 1.00% Floor)(10) (20)(23) Equity - 17.92% Membership Interest(21)	1/31/2025 1/31/2025 1/31/2025	908,080 13,513,874 1,991,878	\$ 875,749 7,767,533 1,920,960	\$ 875,749 810,832 1,920,960	0.57% 0.53% 1.25%
				16,413,832	10,564,242	3,607,541	0.00% 2.35%
FST Holdings Parent, LLC	High Tech Industries	Equity - 625,548 Class A Units		625,548 625,548	10,000,000 10,000,000	10,726,326 10,726,326	6.95% 6.95%
<b>Subtotal Affiliated Investments</b>				<b>17,039,380</b>	<b>\$ 20,564,242</b>	<b>\$ 14,333,867</b>	<b>9.30%</b>

9

**PHENIXFIN CORPORATION**  
**Consolidated Schedule of Investments**  
**As of March 31, 2024**  
**(Unaudited)**

Company <sup>(1)</sup>	Industry	Type of Investment	Maturity	Par Amount/ Shares/Units <sup>(2)</sup>	Amortized Cost <sup>(3)</sup>	Fair Value <sup>(4)</sup>	% of Net Assets <sup>(5)</sup>
<b><u>Controlled Investments:</u></b> <sup>(7)</sup>							
FlexFIN, LLC	Services: Business	Equity Interest		34,729,225 34,729,225	\$ 34,729,225 34,729,225	\$ 34,729,225 34,729,225	22.51% 22.51%
Kemmerer Operations, LLC	Metals & Mining	Senior Secured First Lien Term Loan (15.00% PIK)	6/21/2025	3,286,036	3,286,036	3,286,036	2.13%

Kemmerer Holdings, LLC		Metals & Mining	Equity - 37 Common Units(21)	37	3,286,073	4,136,157	12,166,174	7.89%
NSG Captive, Inc.		Insurance	Equity - 100,000 Units(21)	100,000	100,000	100,000	100,000	0.06%
				100,000	100,000	100,000	100,000	0.06%
NVTN LLC		Hotel, Gaming & Leisure	Senior Secured First Lien Delayed Draw Term Loan (SOFR + 8.25%, 2.00% Floor)(23)	12/31/2026	5,500,000	5,604,805	5,500,000	3.57%
			Senior Secured First Lien Term Loan B (SOFR + 9.25% PIK, 2.00% Floor)(10)	12/31/2026	17,552,420	13,916,082	17,526,090	11.36%
			Senior Secured First Lien Term Loan C (SOFR + 12.00% PIK, 2.00% Floor)(10)	12/31/2026	11,506,159	7,570,055	-	0.00%
			Equity - 1,000 Class A Units		1,000	21,450,924	-	0.00%
					34,559,579	48,541,866	23,026,090	14.93%
<b>Subtotal Control Investments</b>					<b>72,674,877</b>	<b>\$ 90,793,284</b>	<b>\$ 73,307,525</b>	<b>47.52%</b>
<b>Total Investments, March 31, 2024</b>					<b>206,263,164</b>	<b>\$249,412,548</b>	<b>\$220,049,334</b>	<b>142.66%</b>

- (1) All of our investments are domiciled in the United States. Certain investments also have international operations.
- (2) Par amount is presented for debt investments and the amount includes accumulated payment-in-kind ("PIK") interest, as applicable, and is net of repayments, while the number of shares or units owned is presented for equity investments. Par amount is denominated in U.S. Dollars ("\$") unless otherwise noted.
- (3) Net unrealized depreciation for U.S. federal income tax purposes totaled \$(29,363,214). The tax cost basis of investments is \$249,412,548 as of March 31, 2024. The amortized cost represents the original cost adjusted for the amortization or accretion of premium or discount, as applicable, on debt investments using the effective interest method.
- (4) Unless otherwise indicated, all securities are valued using significant unobservable inputs, which are categorized as Level 3 assets under the definition of ASC 820 fair value hierarchy (see Note 4).
- (5) Percentage is based on net assets of \$154,271,897 as of March 31, 2024.
- (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 March 31, 2024 (see Note 8), and fair value includes the value of any unfunded commitments. The negative cost, if applicable, is the result of the capitalized discount being greater than the principal amount outstanding on the loan. The negative fair value, if applicable, is the result of the capitalized discount on the loan.
- (9) Not in use.
- (10) The investment was on non-accrual status as of March 31, 2024.

10

**PHENIXFIN CORPORATION**  
**Consolidated Schedule of Investments**  
**As of March 31, 2024**  
**(Unaudited)**

- (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 March 31, 2024, non-qualifying assets represented 17.97% of total assets.
- (12) This investment earns 0.50% commitment fee on all unused commitment as of March 31, 2024, and is recorded as a component of interest income on the Consolidated Statements of Operations.
- (13) This investment represents a Level 1 security in the ASC 820 table as of March 31, 2024 (see Note 4).
- (14) This investment represents a Level 2 security in the ASC 820 table as of March 31, 2024 (see Note 4).
- (15) The interest rate on this preferred equity is fixed-to-floating and will shift to 3 month SOFR plus a CSA of 0.262% plus a 4.743% spread on 9/30/2025.
- (16) The interest rate on this preferred equity is fixed-to-floating and will shift to 3 month SOFR plus a CSA of 0.262% plus a 5.29% spread on 9/27/2027.
- (17) Not in use
- (18) The interest rate on this preferred equity is fixed-to-floating and will shift to 3 month SOFR plus a CSA of 0.262% plus a 6.429% spread on 1/15/2025.
- (19) Not in use
- (20) Credit Spread Adjustment ("CSA")
- (21) Non-income producing security.
- (22) The interest rate on these loans is subject to 1 month LIBOR, which as of March 31, 2024 was 5.44%.
- (23) The interest rate on these loans is subject to 1 month SOFR, which as of March 31, 2024 was 5.32%
- (24) The interest rate on these loans is subject to 3 month SOFR, which as of March 31, 2024 was 5.35%.
- (25) The interest rate on these loans is subject to 6 month SOFR, which as of March 31, 2024 was 5.39%.

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

11

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

Company <sup>(1)</sup>	Industry	Type of Investment	Maturity	Par Amount/Shares/Units <sup>(2)</sup>	Amortized Cost <sup>(3)</sup>	Fair Value <sup>(4)</sup>	% of Net Assets <sup>(5)</sup>
<b><u>Non-Controlled/Non-Affiliated Investments:</u></b>							
Altisource S.A.R.L.(11)	Services: Business	Senior Secured First Lien Term Loan B (SOFR + CSA + 5.00%, 3.75% PIK)(20)(25) Warrants(21)	4/30/2025 5/22/2027	\$ 9,565,710 75,080 9,640,790	\$ 8,507,963 - 8,507,963	\$ 7,805,619 206,470 8,012,089	5.31% 0.14% 5.45%
Arcline FM Holdings, LLC	Aerospace & Defense	First Lien Term Loans (SOFR + CSA + 4.75%, 0.75% Floor)(20)(25)	6/23/2028	2,679,494 2,679,494	2,591,013 2,591,013	2,644,660 2,644,660	1.80% 1.80%
Be Green Packaging, LLC	Containers, Packaging & Glass	Equity - 417 Common Units(21)		417 417	416,250 416,250	- -	0.00% 0.00%
Boostability Seotowncenter, Inc.	Services: Business	Equity - 833,152 Common Units(21)		833,152 833,152	66,475 66,475	- -	0.00% 0.00%
CB&L Associates Holdco I, LLC (11)	Banking, Finance, Insurance & Real Estate	First Lien Term Loan (SOFR + CSA+ 2.75%, 1.00% Floor)(14)(20)(24)	11/1/2025	5,916,102 5,916,102	4,990,179 4,990,179	5,191,380 5,191,380	3.53% 3.53%
Chimera Investment Corp.(11)	Banking, Finance, Insurance & Real Estate	Equity - 117,310 Class C Preferred Units(13)(15)		117,310	2,884,724	2,116,271	1.44%
		Equity - 163,601 Class D Preferred Units(13)(9)		163,601 280,911	3,463,275 6,347,999	3,414,353 5,530,624	2.32% 3.76%

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

Company <sup>(1)</sup>	Industry	Type of Investment	Maturity	Par Amount/Shares/Units <sup>(2)</sup>	Amortized Cost <sup>(3)</sup>	Fair Value <sup>(4)</sup>	% of Net Assets <sup>(5)</sup>
Copper Property CTL Pass Through Trust	Banking, Finance, Insurance & Real Estate	Equity Certificates(14)		597,795	7,547,670	6,217,067	4.23%
DataOnline Corp.	High Tech Industries	Senior Secured First Lien Term Loan (SOFR + CSA + 5.50%, 1.00% Floor)(20)(25) Revolving Credit Facility (SOFR + CSA + 5.50%, 1.00% Floor)(20)(25)	11/13/2025 11/13/2025	4,812,500 714,286 5,526,786	4,812,500 714,286 5,526,786	4,764,375 707,143 5,471,518	3.24% 0.48% 3.72%
Deer Management Systems LLC	Consumer Discretionary	First Lien Term Loan (SOFR + CSA + 8.25%, 3.00% Floor)(8)(20)(25)	5/1/2028	3,357,500	3,294,306	3,323,925	2.26%
DirecTV Financing, LLC	Media: Broadcasting & Subscription	Senior Secured First Lien Term Loan (SOFR + CSA + 5.00%, 0.75% Floor)(14)(20)(24)	8/2/2027	4,100,000 4,100,000	4,100,000 4,100,000	4,003,908 4,003,908	2.72% 2.72%
First Brands Group, LLC	Automotive	Senior Secured First Lien Term Loan (SOFR + CSA + 5.00%, 1.00% Floor)(20)(26)	3/30/2027	3,919,598 3,919,598	3,919,598 3,919,598	3,880,402 3,880,402	2.64% 2.64%

Franklin BSP Realty Trust, Inc.(11)	Banking, Finance, Insurance & Real Estate	Equity - 226,107 Common Units(13)					
			226,107	3,572,788	2,993,657	2.04%	2.04%
			226,107	3,572,788	2,993,657	2.04%	2.04%

13

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

Company <sup>(1)</sup>	Industry	Type of Investment	Maturity	Par Amount/Shares/Units <sup>(2)</sup>	Amortized Cost <sup>(3)</sup>	Fair Value <sup>(4)</sup>	% of Net Assets <sup>(5)</sup>
Global Accessories Group, LLC	Consumer goods: Non-durable	Equity - 3.8% Membership Interest(21)		380 380	151,337 151,337	- -	0.00% 0.00%
Innovate Corp.(11)	Construction & Building	8.50% Senior Secured Notes(14)	2/1/2026	2,750,000 2,750,000	2,615,913 2,615,913	2,076,250 2,076,250	1.41% 1.41%
Invesco Mortgage Capital, Inc.(11)	Banking, Finance, Insurance & Real Estate	Equity - 205,000 Class C Preferred Units(13)(16)		205,000 205,000	5,035,506 5,035,506	3,989,300 3,989,300	2.71% 2.71%
JFL-NGS-WCS Partners, LLC	Construction & Building	Senior Secured First Lien Term Loan B (SOFR + CSA + 5.50%, 1.00% Floor)(20)(24) Equity - 10,000,000 Units(21)	11/12/2026	861,605 10,000,000 10,861,605	864,482 10,000,000 10,864,482	865,913 11,733,525 12,599,438	0.59% 7.98% 8.57%
Lighting Science Group Corporation	Containers, Packaging & Glass	Warrants - 0.62% of Outstanding Equity(21)		5,000,000 5,000,000	955,680 955,680	- -	0.00% 0.00%
Lucky Bucks, LLC	Consumer Discretionary	Equity - 180,739 Membership Units (21) Second Out Exit Term Loan (SOFR + CSA + 7.50%, 1.00% Floor)(20)(24) First Out Exit Term Loan (SOFR + CSA + 7.50%, 1.00% Floor)(20)(24)	10/2/2029 10/2/2028	180,739 1,361,240 689,541 2,231,520	174,393 1,334,015 626,519 2,134,927	1,545,318 1,361,240 689,541 3,596,099	1.05% 0.93% 0.47% 2.45%

14

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

Company <sup>(1)</sup>	Industry	Type of Investment	Maturity	Par Amount/Shares/Units <sup>(2)</sup>	Amortized Cost <sup>(3)</sup>	Fair Value <sup>(4)</sup>	% of Net Assets <sup>(5)</sup>
McKissock Investment Holdings, LLC (dba Colibri)	Services: Consumer	Senior Secured First Lien Term Loan (SOFR + CSA + 5.00%, 0.75% Floor)(20)(25)	3/12/2029	4,924,535	4,883,570	4,776,799	3.25%
MFA Financial, Inc. (11)	Banking, Finance, Insurance & Real Estate	Equity - 97,426 Class C Preferred Units(13)(19)		97,426 97,426	2,318,487 2,318,487	1,856,940 1,856,940	1.26% 1.26%
New York Mortgage Trust, Inc.(11)	Banking, Finance, Insurance & Real Estate	Equity - 165,000 Class E Preferred Units(13)(18)		165,000 165,000	4,102,076 4,102,076	3,677,850 3,677,850	2.50% 2.50%

PennyMac Financial Services, Inc.(11)	Banking, Finance, Insurance & Real Estate	Equity - 29,500 Common Units(13)			29,500	1,921,275	1,964,700	1.34%
					29,500	1,921,275	1,964,700	1.34%
PHH Mortgage Corp.	Banking, Finance, Insurance & Real Estate	7.875% Senior Secured Note(14)	3/15/2026		7,686,000	6,895,720	6,845,344	4.66%
					7,686,000	6,895,720	6,845,344	4.66%
Point.360	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% PIK)(10)(21)	7/8/2020		2,777,366	2,103,712	-	0.00%
					2,777,366	2,103,712	-	0.00%

15

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

Company <sup>(1)</sup>	Industry	Type of Investment	Maturity	Par Amount/Shares/Units <sup>(2)</sup>	Amortized Cost <sup>(3)</sup>	Fair Value <sup>(4)</sup>	% of Net Assets <sup>(5)</sup>
Power Stop LLC	Automotive	Senior Secured First Lien Term Loan (SOFR + CSA + 4.75%, 0.50% Floor)(20)(24)	1/26/2029	6,919,937	6,515,010	5,639,748	3.84%
				6,919,937	6,515,010	5,639,748	3.84%
Rithm Capital Corp. (11)	Banking, Finance, Insurance & Real Estate	Equity - 206,684 Class B Preferred Units(13)(17)		206,684	5,129,170	4,695,860	3.20%
				206,684	5,129,170	4,695,860	3.20%
Secure Acquisition Inc. (dba Paragon Films)	Packaging	Senior Secured First Lien Term Loan (SOFR + CSA + 5.00%, 0.50% Floor)(20)(25)	12/16/2028	3,430,517	3,418,570	3,396,212	2.31%
		Senior Secured First Lien Delayed Draw Term Loan (SOFR + CSA + 5.00%, 0.50% Floor)(8)(12)(20)(25)	12/16/2028	-	(970)	-	0.00%
				3,430,517	3,417,600	3,396,212	2.31%
SS Acquisition, LLC (dba Soccer Shots Franchising)	Services: Consumer	Senior Secured First Lien Term Loan (SOFR + CSA + 6.50%, 1.00% Floor)(20)(24)	12/30/2026	6,666,667	6,592,976	6,666,667	4.54%
		Senior Secured First Lien Delayed Draw Term Loan (SOFR + CSA + 6.50%, 1.00% Floor)(20)(24)	12/30/2026	3,200,000	3,160,542	3,200,000	2.18%
				9,866,667	9,753,518	9,866,667	6.72%
SMART Financial Operations, LLC	Retail	Equity - 700,000 Class A Preferred Units(21)		700,000	700,000	978,140	0.67%
				700,000	700,000	978,140	0.67%
Stancor (dba Industrial Flow Solutions Holdings, LLC)	Services: Business	Equity - 338,736.11 Class A Units(21)		338,736	308,652	200,566	0.14%
				338,736	308,652	200,566	0.14%
Staples, Inc.	Services: Consumer	First Lien Term Loan (LIBOR + 4.50%)(14)	9/12/2024	3,692,159	3,655,672	3,648,315	2.48%
				3,692,159	3,655,672	3,648,315	2.48%

16

**PHENIXFIN CORPORATION**  
**Consolidated Schedule of Investments**

As of September 30, 2023

Company <sup>(1)</sup>	Industry	Type of Investment	Maturity	Par Amount/ Shares/Units <sup>(2)</sup>	Amortized Cost <sup>(3)</sup>	Fair Value <sup>(4)</sup>	% of Net Assets <sup>(5)</sup>
Tamarix Capital Partners II, L.P.(11)	Banking, Finance, Insurance & Real Estate	Fund Investment <sup>(8)(21)</sup>					
				N/A -	1,026,818 1,026,818	792,346 792,346	0.54% 0.54%
Thryv Holdings, Inc. (11)	Media: Broadcasting & Subscription	Senior Secured First Lien Term Loan (SOFR + CSA + 8.50%, 1.00% Floor)(14)(20)(24)	3/1/2026	7,656,442 7,656,442	7,604,838 7,604,838	7,661,227 7,661,227	5.21% 5.21%
Velocity Pooling Vehicle, LLC	Automotive	Equity - 5,441 Class A Units(21) Warrants - 0.65% of Outstanding Equity(21)	3/30/2028	5,441 6,506 11,947	302,464 361,667 664,131	- - -	0.00% 0.00% 0.00%
Wingman Holdings, Inc.	Aerospace & Defense	Equity - 350 Common Shares(21)		350 350	700,000 700,000	- -	0.00% 0.00%
<b>Subtotal Non-Controlled/Non-Affiliated Investments</b>				<b>\$ 106,630,423</b>	<b>\$134,339,121</b>	<b>\$125,531,031</b>	<b>85.4%</b>

17

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

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

	12,500,000	12,373,166	17,650,000	12.01%
<b>Subtotal Affiliated Investments</b>	<b>\$ 44,783,784</b>	<b>\$48,233,910</b>	<b>\$37,289,617</b>	<b>25.38%</b>

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

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

(1) All of our investments are domiciled in the United States. Certain investments also have international operations.

(2) Par amount is presented for debt investments and the amount includes accumulated payment-in-kind ("PIK") interest, as applicable, and is net of repayments, while the number of shares or units owned is presented for equity investments. Par amount is denominated in U.S. Dollars ("\$") unless otherwise noted.

(3) Net unrealized depreciation for U.S. federal income tax purposes totaled \$(38,550,032). The tax cost basis of investments is \$265,010,723 as of September 30, 2023.

The amortized cost represents the original cost adjusted for the amortization or accretion of premium or discount, as applicable, on debt investments using the effective interest method.

(4) Unless otherwise indicated, all securities are valued using significant unobservable inputs, which are categorized as Level 3 assets under the definition of ASC 820 fair value hierarchy (see Note 4).

(5) Percentage is based on net assets of \$146,705,535 as of September 30, 2023.

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

(6) Affiliated Investments are defined by Investment Company Act of 1940 Act, as amended (the "1940 Act"), as investments in companies in which the Company owns between 5% and 25% outstanding voting securities or is under common control with such portfolio company.

(7) Control Investments are defined by the Investment Company Act of 1940, as amended (the "1940 Act"), as investments in companies in which the Company owns more than 25% of the voting securities or maintains greater than 50% of the board representation.

(8) The investment has an unfunded commitment as of September 30, 2023 (see Note 8), and fair value includes the value of any unfunded commitments. The negative cost, if applicable, is the result of the capitalized discount being greater than the principal amount outstanding on the loan. The negative fair value, if applicable, is the result of the capitalized discount on the loan commitment.

(9) The interest rate on this investment is fixed-to-floating and will shift to 3 month SOFR plus a CSA of 0.262% plus a 5.379% spread on 3/30/2024.

(10) The investment was on non-accrual status as of September 30, 2023.

(11) The investment is not a qualifying asset as defined under Section 55(a) of 1940 Act, in a whole, or in part. As of September 30, 2023, non-qualifying assets represented 20.21% of total assets.

- (12) This investment earns 0.50% commitment fee on all unused commitment as of September 30, 2023, and is recorded as a component of interest income on the Consolidated Statements of Operations.
- (13) This investment represents a Level 1 security in the ASC 820 table as of September 30, 2023 (see Note 4).
- (14) This investment represents a Level 2 security in the ASC 820 table as of September 30, 2023 (see Note 4).
- (15) The interest rate on this preferred equity is fixed-to-floating and will shift to 3 month SOFR plus a CSA of 0.262% plus a 4.743% spread on 9/30/2025.
- (16) The interest rate on this preferred equity is fixed-to-floating and will shift to 3 month SOFR plus a CSA of 0.262% plus a 5.29% spread on 9/27/2027.
- (17) The interest rate on this preferred equity is fixed-to-floating and will shift to 3 month LIBOR plus a 5.64% spread on 8/15/2024.
- (18) The interest rate on this preferred equity is fixed-to-floating and will shift to 3 month SOFR plus a CSA of 0.262% plus a 6.429% spread on 1/15/2025.
- (19) The interest rate on this preferred equity is fixed-to-floating and will shift to 3 month LIBOR plus a 5.345% spread on 3/31/2025.
- (20) Credit Spread Adjustment ("CSA")
- (21) Non-income producing security.
- (22) The interest rate on these loans is subject to 1 month LIBOR, which as of September 30, 2023 was 5.43%.
- (24) The interest rate on these loans is subject to 1 month SOFR, which as of September 30, 2023 was 5.32%.
- (25) The interest rate on these loans is subject to 3 month SOFR, which as of September 30, 2023 was 5.27%.
- (26) The interest rate on these loans is subject to 6 month SOFR, which as of September 30, 2023 was 5.17%.

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

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024**  
**(Unaudited)**

**Note 1. Organization**

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

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

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

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

**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-Q and Article 10 of Regulation S-X of the Securities Act of 1933. Therefore, this Form 10-Q should be read in conjunction with the Company's annual report on Form 10-K for the year ended September 30, 2023. The current period's results of operations will not necessarily be indicative of results that ultimately may be achieved for the fiscal year ending September 30, 2024.

**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.

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024**  
**(Unaudited)**

**Note 2. Significant Accounting Policies (continued)**

**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 March 31, 2024 and September 30, 2023, we had \$19.1 million and \$6.0 million in cash and cash equivalents, respectively, none of which is restricted.

**Debt Issuance Costs and Deferred Financing Costs**

Debt issuance costs, incurred in connection with unsecured notes (see Note 5) are deferred and amortized over the life of the respective instrument. Deferred financing costs related to the issuance of revolving debt obligations (see Note 5) are deferred and amortized over the life of the respective obligation. Debt issuance costs related to any unsecured notes are presented net against the outstanding debt balance on the Consolidated Statements of Assets and Liabilities. Deferred financing costs related to any credit facilities are presented on the Consolidated Statements of Assets and Liabilities.

**Indemnification**

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

**Revenue Recognition**

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

The Company holds debt investments in its portfolio that contain a payment-in-kind ("PIK") interest provision. PIK interest, which represents contractually deferred interest added to the investment balance that is generally due at maturity, is recorded on the accrual basis to the extent such amounts are expected to be collected. PIK interest is not accrued if the Company does not expect the issuer to be able to pay all principal and interest when due. For the three and six months ended March 31, 2024, the Company earned approximately \$0.2 million and \$0.5 million in PIK interest, respectively. For the three and six months ended March 31, 2023, the Company earned approximately \$0.3 million and \$0.5 million in PIK interest, respectively.

Amendment and transaction break-up fees associated with investments in portfolio companies are recognized as income when we become entitled to such fees. Prepayment penalties received by the Company for debt instruments paid back to the Company prior to the maturity date are recorded as income upon repayment of debt. Administrative agent fees received by the Company are capitalized as deferred revenue and recorded as fee income when the services are rendered. For the three and six months ended March 31, 2024, fee income was approximately \$0.1 million and approximately \$0.1 million, respectively (see Note 9). For the three and six months ended March 31, 2023, fee income was approximately \$0.2 million and \$0.2 million, respectively (see Note 9).

Investment transactions are accounted for on a trade date basis. Realized gains or losses on investments are measured by the difference between the net proceeds from the disposition and the amortized cost basis of investment using the specific identification method, without regard to unrealized gains or losses previously recognized. No losses relating to restructuring transactions occurred during the three and six months ended March 31, 2024 and 2023. Realized gains relating to restructuring transactions that occurred during the three and six months ended March 31, 2024 were \$6.9 million and \$6.9 million, respectively. No gains relating to restructuring transactions occurred during the three and six months ended March 31, 2023. The Company reports changes in fair value of investments as net unrealized appreciation/(depreciation) on investments in the Consolidated Statements of Operations.

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024**  
**(Unaudited)**

**Note 2. Significant Accounting Policies (continued)**

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 March 31, 2024, certain investments in three portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately \$21.1 million, or 9.6% of the fair value of our portfolio. At September 30, 2023, certain investments in four portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately \$6.5 million, or 2.9% of the fair value of our portfolio.

**Investment Classification**

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

## Valuation of Investments

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

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 accrued discount, or minus amortized premium, which approximates fair value. Investments for which market quotations are not readily available are valued at fair value as determined by our Chief Financial Officer, the Company's Valuation Designee, based upon input from management and third-party valuation firms. Because these investments are illiquid and because there may not be any directly comparable companies whose financial instruments have observable market values, these loans are valued using a fundamental valuation methodology, consistent with traditional asset pricing standards, that is objective and consistently applied across all loans and through time.

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

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

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

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024**  
**(Unaudited)**

### Note 2. Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024**  
**(Unaudited)**

**Note 2. Significant Accounting Policies (continued)**

**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. On December 21, 2022, the Financial Accounting Standards Board (FASB) issued a new Accounting Standards Update ASU 2022-06, "Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848," that extends the sunset (or expiration) date of Accounting Standards Codification (ASC) Topic 848 to December 31, 2024. This gives reporting entities two additional years to apply the accounting relief provided under ASC Topic 848 for matters related to reference rate reform.

In June 2022, the FASB issued ASU 2022-03, Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions, which applies to all equity securities measured at fair value that are subject to contractual sale restrictions. This change prohibits entities from taking into account contractual restrictions on the sale of equity securities when estimating fair value and introduces required disclosures for such transactions. The standard will become effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company will assess any impact from the adoption of this guidance if such transactions occur in the future.

**Federal Income Taxes**

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

The Company is subject to a nondeductible U.S. federal excise tax of 4% on undistributed income if it does not distribute at least 98% of its ordinary income in any calendar year and 98.2% of its capital gain net income for each one-year period ending on October 31 of such calendar year and any income realized, but not distributed, in preceding years and on which it did not pay federal income tax. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions for excise tax purposes, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. There was no provision for federal excise tax at March 31, 2024 and September 30, 2023.

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 March 31, 2024 and September 30, 2023, the Company did not record a deferred tax liability on the Consolidated Statements of Assets and Liabilities. The change in provision for deferred taxes is included as a component of net realized and unrealized gain/(loss) on investments in the Consolidated Statements of Operations. For the three and six months ended March 31, 2024 and 2023, the Company did not record a change in provision for deferred taxes on the unrealized (appreciation)/depreciation on investments.

**Notes to Consolidated Financial Statements**  
**March 31, 2024**  
**(Unaudited)**

**Note 2. Significant Accounting Policies** (continued)

As of March 31, 2024 and September 30, 2023, the Company had a deferred tax asset of \$ 23.8 million and \$23.1 million, respectively, consisting primarily of net operating losses and net unrealized losses on the investments held within its Taxable Subsidiaries. As of March 31, 2024 and September 30, 2023, the Company has booked a valuation allowance of \$23.8 million and \$23.1 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.

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 March 31, 2024. Although we file federal and state tax returns, our major tax jurisdiction is federal. The Company's federal and state tax returns for the prior three fiscal years remain open, subject to examination by the Internal Revenue Service and applicable state tax authorities.

**Segments**

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

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

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

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.

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024**  
**(Unaudited)**

**Note 3. Investments**

The composition of our investments as of March 31, 2024 as a percentage of our total portfolio, at amortized cost and fair value were as follows (dollars in thousands):

	<b>Amortized Cost</b>	<b>Percentage</b>	<b>Fair Value</b>	<b>Percentage</b>
Senior Secured First Lien Term Loans	\$ 119,674	48.0%	\$ 106,607	48.4%
Senior Secured Notes	12,495	5.0	12,372	5.6
Fund Investment	1,027	0.4	783	0.4
Equity/Warrants	116,217	46.6	100,287	45.6
<b>Total Investments</b>	<b>\$ 249,413</b>	<b>100.0%</b>	<b>\$ 220,049</b>	<b>100.0%</b>

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

	<b>Amortized Cost</b>	<b>Percentage</b>	<b>Fair Value</b>	<b>Percentage</b>
Senior Secured First Lien Term Loans	\$ 139,103	52.5%	\$ 103,004	45.6%
Senior Secured Notes	9,512	3.6	8,922	3.9
Fund Investment	1,027	0.4	792	0.3

Equity/Warrants	115,369	43.5	113,743	50.2
<b>Total Investments</b>	<b>\$ 265,011</b>	<b>100.0%</b>	<b>\$ 226,461</b>	<b>100.0%</b>

In connection with certain of the Company's investments, the Company receives warrants that are obtained for the objective of increasing the total investment returns and are not held for hedging purposes. At March 31, 2024 and September 30, 2023, the total fair value of warrants was \$133.1 thousand and \$206.5 thousand, respectively, and were included in investments at fair value on the Consolidated Statements of Assets and Liabilities. During the three and six months ended March 31, 2024, the Company did not acquire any additional warrants in an existing portfolio company. During the three and six months ended March 31, 2023, the Company acquired warrants in one existing portfolio company.

For the three and six months ended March 31, 2024, there was \$ 95.5 thousand and \$73.3 thousand, respectively, in unrealized depreciation related to warrants and was recorded on the Consolidated Statements of Operations as net unrealized appreciation/(depreciation) on investments. For the three and six months ended March 31, 2023, there was \$210.2 thousand and \$147.6 thousand, respectively, in unrealized appreciation related to warrants. The warrants are received in connection with individual investments and are not subject to master netting arrangements.

The following table shows the portfolio composition by industry grouping at fair value at March 31, 2024 (dollars in thousands):

	<b>Fair Value</b>	<b>Percentage</b>
Services: Business	\$ 45,281	20.5%
Hotel, Gaming & Leisure	26,635	12.1
Real Estate	39,293	17.9
Services: Consumer	20,854	9.5
Construction & Building	14,671	6.7
Metals & Mining	15,452	7.0
Media: Broadcasting & Subscription	11,681	5.3
High Tech Industries	10,726	4.9
Automotive	10,056	4.6
Energy: Oil & Gas	6,330	2.9
Consumer Discretionary	6,960	3.2
Banking	5,831	2.6
Packaging	3,527	1.6
Aerospace & Defense	2,652	1.2
Insurance	100	-
<b>Total</b>	<b>\$ 220,049</b>	<b>100.0%</b>

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024**  
**(Unaudited)**

**Note 3. Investments** (continued)

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

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

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

The following table shows the portfolio composition by geographic location at fair value at March 31, 2024 (dollars in thousands):

	<b>Fair Value</b>	<b>Percentage</b>
Northeast	\$ 85,267	38.7%
Southeast	61,506	28.0
Midwest	36,360	16.5
West	19,487	8.9
International	10,175	4.6
Southwest	6,878	3.1
Mid-Atlantic	376	0.2
<b>Total</b>	<b>\$ 220,049</b>	<b>100.0%</b>

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

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

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024**  
**(Unaudited)**

**Note 3. Investments** (continued)

**Transactions With Affiliated/Controlled Companies**

The Company had investments in portfolio companies designated as Affiliated Investments and Controlled Investments under the 1940 Act. Transactions with Affiliated Investments and Controlled Investments during the six months ended March 31, 2024 and 2023 were as follows:

<b>Name of Investment<sup>(1)(2)</sup></b>	<b>Type of Investment</b>	<b>Fair Value at September 30, 2023</b>	<b>Purchases/ (Sales) of or Advances/ (Distributions)</b>	<b>Transfers In/(Out) of Affiliates</b>	<b>Unrealized Gain/(Loss)</b>	<b>Realized Gain/(Loss)</b>	<b>Fair Value at March 31, 2024</b>	<b>Earned Income</b>
<b>Affiliated Investments</b>								
1888 Industrial Services, LLC	Senior Secured First Lien Term Loan C	\$ 751,479	\$ (1,096,561)	\$ (196,411)	\$ 439,778	\$ 101,715	\$ -	\$ 37,645
	Senior Secured First Lien Term Loan A	-	-	-	9,473,068	(9,473,068)	-	-
	Revolving Credit Facility	4,632,177	(5,112,074)	-	-	479,897	-	158,674
Black Angus Steakhouses, LLC	Senior Secured First Lien Delayed Draw Term Loan	875,749	-	-	-	-	875,749	-
	Senior Secured First Lien Term Loan	1,459,249	-	-	(648,417)	-	810,832	-
	Senior Secured First Lien Super Priority DDTL	1,920,960	-	-	-	-	1,920,960	-
FST Holdings Parent, LLC	Equity	10,000,003	-	-	726,323	-	10,726,326	-
Maritime Wireless Holdings LLC	Senior Secured First Lien Term Loan B	7,500,000	(7,373,166)	-	(126,834)	-	-	535,857
	Equity	10,150,000	(11,900,000)	-	(5,150,000)	6,900,000	-	-
<b>Total Affiliated Investments</b>		<b>\$ 37,289,617</b>	<b>\$ (25,481,801)</b>	<b>\$ (196,411)</b>	<b>\$ 4,713,918</b>	<b>\$ (1,991,456)</b>	<b>\$ 14,333,867</b>	<b>\$ 732,176</b>

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024**  
**(Unaudited)**

**Note 3. Investments** (continued)

<b>Name of Investment<sup>(1)(2)</sup></b>	<b>Type of Investment</b>	<b>Fair Value at September 30, 2023</b>	<b>Purchases/ (Sales) of or Advances/ (Distributions)</b>	<b>Transfers In/(Out) of Controlled</b>	<b>Unrealized Gain/(Loss)</b>	<b>Realized Gain/(Loss)</b>	<b>Fair Value at March 31, 2024</b>	<b>Earned Income</b>
<b>Controlled Investments</b>								
FlexFIN, LLC	Equity Interest	\$ 38,870,711	\$ (4,141,486)	\$ -	\$ -	-	\$ 34,729,225	\$ 2,233,395
Kemmerer Operations, LLC	Senior Secured First Lien Term Loan	3,383,877	(97,841)	-	-	-	3,286,036	268,831
	Equity	9,133,052	2,300,000	-	733,122	-	12,166,174	-
NSG Captive, Inc.	Equity	-	100,000	-	-	-	100,000	-

NVTN LLC	Senior Secured First Lien Delayed Draw Term Loan	7,214,856	(1,705,081)	-	(9,775)	-	5,500,000	580,266
	Senior Secured First Lien Term Loan B	5,037,547	-	-	12,488,543	-	17,526,090	-
	Equity	-	11,900,000	-	(11,900,000)	-	-	-
<b>Total Controlled Investments</b>		<b>\$ 63,640,043</b>	<b>\$ 8,355,592</b>	<b>\$ -</b>	<b>\$ 1,311,890</b>	<b>\$ -</b>	<b>\$73,307,525</b>	<b>\$3,082,492</b>

30

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024**  
**(Unaudited)**

**Note 3. Investments (continued)**

Name of Investment <sup>(1)(2)</sup>	Type of Investment	Fair Value at September 30, 2022	Purchases/(Sales) of or Advances/(Distributions)	Transfers In/(Out) of Affiliates	Unrealized Gain/(Loss)	Realized Gain/(Loss)	Fair Value at March 31, 2023	Earned Income
<b>Affiliated Investments</b>								
1888 Industrial Services, LLC	Senior Secured First Lien Term Loan C Revolving Credit Facility	\$ 4,151,562	\$ 215,622	-	\$ 566,689	\$ -	\$ 566,689	\$ (96,875)
Black Angus Steakhouses, LLC	Senior Secured First Lien Delayed Draw Term Loan	758,929	-	-	264,993	-	4,632,177	406,160
	Senior Secured First Lien Term Loan	1,547,918	-	-	117,776	-	1,665,694	-
	Senior Secured First Lien Super Priority Delayed Draw Term Loan	1,500,000	-	-	-	-	1,500,000	99,696
Kemmerer Operations, LLC	Senior Secured First Lien Term Loan	2,378,510	-	(2,378,510)	-	-	-	-
	Equity	694,702	-	(962,717)	268,015	-	-	-
US Multifamily, LLC	Equity	1,282,571	(131,465)	-	(227,873)	-	923,233	-
<b>Total Affiliated Investments</b>		<b>\$ 12,314,192</b>	<b>\$ 84,157</b>	<b>\$ (3,341,227)</b>	<b>\$ 989,600</b>	<b>\$ -</b>	<b>\$10,046,722</b>	<b>\$ 459,481</b>
<b>Controlled Investments</b>								
FlexFIN, LLC	Equity Interest	\$ 47,136,146	\$ (9,085,316)	\$ -	\$ -	-	\$38,050,830	\$1,927,203
Kemmerer Operations, LLC	Senior Secured First Lien Term Loan	-	3,630,773	2,378,510	182	23,273	6,032,738	245,738
	Equity	-	873,440	962,717	4,237,819	-	6,073,976	-
NVTN LLC	Senior Secured First Lien Delayed Draw Term Loan	7,192,927	-	-	14,620	-	7,207,547	251,814
	Senior Secured First Lien Term Loan B	3,697,109	-	-	469,476	-	4,166,585	-
<b>Total Controlled Investments</b>		<b>\$ 58,026,182</b>	<b>\$ (4,581,103)</b>	<b>\$3,341,227</b>	<b>\$ 4,722,097</b>	<b>\$ 23,273</b>	<b>\$61,531,676</b>	<b>\$2,424,755</b>

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

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

31

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024**  
**(Unaudited)**

**Note 3. Investments (continued)**

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 six months ended March 31, 2024 and 2023. Transfers in/(out) of Affiliated Investments and Controlled Investments represent the fair value for the month an investment became or was removed as an Affiliated Investment or a Controlled Investment. Income received from Affiliated Investments and Controlled Investments is included in total investment income on the Consolidated Statements of Operations for the six months ended March 31, 2024 and 2023.

#### Unconsolidated Significant Subsidiaries

In accordance with the SEC's Regulation S-X and GAAP, the Company evaluated and determined that it had one subsidiary, FlexFIN, LLC, for which the Company owned 50%, that is deemed to be a "significant subsidiary" as of March 31, 2024 for which summarized financial information is presented below (dollars in thousands):

	March 31, 2024 (Unaudited)	September 30, 2023 (Audited)
<b>Balance Sheet</b>		
Total Assets	\$ 35,929	\$ 38,871
Total Liabilities	1,852	279
	For the Six Months Ended March 31, 2024 (Unaudited)	For the Year Ended September 30, 2023 (Audited)
<b>Income Statement</b>		
Total Income	\$ 2,173	\$ 4,385
Total Expenses	448	815
Net Income	\$ 1,725	\$ 3,570

#### Note 4. Fair Value Measurements

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

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

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

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024**  
**(Unaudited)**

#### Note 4. Fair Value Measurements (continued)

The following table presents the fair value measurements of our investments, by major class according to the fair value hierarchy, as of March 31, 2024 (dollars in thousands):

Investments:	Fair Value Hierarchy as of March 31, 2024			
	Level 1	Level 2	Level 3	Total
Senior Secured First Lien Term Loans	\$ -	\$ 26,626	\$ 79,981	\$ 106,607
Senior Secured Notes	-	12,372	-	12,372
Equity/Warrants	23,612	6,119	70,556	100,287
<b>Total</b>	<b>\$ 23,612</b>	<b>\$ 45,117</b>	<b>\$ 150,537</b>	<b>\$ 219,266</b>
Investments measured at net asset value <sup>(1)</sup>				783
Total Investments, at fair value				\$ 220,049

(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, 2023 (dollars in thousands):

**Fair Value Hierarchy as of  
September 30, 2023**

<b>Investments:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Senior Secured First Lien Term Loans	\$ -	\$ 20,505	\$ 82,499	\$ 103,004
Senior Secured Notes	-	8,922	-	8,922
Equity/Warrants	24,709	6,217	82,817	113,743
<b>Total</b>	<b>\$ 24,709</b>	<b>\$ 35,644</b>	<b>\$ 165,316</b>	<b>\$ 225,669</b>
Investments measured at net asset value(1)				792
Total Investments, at fair value				\$ 226,461

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

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024**  
**(Unaudited)**

**Note 4. Fair Value Measurements** (continued)

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the six months ended March 31, 2024 (dollars in thousands):

	<b>Senior Secured First Lien Term Loans</b>	<b>Equities/ Warrants</b>	<b>Total</b>
Balance as of September 30, 2023	\$ 82,499	\$ 82,817	\$ 165,316
Purchases and other adjustments to cost	14,352	20,098	34,450
Sales (including repayments or maturities)	(30,946)	(22,806)	(53,752)
Net realized gains/(losses) from investments	(8,676)	7,204	(1,472)
Net unrealized gains/(losses)	22,752	(16,757)	5,995
Transfer in/(out)	-	-	-
Balance as of March 31, 2024	<b>\$ 79,981</b>	<b>\$ 70,556</b>	<b>\$ 150,537</b>

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the six months ended March 31, 2023 (dollars in thousands):

	<b>Senior Secured First Lien Term Loans</b>	<b>Senior Secured Second Lien Term Loans</b>	<b>Equities/ Warrants</b>	<b>Fund Investment</b>	<b>Total</b>
Balance as of September 30, 2022	\$ 74,252	\$ 2,607	\$ 69,816	\$ -	\$ 146,675
Purchases and other adjustments to cost	15,443	-	8,723	1,027	25,193
Sales (including repayments or maturities)	(3,657)	(2,607)	(18,041)	-	(24,305)
Net realized gains/(losses) from investments	85	5	(927)	-	(837)
Net unrealized gains/(losses)	(2,964)	(5)	7,509	-	4,540
Transfer in/(out)	-	-	-	-	-
Balance as of March 31, 2023	<b>\$ 83,159</b>	<b>\$ -</b>	<b>\$ 67,080</b>	<b>\$ 1,027</b>	<b>\$ 151,266</b>

Net change in unrealized gain (loss) for the six months ended March 31, 2024 and 2023 included in earnings related to Level 3 investments still held as of March 31, 2024 and 2023 was approximately \$3.4 million and \$2.4 million, respectively.

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024**  
**(Unaudited)**

**Note 4. Fair Value Measurements** (continued)

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

Sales represent net proceeds received from investments sold, including any repayments or maturities.

A review of the fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the quarter in which the reclassifications occur. During the six months ended March 31, 2024, no investments were transferred in or out of Level 3. During the six months ended March 31, 2023, no investments were transferred in or out of Level 3.

The following table presents the quantitative information about Level 3 fair value measurements of our investments, as of March 31, 2024 (dollars in thousands):

	<b>Fair Value</b>	<b>Valuation Methodology</b>	<b>Unobservable Input</b>	<b>Range (Weighted Average)</b>	<b>Impact to Valuation From An Increase In Input</b>
Senior Secured First Lien Term Loans	\$ 75,177	Income Approach	Market Yield	9.0% - 37.5% (15.4%)	Decrease
Senior Secured First Lien Term Loans	3,958	Market Approach	EBITDA Multiple	1.6x - 5.0x (4.0x)	Increase
Senior Secured First Lien Term Loans	846	Market Approach	LTM EBITDA Multiple	6.3x - 7.3x (6.8x)	Increase
Equity/Warrants	34,729	Cost Approach	Collateral Value	N/A	N/A
Equity/Warrants	10,759	Market Approach	LTM Multiple	6.3x - 7.3x (6.8x)	Increase
Equity/Warrants	24,835	Market Approach	EBITDA Multiple	1.0x - 36.8x (5.8x)	Increase
Equity/Warrants	133	Income Approach	DLOM (Discount for lack of Marketability)	29.5% - 29.5% (29.5%)	Decrease
Equity/Warrants	100	Recent Purchase	Recent Purchase	N/A	N/A
<b>Total</b>	<b>\$ 150,537</b>				

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

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

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

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024**  
**(Unaudited)**

**Note 4. Fair Value Measurements (continued)**

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 March 31, 2024 and September 30, 2023, the Company deemed the contingent consideration to be uncollectible and has been recorded at \$0.

**Note 5. Borrowings**

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

However, in March 2018, the Small Business Credit Availability Act modified the 1940 Act by allowing a BDC to increase the maximum amount of leverage it may incur from 200% to 150%, if certain requirements under the 1940 Act are met. Under the 1940 Act, we are allowed to increase our leverage capacity if stockholders representing at least a majority of the votes cast, when a quorum is present, approve a proposal to do so. If we receive stockholder approval, we would be allowed to increase our leverage capacity on the first day after such approval. Alternatively, the 1940 Act allows the majority of our independent directors to approve an increase in our leverage capacity, and such approval would become effective after the one-year anniversary of such approval. In either case, we would be required to make certain disclosures on our website and in SEC filings regarding, among other things, the receipt of approval to increase our leverage, our leverage capacity and usage, and risks related to leverage. No approval was requested or obtained and the Company is still subject to the 200% requirement.

As of March 31, 2024 and September 30, 2023, the Company's asset coverage was 279.5% and 270.7%, respectively, after giving effect to leverage and therefore the Company's asset coverage was greater than 200%, the minimum asset coverage requirement applicable presently to the Company under the 1940 Act.

The Company's outstanding debt excluding debt issuance costs as of March 31, 2024 and September 30, 2023 were as follows (dollars in thousands):

	March 31, 2024				September 30, 2023			
	Aggregate Principal Available(1)	Principal Amount Outstanding	Carrying Value	Fair Value	Aggregate Principal Available(1)	Principal Amount Outstanding	Carrying Value	Fair Value
2028 Notes	\$ 57,500	\$ 57,500	\$ 55,977	\$ 51,957	\$ 57,500	\$ 57,500	\$ 55,811	\$ 49,105
Revolving Credit Facility	34,058	28,442	28,442	28,442	21,558	28,442	28,442	28,442
<b>Total debt</b>	<b>\$ 91,558</b>	<b>\$ 85,942</b>	<b>\$ 84,419</b>	<b>\$ 80,399</b>	<b>\$ 79,058</b>	<b>\$ 85,942</b>	<b>\$ 84,253</b>	<b>\$ 77,547</b>

(1) For the 2028 Notes, this represents the total principal amount and for the Revolving Credit Facility, this represents the undrawn principal amount.

#### Credit Facility

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

Under the Credit Facility, the Company is required to comply with various covenants, reporting requirements and other customary requirements for similar revolving credit facilities, including, without limitation, covenants related to: (a) limitations on the incurrence of additional indebtedness and liens, (b) limitations on certain investments, (c) limitations on certain restricted payments, (d) maintaining a certain minimum stockholders' equity, (e) maintaining a ratio of total assets to total indebtedness of the Company and its consolidated subsidiaries (subject to certain exceptions) of not less than 2.0:1.0, (f) limitations on pledging certain unencumbered assets, and (g) limitations on the creation or existence of agreements that prohibit liens on certain properties of the Company and certain of its subsidiaries. These covenants are subject to important limitations and exceptions that are described in the documents governing the Credit Facility. Amounts available to borrow under the Credit Facility (and the incurrence of certain other permitted debt) are also subject to compliance with a borrowing base that applies different advance rates to different types of assets (based on their value as determined pursuant to the Credit Facility) that are pledged as collateral. As of March 31, 2024, the Company was in compliance in all respects with the terms of the Credit Facility.

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024**  
**(Unaudited)**

#### Note 5. Borrowings (continued)

As of March 31, 2024 and September 30, 2023, there was \$ 28.4 million and \$28.4 million outstanding, respectively, under the Credit Facility.

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

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

On February 21, 2024 (the "Effective Date"), in order to increase the size of the Credit Facility, the parties to the Credit Facility amended the terms of the Credit Facility, effective as of the Effective Date (the "Amendment"). The Amendment increased the principal amount of loan available under the Credit Facility by \$12.5 million to \$62.5 million. All other material terms of the Credit Facility remain unchanged.

#### Unsecured Notes

##### 2023 Notes

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

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

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

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

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

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024**  
**(Unaudited)**

**Note 5. Borrowings** (continued)

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

**2028 Notes**

On November 9, 2021, the Company entered into an underwriting agreement, by and between the Company and Oppenheimer & Co. Inc., as representative of the several underwriters, in connection with the issuance and sale (the "Offering") of \$57,500,000 (including the underwriters' option to purchase up to \$7,500,000 aggregate principal amount) in aggregate principal amount of its 5.25% Notes that mature on November 1, 2028 (the "2028 Notes" or the "Notes"). The Offering occurred on November 15, 2021, pursuant to the Company's effective shelf registration statement on Form N-2 previously filed with the SEC. Effective November 16, 2021, the 2028 Notes began trading on the NASDAQ Global Market under the trading symbol "PFXNZ."

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

*Fair Value of Debt Obligations*

The fair values of our debt obligations are determined in accordance with ASC 820, which defines fair value in terms of the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value of the 2028 Notes, which are publicly traded, is based upon closing market quotes as of the measurement date. As of March 31, 2024 and September 30, 2023, the Notes are deemed to be Level 1 in the fair value hierarchy, as defined in Note 4. As of March 31, 2024 and September 30, 2023, the Credit Facility is deemed to be Level 3 in the fair value hierarchy, as defined in Note 4.

Debt issuance costs related to the 2028 Notes are reported on the Consolidated Statements of Assets and Liabilities as a direct deduction from the face amount of and the 2028 Notes. As of March 31, 2024 and September 30, 2023, debt issuance costs related to the 2023 Notes and the 2028 Notes were as follows (dollars in thousands):

	For the six months ended March 31, 2024			For the year ended September 30, 2023		
	2023 Notes	2028 Notes	Total	2023 Notes	2028 Notes	Total
	\$	\$	\$	\$	\$	\$
Total debt issuance costs at beginning of period	\$ -	\$ 1,689	\$ 1,689	\$ 39	\$ 2,020	\$ 2,059
Amortized debt issuance costs	- 166	166	166	39	331	370
Unamortized debt issuance costs	\$ -	\$ 1,523	\$ 1,523	\$ -	\$ 1,689	\$ 1,689

For the three and six months ended March 31, 2024 and 2023, the components of interest expense, amortized debt issuance costs, amortized deferred financing costs, weighted average stated interest rate and weighted average outstanding debt balance for the 2023 Notes, the 2028 Notes and the Credit Facility were as follows (dollars in thousands):

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2024	2023	2024	2023
	\$	\$	\$	\$
2023 Notes Interest	\$ -	\$ 65	\$ -	\$ 820
2028 Notes Interest	754	779	1,508	1,124
Credit facility interest	593	353	1,191	353
Commitment fees	17	-	31	-
Amortization of Credit Facility deferred financing costs	121	84	213	114
Amortization of debt issuance costs	82	101	166	204
<b>Total</b>	<b>\$ 1,567</b>	<b>\$ 1,382</b>	<b>\$ 3,109</b>	<b>\$ 2,615</b>
Weighted average stated interest rate	6.3%	6.0%	6.3%	5.7%
Weighted average debt outstanding	\$ 85,942	\$ 80,606	\$ 85,942	\$ 80,311

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024**  
**(Unaudited)**

**Note 6. Agreements**

**Administration Agreement**

In connection with the adoption by the board of directors of an internalized management structure, on November 19, 2020, the Company entered into a Fund Accounting Servicing Agreement and an Administration Servicing Agreement on customary terms with U.S. Bancorp. A U.S. Bancorp affiliate also served as the Company's custodian. The Company's administrative and custodial relationship with U.S. Bancorp terminated on August 9, 2022. SS&C has since served as administrator of the Company and has provided the Company with fund accounting and financial reporting services pursuant to the services agreement with the Company. Effective September 12, 2022, Computershare serves as custodian for the Company pursuant to its Loan Administration and Custodial Agreement with the Company. For the three and six months ended March 31, 2024, we incurred approximately \$0.1 million and \$0.1 million in administrator expenses, respectively. For the three and six months ended March 31, 2023, we incurred approximately \$0.1 million and

\$0.2 million in administrator expenses, respectively.

As of March 31, 2024 and September 30, 2023, \$ 0.1 million and \$0 million was included in "administrator expenses payable" in the accompanying Consolidated Statements of Assets and Liabilities.

#### **Long-Term Cash Incentive Plan**

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

In connection with the approval of the CIP, the Compensation Committee in April 2022, approved awards for the three-year performance period commencing on October 1, 2021 and ending on September 30, 2024 (the "2022 LTIP Plan"). Each participant is eligible to receive an amount of cash equal to 0%-200% of the target award set forth in the table below ("Target Performance Award"), based on the achievement of net asset value ("NAV") and NAV per share goals (weighted at 30% and 70%, respectively) as of the end of the performance period (the "Performance Goals"). Performance is evaluated separately for each Performance Goal. No payment is made with respect to a Performance Goal if a threshold level of performance is not achieved. Each Performance Goal is subject to (i) a threshold level of performance at which a percentage of the Target Performance Award attributable to that Performance Goal may be paid and below which no payment is made pursuant to an award, (ii) a target level of performance at which 100% of the Target Performance Award attributable to that Performance Goal may be paid and (iii) a maximum level of performance, at which 200% of the Target Performance Award attributable to that Performance Goal may be paid, in each case subject to such other terms and conditions of an award. Between threshold, target and maximum performance levels for each Performance Goal, the portion of that award attributed to the Performance Goal shall be interpolated in a linear progression.

In December 2022, pursuant to the CIP, the Compensation Committee approved awards for Mr. Lorber and Ms. McMillan for the three-year performance period commencing on October 1, 2022 and ending on September 30, 2025 (the "2023 LTIP Plan"). Each participant is eligible to receive an amount of cash equal to a percentage of the target award amount set forth above based on the factors described above. The Compensation Committee, in approving the awards, evaluated each Performance Goal separately.

In December 2023, pursuant to the CIP, the Compensation Committee approved awards for Mr. Lorber and Ms. McMillan for the three-year performance period commencing on October 1, 2023 and ending on September 30, 2026 (the "2024 LTIP Plan"). Each participant is eligible to receive an amount of cash equal to a percentage of their target award amount set forth above based on the factors described above. The Compensation Committee, in approving the awards, evaluated each Performance Goal separately.

The Target Performance Award for each executive officer for the 2022 LTIP Plan, 2023 LTIP Plan, and the 2024 LTIP Plan is set forth in the table below:

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

During the three and six months ended March 31, 2024, the Company recorded an expense of \$ 504,890 and \$809,690, respectively, for these awards. During the three and six months ended March 31, 2023, the Company did not record an expense for these awards.

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024**  
**(Unaudited)**

#### **Note 7. Related Party Transactions**

The Company entered into a related party transaction with NVTN LLC whereby the equity of Wireless Maritime Services was transferred to NVTN LLC.

#### **Due from Affiliates**

Due from affiliates at March 31, 2024 and September 30, 2023 consists of certain legal and general and administrative expenses paid by the Company on behalf of certain of its affiliates.

#### **Note 8. Commitments**

##### **Unfunded commitments**

As of March 31, 2024 and September 30, 2023, we had commitments under loan and financing agreements to fund up to \$ 3.1 million to three portfolio companies and \$3.4 million to four portfolio companies, respectively. These commitments are primarily composed of senior secured delayed draw term loans and revolvers, and the determination of their fair value is included in the Consolidated Schedules of Investments. The commitments are generally subject to the borrowers meeting certain criteria such as compliance with covenants and certain operational metrics. The terms of the borrowings and financings subject to commitment are comparable to the terms of other loan and equity securities in our portfolio. A summary of the composition of the unfunded commitments as of March 31, 2024 and September 30, 2023 is shown in the table below (dollars in thousands):

	<b>March 31, 2024</b>	<b>September 30, 2023</b>
Secure Acquisition Inc. (dba Paragon Films) - Senior Secured First Lien Delayed Draw Term Loan	\$ -	\$ 517
NVTN LLC - Senior Secured First Lien Delayed Draw Term Loan	-	220
SMC Roofing - First Out Delayed Draw Term Loan	89	-
SMC Roofing - Last Out Delayed Draw Term Loan	386	-
Deer Management Systems LLC - Senior Secured First Lien Delayed Draw Term Loan	600	600
Tamarix Capital Partners II, L.P. - Fund Investment	2,038	2,038
<b>Total unfunded commitments</b>	<b>\$ 3,113</b>	<b>\$ 3,375</b>

## Contingencies

In December 2023, the Company established a subsidiary to serve as a regulated insurance company. The Company purchased 100,000 shares of the subsidiary's common stock for a purchase price of \$1.00 per share on February 8, 2024. This subsidiary also entered into a merger agreement pursuant to which it agreed to acquire a controlling interest in VR Insurance SPV, LLC, a company primarily engaged in the insurance business through its subsidiaries ("VR"), and to provide additional capital to such company. The Company's total investment in the insurance subsidiary and VR is expected to approximate \$49 million. The merger transaction is presently expected to close in the first half of 2024, subject to various closing conditions, including insurance regulatory approvals.

## Lease obligations

The Company evaluates its leases to determine whether they should be classified as operating or financing leases. PhenixFIN identified one operating lease for its office space. The lease commenced September 1, 2021 and expires November 30, 2026.

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

As of March 31, 2024 and September 30, 2023, the asset related to the operating lease was \$ 385,050 and \$449,815, respectively, and is included in the Other assets balance on the Consolidated Balance Sheet. As of March 31, 2024 and September 30, 2023, the lease liability was \$360,477 and \$432,698, respectively, and is included in the Other liabilities balance on the Consolidated Statements of Assets and Liabilities. As of March 31, 2024 and September 30, 2023, the remaining lease term was approximately three years for each of the respective periods and the implied borrowing rate was 5.25% for each of the respective periods.

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024**  
**(Unaudited)**

## Note 8. Commitments (continued)

The following table shows future minimum payments under PhenixFIN's operating lease as of March 31, 2024:

For the Years Ended September 30,	Amount
2024	\$ 78,239
2025	156,971
2026	161,680
2027	27,417
Thereafter	-
	<hr/>
Difference between undiscounted and discounted cash flows	424,307
	<hr/>
	(63,830)
	<hr/>
	\$ 360,477

## Note 9. Fee Income

Fee income consists of amendment fees, prepayment penalty and other miscellaneous fees which are non-recurring in nature, as well as administrative agent fees, which are recurring in nature. The following table summarizes the Company's fee income for the three and six months ended March 31, 2024 and 2023 (dollars in thousands):

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2024	2023	2024	2023
Prepayment fee	\$ -	\$ -	\$ -	\$ -
Administrative agent fee	75	75	75	75
Amendment fee	-	-	-	-
Other fees	2	96	4	170
Fee income	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 77	\$ 171	\$ 79	\$ 245

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024**  
**(Unaudited)**

## Note 10. Directors Fees

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

From January 1, 2023 through April 30, 2023, the independent directors were subject to the foregoing fee structure. Effective May 1, 2023, the structure was modified such that each of the Company's independent directors receives an annual fee of \$150,000. In addition, the lead independent director receives an annual retainer of \$30,000; the chair of the Audit Committee receives an annual retainer of \$ 25,000, and each of its other members receives

an annual retainer of \$12,500; and the chairs of the Nominating and Corporate Governance Committee and of the Compensation Committee each receives an annual retainer of \$15,000 and each of the other members of these committees receives annual retainers of \$ 8,000. The Company's independent directors no longer receive fees for each board and committee meeting that they attend.

No board service compensation is paid to directors who are "interested persons" of the Company (as such term is defined in the 1940 Act). For the three and six months ended March 31, 2024, the Company recognized \$0.2 million and \$0.4 million for directors' fees expense, respectively. For the three and six months ended March 31, 2023, the Company recognized \$0.2 million and \$0.4 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 March 31, 2024.

The following information sets forth the computation of the weighted average basic and diluted net increase/(decrease) in net assets per share from operations for the three and six months ended March 31, 2024 and 2023 (dollars in thousands, except share and per share amounts):

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2024	2023	2024	2023
<b>Basic and diluted:</b>				
Net increase (decrease) in net assets resulting from operations	\$ 5,372	\$ 6,708	\$ 9,906	\$ 10,660
Weighted average shares of common stock outstanding - basic and diluted	2,048,622	2,095,193	2,060,723	2,098,041
Earnings (loss) per share of common stock - basic and diluted	\$ 2.62	\$ 3.20	\$ 4.81	\$ 5.08

42

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024**  
**(Unaudited)**

#### Note 12. Financial Highlights

The following is a schedule of financial highlights for the six months ended March 31, 2024 and 2023:

	For the Six Months Ended March 31,	
	2024	2023
<b>Per share data</b>		
Net Asset Value per share at Beginning of Period	\$ 70.75	\$ 57.49
<b>Results of Operations:</b>		
Net Investment Income/(Loss)	1.11	1.63
Net Realized Gain/(Loss) on Investments	(0.76)	(0.38)
Net Unrealized Gain/(Loss) on Investments	4.46	3.83
Net loss on extinguishment of debt	-	-
Net Increase (Decrease) in Net Assets Resulting from Operations	4.81	5.08
<b>Capital Share Transactions</b>		
Repurchase of common stock under stock repurchase program <sup>(8)</sup>	0.79	0.13
Net Increase (Decrease) Resulting from Capital Share Transactions	0.79	0.13
Net Asset Value per share at End of Period	\$ 76.35	\$ 62.70
<b>Net Assets at End of Period</b>		
Shares Outstanding at End of Period	2,020,490	2,091,638
<b>Per share market value at end of period</b>		
Total return based on market value <sup>(1)</sup>	16.36%	6.08%
Total return based on net asset value <sup>(2)</sup>	5.16%	9.06%
Portfolio turnover rate	13.83%	13.70%
<b>Ratios:</b>		
Ratio of net investment/(loss) income to average net assets after waivers, discounts and reimbursements <sup>(3)</sup>	3.08%	5.47%
Ratio of total expenses to average net assets <sup>(3)</sup>	10.95%	9.90%
<b>Supplemental Data:</b>		
Percentage of non-recurring fee income <sup>(4)</sup>	0.76%	2.54%
Average debt outstanding <sup>(5)</sup>	\$ 85,941,941	\$ 80,310,648
Average debt outstanding per weighted average common share	\$ 41.70	\$ 38.33
Asset coverage ratio per unit <sup>(6)</sup>	\$ 2,795	\$ 2,663
Senior Securities Outstanding <sup>(7)</sup>	\$ -	\$ -
2023 Notes	\$ 57,500,000	\$ 57,500,000
2028 Notes	\$ 28,441,941	\$ 28,241,941

(1) Total return is historical and assumes changes in share price, reinvestments of all dividends and distributions at prices obtained under the Company's dividend reinvestment plan, and no sales charge for the period. Calculation is not annualized.

(2) Total return is historical and assumes changes in NAV, reinvestments of all dividends at prices obtained under the Company's dividend reinvestment plan, and no sales charges for the period. Calculation is not annualized.

(3) Ratios are annualized during interim periods.

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

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

(6) Asset coverage per unit is the ratio of the carrying value of our total consolidated assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness. Asset coverage per unit is expressed in terms of dollar amounts per \$1,000 of indebtedness. As of March 31, 2024, the Company's asset coverage was 279.5% after giving effect to leverage and therefore the Company's asset coverage was above 200%, the minimum asset coverage requirement under the 1940 Act.

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

(8) The amount shown at this caption is the balancing amount derived from the other figures in the schedule. The amount shown at this caption for a share outstanding throughout the period may not agree with the repurchase of common stock because of the timing of repurchase of the Company's shares.

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024**  
**(Unaudited)**

**Note 13. Dividends**

Any dividends and distributions to common stockholders are recorded on the ex-dividend date. Any amounts to be paid out as a dividend are determined by our board of directors.

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

The Company did not declare any regular distribution payments during the three and six months ended March 31, 2024 and 2023.

**Note 14. Share Transactions**

On February 8, 2023, the Board of Directors approved the expansion of the amount authorized for repurchase under the Company's share repurchase program from \$25 million to \$35 million. Since announcing this share repurchase program on January 11, 2021, the Company has repurchased an aggregate of 703,219 shares of common stock through March 31, 2024 with a total cost of approximately \$ 28.1 million, or 25.8% of shares outstanding as of the program's inception. The total remaining amount authorized under the expanded share repurchase program is approximately \$6.9 million.

The following table sets forth the number of shares of common stock repurchased by the Company at an average price of \$ 39.93 per share under its share repurchase program from February 10, 2021 through March 31, 2024:

Month Ended	Shares Repurchased	Repurchase Price Per Share	Aggregate Consideration for Repurchased Shares
February 2021	13,082	\$30.25 - \$30.96	397,384
March 2021	12,241	\$30.25 - \$34.42	393,938
April 2021	14,390	\$33.11 - \$34.89	491,469
May 2021	25,075	\$34.56 - \$39.93	976,440
August 2021	141,700	\$41.03 - \$42.28	5,944,213
January 2022	7,312	\$39.07 - \$40.88	293,756
February 2022	170,589	\$39.53 - \$41.00	6,908,864
March 2022	132,054	\$39.24 - \$40.57	5,306,885
April 2022	2,942	\$39.07 - \$41.00	117,758
May 2022	3,391	\$37.70 - \$39.78	131,338
June 2022	3,515	\$37.28 - \$39.19	135,063
July 2022	700	\$36.40 - \$37.23	25,864
August 2022	3,081	\$28.24 - \$37.70	112,456
September 2022	91,508	\$36.80 - \$37.50	3,443,845
October 2022	701	\$35.20 - \$36.14	14,434
November 2022	1,103	\$34.53 - \$35.28	38,790
December 2022	1,501	\$33.26 - \$34.84	51,295
January 2023	2,052	\$32.78 - \$34.84	68,665
February 2023	3,131	\$33.06 - \$39.03	115,430
March 2023	2,003	\$37.02 - \$38.89	76,214
April 2023	649	\$35.79 - \$37.03	23,671
May 2023	100	\$36.53 - \$36.53	3,658
June 2023	2,300	\$33.63 - \$38.76	85,556
August 2023	14,751	\$36.98 - \$39.41	575,728
September 2023	125	\$38.11 - \$38.11	4,772
November 2023	475	\$37.03 - \$37.78	17,825
December 2023	12,748	\$37.53 - \$41.03	520,749
March 2024	40,000	\$45.00 - \$45.00	1,801,205
<b>Total</b>	<b>703,219</b>		<b>\$ 28,077,265</b>

During the six months ended March 31, 2024, 53,348 shares were transferred into treasury, including 125 shares that were repurchased during the year ended September 30, 2023 and transferred into treasury during the six months ended March 31, 2024. As of March 31, 2024, there were 0 shares that were not yet transferred into treasury.

**PHENIXFIN CORPORATION**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024**  
**(Unaudited)**

**Note 15. Subsequent Events**

Management has evaluated subsequent events through the date of issuance of the consolidated financial statements included herein. On April 9, 2024, the Company acquired 84,000,000 shares of common stock in ECC Capital Corporation ("ECC"), representing 44% of the outstanding shares of ECC, for \$0.05 per share. As part of this transaction, ECC acquired from the Company 100% of the membership units of Kemmerer Holdings, LLC ("Kemmerer") and the Company provided Senior Secured Promissory Note ("Note") to ECC as consideration for ECC's acquisition of Kemmerer, with the Note maturing on December 31, 2031. Interest on this note is accrued at a variable rate per annum equal to the sum of applicable three-month term SOFR rate plus 500 basis points. Further, in connection with this transaction, the Company, ECC and its Chairman and CEO Steve Holder entered into an investor rights agreement, pursuant to which ECC's board of directors will include one director designated by the Company, one director designated by Mr. Holder, and one director designated by mutual agreement of the Company and Mr. Holder. Mr. Lorber will join ECC's board of directors.

On May 2, 2024, the Company issued a 5.25% note due November 1, 2028 in the principal amount of \$ 1,661,498 to National Security Insurance Company. The financial terms of the note are substantially the same as the 2028 Notes.

On May 9, 2024, the Board of Directors declared a special dividend of \$ 1.31 per share. This dividend is payable on June 10, 2024 to stockholders of record as of May 27, 2024.

Other than the items disclosed herein, there have been no subsequent events that occurred during such period that would require disclosure in this Form 10-Q or would be required to be recognized in the Consolidated Financial Statements as of and for the three and six months ended March 31, 2024.

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

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

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

**Forward-Looking Statements**

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

- the introduction, withdrawal, success and timing of business initiatives and strategies;
- changes in political, economic or industry conditions, the interest rate environment or conditions affecting the financial and capital markets, which could result in changes in the value of our assets;
- the impact of increased competition;
- the impact of future acquisitions and divestitures;
- our business prospects and the prospects of our portfolio companies;
- the impact of legislative and regulatory actions and reforms and regulatory, supervisory or enforcement actions of government agencies relating to us;
- our contractual arrangements and relationships with third parties;
- any future financings by us;
- fluctuations in foreign currency exchange rates;
- the impact of changes to tax legislation and, generally, our tax position;
- our ability to locate suitable investments for us and to monitor and administer our investments;
- our ability to attract and retain highly talented professionals;
- market conditions and our ability to access alternative debt markets and additional debt and equity capital;
- the unfavorable resolution of legal proceedings;
- uncertainties associated with the effect of pandemics and other future market disruptions on our business prospects and the operational and financial performance of our portfolio companies, including our and their ability to achieve their respective objectives; and the effect of disruptions on our ability to continue to effectively manage our business; and

- risks and uncertainties relating to the possibility that the Company may explore strategic alternatives, including, but are not limited to: the timing, benefits and outcome of any exploration of strategic alternatives by the Company; potential disruptions in the Company's business and stock price as a result of our exploration of any strategic alternatives; the ability to realize anticipated efficiencies, or strategic or financial benefits; potential transaction costs and risks; and the risk that any exploration of strategic alternatives may have an adverse effect on our existing business arrangements or relationships, including our ability to retain or hire key personnel. There is no assurance that any exploration of strategic alternatives will result in a transaction or other strategic change or outcome.

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

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

#### **Global Events and Market Volatility**

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

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

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

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

We have evaluated subsequent events from March 31, 2024 through the filing date of this quarterly report on Form 10-Q. However, as the discussion in this Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations relates to the Company's financial statements for the quarterly period ended March 31, 2024, the analysis contained herein may not fully account for market event impacts. As of March 31, 2024, the Company valued its portfolio investments in conformity with U.S. generally accepted accounting principles ("GAAP") based on the facts and circumstances known by the Company at that time, or reasonably expected to be known at that time. Due to the overall volatility that market events may have caused during the months following our most recent valuation (as of March 31, 2024), any valuations conducted now or in the future in conformity with U.S. GAAP could result in a lower fair value of our portfolio.

#### **Interest Rate Environment**

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

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

A change in the general level of interest rates can be expected to lead to a change in the interest rates we receive on many of our debt investments.

#### **Overview**

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

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

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

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

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 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, 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, if any, incurred to finance our investments;
- the costs of all offerings of common shares 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;
- custodial fees related to our assets
- amounts payable to third parties relating to, or associated with, making investments;
- transfer agent and custodial fees;
- all registration and listing fees;
- U.S. federal, state and local taxes;
- independent directors' fees and expenses;
- costs of preparing and filing reports or other documents with the SEC or other regulators;
- the costs of any reports, proxy statements or other notices to our stockholders, including printing costs;
- our fidelity bond;

- 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.

#### **Long-Term Cash Incentive Plan**

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

In connection with the approval of the CIP, the Compensation Committee in April 2022 approved awards for the three-year performance period commencing on October 1, 2021 and ending on September 30, 2024 (the "2022 LTIP Plan"). Each participant is eligible to receive an amount of cash equal to 0%–200% of the target award set forth in the table below ("Target Performance Award"), based on the achievement of net asset value ("NAV") and NAV per share goals (weighted at 30% and 70%, respectively) as of the end of the performance period (the "Performance Goals"). Performance is evaluated separately for each Performance Goal. No payment is made with respect to a Performance Goal if a threshold level of performance is not achieved. Each Performance Goal is subject to (i) a threshold level of performance at which a percentage of the Target Performance Award attributable to that Performance Goal may be paid and below which no payment is made pursuant to an award, (ii) a target level of performance at which 100% of the Target Performance Award attributable to that Performance Goal may be paid and (iii) a maximum level of performance, at which 200% of the Target Performance Award attributable to that Performance Goal may be paid, in each case subject to such other terms and conditions of an award. Between threshold, target and maximum performance levels for each Performance Goal, the portion of that award attributed to the Performance Goals shall be interpolated in a linear progression.

49

In December 2022, pursuant to the CIP, the Compensation Committee approved awards for Mr. Lorber and Ms. McMillan for the three-year performance period commencing on October 1, 2022 and ending on September 30, 2025 (the "2023 LTIP Plan"). Each participant is eligible to receive an amount of cash equal to a percentage of the target award amount set forth above based on the factors described above. The Compensation Committee, in approving the awards, evaluated each Performance Goal separately.

In December 2023, pursuant to the CIP, the Compensation Committee approved awards for Mr. Lorber and Ms. McMillan for the three-year performance period commencing on October 1, 2023 and ending on September 30, 2026 (the "2024 LTIP Plan"). Each participant is eligible to receive an amount of cash equal to a percentage of their target award amount set forth above based on the factors described above. The Compensation Committee, in approving the awards, evaluated each Performance Goal separately.

The Target Performance Award for each executive officer for the 2022 LTIP Plan, 2023 LTIP Plan, and the 2024 LTIP Plan is set forth in the table below:

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

During the three and six months ended March 31, 2024, the Company recorded an expense of \$504,890 and \$809,690, respectively, for these awards. During the three and six months ended March 31, 2023, the Company did not record an expense for these awards.

#### **Portfolio and Investment Activity**

As of March 31, 2024 and September 30, 2023, our portfolio had a fair market value of approximately \$220.0 million and \$226.5 million, respectively.

During the six months ended March 31, 2024, we received proceeds from sale and settlements of investments of \$45.6 million, including principal proceeds, net realized losses on investments of \$1.6 million and invested \$30.8 million.

During the six months ended March 31, 2023, we received proceeds from sale and settlements of investments of \$26.9 million, including principal and dividend proceeds, realized net losses on investments of \$0.8 million, and invested \$26.0 million.

The following table summarizes the amortized cost and the fair value of our average portfolio company (dollars in thousands):

	March 31, 2024		September 30, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Average portfolio company	\$ 6,083	\$ 5,367	\$ 6,310	\$ 5,392
Largest portfolio company by amortized cost and fair value, respectively	48,542	34,729	38,871	38,871

The following table summarizes the amortized cost and the fair value of investments as of March 31, 2024 (dollars in thousands):

	Amortized Cost	Percentage	Fair Value	Percentage
Senior Secured First Lien Term Loans	\$ 119,674	48.0%	\$ 106,607	48.4%
Senior Secured Notes	12,495	5.0	12,372	5.6
Fund Investment	1,027	0.4	783	0.4
Equity/Warrants	116,217	46.6	100,287	45.6
<b>Total Investments</b>	<b>\$ 249,413</b>	<b>100.0%</b>	<b>\$ 220,049</b>	<b>100.0%</b>

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

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

As of March 31, 2024, our income-bearing investment portfolio based upon cost represented 84.0% of our total portfolio of which 57.6% bore interest based on floating rates, such as SOFR or LIBOR, 16.8% bore interest at fixed rates, and 25.6% are income-producing equity investments. As of September 30, 2023, our income-bearing investment portfolio based upon cost represented 88.2% of our total portfolio of which 59.5% bore interest based on floating rates, such as LIBOR or SOFR, 13.9% bore interest at fixed rates, and 26.6% are income-producing equity investments. As of March 31, 2024, the Company had a weighted average yield of 13.6% on debt and other income producing investments. The weighted average yield of our total portfolio does not represent the total return to our stockholders.

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

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

The following table shows the distribution of our investments on the 1 to 5 investment performance rating scale at fair value as of March 31, 2024 and September 30, 2023 (dollars in thousands):

	<b>March 31, 2024</b>		<b>September 30, 2023</b>	
	<b>Fair Value</b>	<b>Percentage</b>	<b>Fair Value</b>	<b>Percentage</b>
1	\$ -	0.0%	\$ -	0.0%
2	186,869	84.9%	197,951	87.4%
3	14,493	6.6%	15,651	6.9%
4	350	0.2%	6,362	2.8%
5	18,337	8.3%	6,497	2.9%
<b>Total</b>	<b>\$ 220,049</b>	<b>100.0%</b>	<b>\$ 226,461</b>	<b>100.0%</b>

#### Results of Operations

Operating results for three and six months ended March 31, 2024 and 2023 are as follows (dollars in thousands):

	<b>For the Three Months Ended March 31,</b>		<b>For the Six Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Total investment income	\$ 4,659	\$ 4,912	\$ 10,381	\$ 9,616
Less: Net expenses	4,088	3,138	8,101	6,193
Net investment income/(loss)	571	1,774	2,280	3,423
Net realized gains (losses) on investments	(1,791)	(815)	(1,561)	(801)
Net change in unrealized gains (losses) on investments	6,592	5,749	9,187	8,038
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$ 5,372</b>	<b>\$ 6,708</b>	<b>\$ 9,906</b>	<b>\$ 10,660</b>

#### Investment Income

For the three months ended March 31, 2024, investment income totaled \$4.7 million, of which \$2.7 million was attributable to portfolio interest, approximately \$1.7 million was attributable to dividend income, \$0.1 million was attributable to fee and other income, and \$0.2 million was attributable to interest on cash and cash equivalents. For the six months ended March 31, 2024, investment income totaled \$10.4 million, of which \$6.4 million was attributable to portfolio interest, approximately \$3.7 million was attributable to dividend income, \$0.1 million was attributable to fee and other income, and \$0.2 million was attributable to interest on cash and cash equivalents. Dividend income was received from eight investments during the six months ended March 31, 2024.

For the three months ended March 31, 2023, investment income totaled \$4.9 million, of which \$2.7 million was attributable to portfolio interest, approximately \$1.5 million was attributable to dividend income, \$0.6 million was attributable to fee and other income, and \$0.1 million was attributable to interest on cash and cash equivalents. For the six months ended March 31, 2023, investment income totaled \$9.6 million, of which \$5.3 million was attributable to portfolio interest, approximately \$3.5 million was attributable to dividend income, \$0.6 million was attributable to fee and other income, and

\$0.2 million was attributable to interest on cash and cash equivalents. Dividend income was received from three investments during the six months ended March 31, 2023.

### Operating Expenses

Operating expenses for the three and six months ended March 31, 2024 and 2023 are as follows (dollars in thousands):

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2024	2023	2024	2023
Interest and financing expenses	\$ 1,567	\$ 1,382	\$ 3,109	\$ 2,615
Salaries and benefits	1,524	802	2,950	1,660
Professional fees, net	343	377	701	725
General and administrative	311	201	636	421
Directors fees	188	177	375	371
Insurance	97	121	194	245
Administrator expenses	58	78	135	156
Total Expenses	<u>\$ 4,088</u>	<u>\$ 3,138</u>	<u>\$ 8,100</u>	<u>\$ 6,193</u>

For the three months ended March 31, 2024, total operating expenses increased by \$1.0 million, or 30.3% compared to the three months ended March 31, 2023. For the six months ended March 31, 2024, total operating expenses increased by \$1.9 million, or 30.8% compared to the six months ended March 31, 2023.

### Interest and Financing Expenses

Interest and financing expenses for the three months ended March 31, 2024 increased by \$0.2 million, or 13.4% compared to the three months ended March 31, 2023. Interest and financing expenses for the six months ended March 31, 2024 increased by \$0.5 million, or 18.9% compared to the six months ended March 31, 2023. The increase in interest and financing expenses for the six months ended March 31, 2024 was primarily due to increased borrowings on the credit facility.

### Professional Fees and General and Administrative Expenses

Professional fees and general and administrative expenses for the three months ended March 31, 2024 increased by \$0.1 million, or 13.1% compared to the three months ended March 31, 2023. Professional fees and general and administrative expenses for the six months ended March 31, 2024 increased by \$0.2 million, or 16.7% compared to the six months ended March 31, 2023.

### Net Realized Gains/Losses from Investments

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

During the three and six months ended March 31, 2024, we recognized \$1.8 million and \$1.6 of realized losses, respectively on our portfolio investments. The realized losses were primarily due to the sale of 1888 Industrial Services for \$8.8 million offset by realized gain on Maritime Wireless Holdings for \$7.0 million.

During the three and six months ended March 31, 2023, we recognized \$0.8 million of realized losses on our portfolio investments. The realized losses were primarily due to the write off of Walker Edison Furniture Company for \$2.1 million and proceeds from Footprint for \$1.2 million of a gain.

### Net Unrealized Appreciation/Depreciation on Investments

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

For the three months ended March 31, 2024, we had \$6.6 million of net unrealized appreciation on investments. The net unrealized appreciation resulted from the reversal of the realized loss on 1888 Industrial Services and unrealized appreciation primarily on Kemmerer Operations LLC, FST Holdings Parent LLC, and PHH Mortgage Corporation, offset by the reversal of the unrealized gain on Maritime Wireless Holdings.

For the six months ended March 31, 2024, we had \$9.2 million of net unrealized appreciation on investments. The net unrealized appreciation resulted from the reversal of the realized loss on 1888 Industrial Services and unrealized appreciation primarily on Kemmerer Operations LLC, Chimera Investment Corporation, FST Holdings Parent LLC, NVTN LLC, and PHH Mortgage Corporation, offset by the reversal of the unrealized gain on Maritime Wireless Holdings.

For the three months ended March 31, 2023, we had \$5.7 million of net unrealized appreciation on investments. The net unrealized appreciation resulted from fair market value appreciation primarily attributable to Kemmerer Operations, Maritime Wireless, the reversal of the realized loss on Walker Edison which was offset by the unrealized depreciation on Lucky Bucks.

For the six months ended March 31, 2023, we had \$8.0 million of net unrealized appreciation on investments. The net unrealized appreciation resulted from fair market value appreciation primarily attributable to Level One asset along with Kemmerer Operations, Maritime Wireless, the reversal of the realized loss on Walker Edison which was offset by the unrealized depreciation on Lucky Bucks.

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

Certain consolidated subsidiaries of ours are subject to U.S. federal and state income taxes. These taxable subsidiaries are not consolidated with the Company for income tax purposes, but are consolidated for GAAP purposes, and may generate income tax liabilities or assets from temporary differences in the recognition of items for financial reporting and income tax purposes at the subsidiaries. For the three and six months ended March 31, 2024 and 2023, the Company did not record a change in provision for deferred taxes on the unrealized (appreciation)/depreciation on investments.

### Changes in Net Assets from Operations

For the three months ended March 31, 2024, we recorded a net increase in net assets resulting from operations of \$5.4 million compared to a net increase in net assets resulting from operations of \$6.7 million for the three months ended March 31, 2023. Total Net Assets decreased from the last quarter due to share repurchases in the amount of \$1.8 million. Based on 2,048,622 and 2,095,193 weighted average common shares outstanding for the

three months ended March 31, 2024 and 2023, respectively, our per share net increase in net assets resulting from operations was \$2.62 for the three months ended March 31, 2024 and \$3.20 for the three months ended March 31, 2023.

For the six months ended March 31, 2024, we recorded a net increase in net assets resulting from operations of \$9.9 million compared to a net increase in net assets resulting from operations of \$10.7 million for the six months ended March 31, 2023. Total Net Assets decreased from the last quarter due to share repurchases in the amount of \$2.3 million. Based on 2,060,723 and 2,098,041 weighted average common shares outstanding for the six months ended March 31, 2024 and 2023, respectively, our per share net increase in net assets resulting from operations was \$4.81 for the six months ended March 31, 2024 and \$5.08 for the six months ended March 31, 2023.

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

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

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

As of March 31, 2024 and September 30, 2023, we had \$19.1 million and \$6.0 million, respectively, 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.

On January 11, 2021, the Company announced that its board of directors approved a share repurchase program. On February 9, 2022, the Board of Directors approved the expansion of the amount authorized for repurchase under the Company's share repurchase program from \$15 million to \$25 million. On February 8, 2023, the Board of Directors approved the further expansion of the amount authorized for repurchase under the Company's share repurchase program from \$25 million to \$35 million. Under the share repurchase program, the Company repurchased an aggregate of 703,219 shares of common stock through March 31, 2024, or 25.8 % of shares outstanding as of the program's inception, with a total cost of \$28.1 million. The total remaining amount authorized under the expanded share repurchase program at March 31, 2024 was approximately \$6.9 million.

### **Credit Facility**

On December 15, 2022, the Company and its wholly-owned subsidiaries executed a three-year, \$50 million revolving credit facility (the "Credit Facility") with WoodForest Bank, N.A. ("WoodForest"), Valley National Bank, and Axiom Bank, (collectively, the "Lenders"). WoodForest is the administrative agent, sole bookrunner and sole lead arranger. As of March 31, 2024, there was \$28.4 million outstanding borrowings by the Company under the Credit Facility.

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

On February 21, 2024 (the "Effective Date"), in order to increase the size of the Credit Facility, the parties to the Credit Facility amended the terms of the Credit Facility, effective as of the Effective Date (the "Amendment"). The Amendment increased the principal amount of loan available under the Credit Facility by \$12.5 million to \$62.5 million. All other material terms of the Credit Facility remain unchanged.

### **Unsecured Notes**

#### **2023 Notes**

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

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

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

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

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

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

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

#### 2028 Notes

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

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

#### Contractual Obligations and Off-Balance Sheet Arrangements

As of March 31, 2024 and September 30, 2023, we had commitments under loan and financing agreements to fund up to \$3.1 million to three portfolio companies and \$3.4 million to four portfolio companies, respectively. These commitments are primarily composed of senior secured term loans and revolving, and the determination of their fair value is included in the Consolidated Schedule of Investments. The commitments are generally subject to the borrowers meeting certain criteria such as compliance with covenants and certain operational metrics. The terms of the borrowings and financings subject to commitment are comparable to the terms of other loan and equity securities in our portfolio. A summary of the composition of the unfunded commitments as of March 31, 2024 and September 30, 2023 is shown in the table below (dollars in thousands):

	March 31, 2024	September 30, 2023
Secure Acquisition Inc. (dba Paragon Films) - Senior Secured First Lien Delayed Draw Term Loan	\$ -	\$ 517
NVTN LLC - Senior Secured First Lien Delayed Draw Term Loan	-	220
SMC Roofing - First Out Delayed Draw Term Loan	89	-
SMC Roofing - Last Out Delayed Draw Term Loan	386	-
Deer Management Systems LLC - Senior Secured First Lien Delayed Draw Term Loan	600	600
Tamarix Capital Partners II, L.P. - Fund Investment	2,038	2,038
<b>Total unfunded commitments</b>	<b>\$ 3,113</b>	<b>\$ 3,375</b>

In December 2023, the Company established a subsidiary to serve as a regulated insurance company. The Company purchased 100,000 shares of the subsidiary's common stock for a purchase price of \$1.00 per share on February 8, 2024. This subsidiary also entered into a merger agreement pursuant to which it agreed to acquire a controlling interest in VR Insurance SPV, LLC, a company primarily engaged in the insurance business through its subsidiaries ("VR"), and to provide additional capital to such company. The Company's total investment in the insurance subsidiary and VR is expected to approximate \$49 million. The merger transaction is presently expected to close in the first half of 2024, subject to various closing conditions, including insurance regulatory approvals.

The following table shows our payment obligations for repayment of debt and other contractual obligations at March 31, 2024 (dollars in thousands):

	Payments Due by Period					
	2024	2025	2026	2027	Thereafter	Total
Revolving Credit Facility	\$ -	\$ (28,441,941)	\$ -	\$ -	\$ -	\$ (28,441,941)
2028 Notes	- -	- -	- -	- -	(57,500,000)	(57,500,000)
Operating Lease Obligation <sup>(1)</sup>	(78,239)	(156,971)	(161,680)	(27,417)	- -	(424,307)
<b>Total contractual obligations</b>	<b>\$ (78,239)</b>	<b>\$ (28,598,912)</b>	<b>\$ (161,680)</b>	<b>\$ (27,417)</b>	<b>\$ (57,500,000)</b>	<b>\$ (86,366,248)</b>

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

#### Distributions

We have elected, and intend to continue 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.

The Company did not declare any distribution payments during the three and six months ended March 31, 2024 and 2023.

On May 9, 2024, the Board of Directors declared a special dividend of \$1.31 per share. This dividend is payable on June 10, 2024 to stockholders of record as of May 27, 2024.

### **Related Party Transactions**

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

### **Pledge and Security Agreement**

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

### **Critical Accounting Policies**

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

### **Valuation of Portfolio Investments**

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

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

We value investments for which market quotations are readily available at their market quotations, which are generally obtained from an independent pricing service or multiple broker-dealers or market makers. We weight the use of third-party broker quotes, if any, in determining fair value based on our understanding of the level of actual transactions used by the broker to develop the quote and whether the quote was an indicative price or binding offer.

However, a readily available market value is not expected to exist for many of the investments in our portfolio, and we value these portfolio investments at fair value as determined in good faith by our board of directors under our valuation policy and process. We may seek pricing information with respect to certain of our investments from pricing services or brokers or dealers in order to value such investments.

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

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

With respect to investments for which market quotations are not readily available, our board oversees and our Valuation Designee undertakes a multi-step valuation process each quarter, as described below:

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

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

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

#### **Revenue Recognition**

Our revenue recognition policies are as follows:

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

*Non-accrual:* We place loans on non-accrual status when principal and interest payments are past due by 90 days or more, or when there is reasonable doubt that we will collect principal or interest. Accrued interest is generally reversed when a loan is placed on non-accrual. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in our management's judgment, are likely to remain current. At March 31, 2024, certain investments in three portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately \$21.1 million, or 9.6% of the fair value of our portfolio. At September 30, 2023, certain investments in four portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately \$6.5 million, or 2.9% of the fair value of our portfolio.

#### **Federal Income Taxes**

The Company has elected, and intends to continue 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 April 9, 2024, the Company acquired 84,000,000 shares of common stock in ECC Capital Corporation ("ECC"), representing 44% of the outstanding shares of ECC, for \$0.05 per share. As part of this transaction, ECC acquired from the Company 100% of the membership units of Kemmerer Holdings, LLC ("Kemmerer") and the Company provided Senior Secured Promissory Note ("Note") to ECC as consideration for ECC's acquisition of Kemmerer, with the Note maturing on December 31, 2031. Interest on this note is accrued at a variable rate per annum equal to the sum of applicable three-month term SOFR rate plus 500 basis points. Further, in connection with this transaction, the Company, ECC and its Chairman and CEO Steve Holder entered into an investor rights agreement, pursuant to which ECC's board of directors will include one director designated by the Company, one director designated by Mr. Holder, and one director designated by mutual agreement of the Company and Mr. Holder. Mr. Lorber will join ECC's board of directors.

On May 2, 2024, the Company issued a 5.25% note due November 1, 2028 in the principal amount of \$1,661,498 to National Security Insurance Company. The financial terms of the note are substantially the same as the 2028 Notes.

On May 9, 2024, the Board of Directors declared a special dividend of \$1.31 per share. This dividend is payable on June 10, 2024 to stockholders of record as of May 27, 2024.

#### Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to financial market risks, including changes in interest rates. Changes in interest rates may affect both our cost of funding and our interest income from portfolio investments and cash and cash equivalents. Our investment income will be affected by changes in various interest rates, including SOFR, to the extent our debt investments include floating interest rates. In the future, we expect other loans in our portfolio will have floating interest rates. In 2023, the Federal Reserve raised short-term interest rates and has indicated additional interest rate increases may come. In addition, U.S. and global capital markets and credit markets have experienced a higher level of stress due to the higher interest rate environment, pandemics, and other market events, which has resulted in an increase in the level of volatility across such markets. We may hedge against interest rate fluctuations by using standard hedging instruments such as futures, options and forward contracts subject to the requirements of the 1940 Act. For the three and six months ended March 31, 2024 and the year ended September 30, 2023, we did not engage in hedging activities.

As of March 31, 2024, 55.2% of our income-bearing investment portfolio bore interest based on floating rates based upon fair value. The substantial majority of this component of our portfolio bore interest based on a SOFR reference rate. Certain such investments used a LIBOR reference rate at March 31, 2024. A prolonged reduction in interest rates will reduce our gross investment income and could result in a decrease in our net investment income if such decreases in the applicable reference rates are not offset by a corresponding increase in the spread over the reference rates that we earn on any portfolio investments, a decrease in our operating expenses, including with respect to any income incentive fee, or a decrease in the interest rate of our floating interest rate liabilities tied to reference rates. In contrast, a rise in the general level of interest rates can be expected to lead to higher interest rates applicable to any variable rate investments we hold and to declines in the value of any fixed rate investments we hold. In addition, a rise in interest rates may increase the likelihood that a portfolio company defaults on a loan. However, many of our variable rate investments provide for an interest rate floor, which may prevent our interest income from increasing until benchmark interest rates increase beyond a threshold amount. The composition of our floating rate debt investments by cash interest rate floor as of March 31, 2024 was as follows (dollars in thousands):

LIBOR and SOFR Floor	March 31, 2024	
	Fair Value	% of Floating Rate Portfolio
Under 1%	\$ 22,030	20.4%
1% to under 2%	28,695	26.5
2% to under 3%	28,850	26.7
3% to under 4%	10,042	9.3
No Floor	18,497	17.1
Total	\$ 108,114	100.0%

Based on our Consolidated Statements of Assets and Liabilities as of March 31, 2024, the following table (dollars in thousands) shows the approximate increase/(decrease) in components of net assets resulting from operations of hypothetical LIBOR and SOFR base rate changes in interest rates, assuming no changes in our investment and capital structure.

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

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

#### Item 4. Controls and Procedures

##### Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure

controls and procedures as of March 31, 2024. 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 March 31, 2024, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective.

#### **Changes in Internal Controls Over Financial Reporting**

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

## **PART II**

### **Item 1. Legal Proceedings**

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

### **Item 1A. Risk Factors**

In addition to other information set forth in this report, you should carefully consider the "Risk Factors" discussed in our annual report on Form 10-K for the fiscal year ended September 30, 2023, filed with the SEC on December 22, 2023, which could materially affect our business, financial condition and/or operating results. Other than the items disclosed below, there have been no material changes during the three and six months ended March 31, 2024 to the risk factors discussed in "Item 1A. Risk Factors" of our annual report on Form 10-K. Additional risks or uncertainties not currently known to us or that we currently deem to be immaterial also may materially affect our business, financial condition and/or operating results.

### **Risks Related to Our Business**

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

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

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

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

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

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

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

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

### ***We may suffer credit and capital losses.***

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

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

We have borrowed funds, including through the issuance of \$57.5 million in aggregate principal amount of 5.25% unsecured notes due November 1, 2028 (the "Notes" or the "2028 Notes") to leverage our capital structure, which is generally considered a speculative investment technique. In addition, on December 15, 2022, the Company entered into a 3-year \$50.0 million revolving credit facility (the "Credit Facility") with Woodforest Bank, N.A. ("Woodforest"), Valley National Bank, and Axiom Bank, (collectively, the "Lenders"), which was amended on February 21, 2024 to increase the principal amount of loan available under the Credit Facility by \$12.5 million to \$62.5 million. 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 March 31, 2024, the Company's asset coverage was 279.5% after giving effect to leverage and therefore the Company's asset coverage is above 200%, the minimum asset coverage requirement under the 1940 Act.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***We may experience fluctuations in our periodic operating results.***

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

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

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

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

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

Since in certain cases we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the tax requirement to distribute at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, to maintain our tax treatment as a RIC. Accordingly, we may have to sell some of our investments at times we would not consider advantageous, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. If we are not able to raise cash from other sources, we may fail to qualify and maintain our tax treatment as a RIC and thus become subject to corporate-level U.S. federal income tax. See "Taxation as a RIC" and "Failure to Qualify as a RIC".

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

We cannot assure that we will achieve investment results that will allow us to pay cash distributions. Our ability to pay distributions might be adversely affected by, among other things, the impact of one or more of the risk factors described herein. In addition, the inability to satisfy the asset coverage test applicable to us as a BDC could limit our ability to pay distributions. As of March 31, 2024, the Company's asset coverage was 279.5% after giving effect to leverage and therefore the Company's asset coverage is above 200%, the minimum asset coverage requirement under the 1940 Act. All distributions will be paid at the discretion of our board of directors and will depend on our earnings, our financial condition, maintenance of our RIC tax treatment, compliance with applicable BDC regulations, and such other factors as our board of directors may deem relevant from time to time. We cannot assure you that we will pay distributions to our stockholders in the future.

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

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

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

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

We have elected and intend to qualify annually to be taxed for U.S. federal income tax purposes as a RIC under Subchapter M of the Code. As a RIC, we must meet certain requirements, including source-of-income, asset diversification and distribution requirements in order to not have to pay corporate-level U.S. on income we distribute to our stockholders as distributions, which allows us to substantially reduce or eliminate our corporate-level U.S. federal income tax liability. As a BDC, we are generally required to meet a coverage ratio of total assets to total senior securities, which includes all of our borrowings and any preferred stock we may issue in the future, of at least 200% (or 150% if, pursuant to the 1940 Act, certain requirements are met) at the time we issue any debt or preferred stock. This requirement limits the amount of our leverage. Because we will continue to need capital to grow our investment portfolio, this limitation may prevent us from incurring debt or issuing preferred stock and require us to raise additional equity at a time when it may be disadvantageous to do so. We cannot assure you that debt and equity financing will be available to us on favorable terms, or at all, and debt financings may be restricted by the terms of any of our outstanding borrowings. In addition, as a BDC, we are generally not permitted to issue common stock priced below NAV without stockholder approval. If additional funds are not available to us, we could be forced to curtail or cease new lending and investment activities, and our NAV could decline.

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

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

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

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

As of March 31, 2024, there was \$85.9 million of outstanding borrowings. The weighted average interest rate charged on our borrowings as of March 31, 2024 was 6.3% (exclusive of debt issuance costs). We will need to generate sufficient cash flow to make these required interest payments. If we are unable to meet the financial obligations under the Notes, the holders thereof will have the right to declare the principal amount and accrued and unpaid interest on the outstanding Notes to be due and payable immediately. If we are unable to meet the financial obligations under the Credit Facility or any other credit facility we enter into, the lenders thereunder would likely have a superior claim to our assets over our stockholders.

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

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

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

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

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

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

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

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

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

**Risks Related to Our Investments**

***We may not realize gains from our equity investments.***

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

***Our investments are very risky and highly speculative.***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***As of March 31, 2024, 14.0% of our total assets were invested in FlexFin, our affiliate's asset-based lending business.***

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

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

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

***14.0% of the Company's total assets (as of March 31, 2024) are invested in our affiliate's asset-based lending business and its activities are influenced by volatility in prices of gemstones and jewelry.***

Our affiliate's asset-based lending business is impacted by volatility in gemstone and jewelry prices. Among the factors that can impact the price of gemstones and jewelry are supply and demand of gemstones; political, economic, and global financial events; movement of the U.S. dollar versus other currencies; and the activity of large speculators and other participants. A significant decline in market prices of gemstones could result in reduced collateral value and losses, (i.e., a lower balance of asset-based loans outstanding for the Company's affiliate.)

***The gemstones and jewelry business is subject to the risk of fraud and counterfeiting.***

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

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

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

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

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

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

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

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

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

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

***Hedging transactions may expose us to additional risks.***

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

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

***The disposition of our investments may result in contingent liabilities.***

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

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

We may invest in the securities and obligations of distressed and bankrupt issuers, including debt obligations that are in covenant or payment default. Such investments generally are considered speculative. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted

obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer of those obligations might not make any interest or other payments. We may not realize gains from our equity investments.

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

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

As of March 31, 2024, investments in our affiliate's asset-based lending business constituted 14.0% of our total assets. See above, under Item 1A for risk factors related to our investment in that business.

#### **Risks Related to Our Operations as a BDC and a RIC**

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

Our business requires a substantial amount of capital to operate and grow. We may acquire additional capital from the issuance of senior securities (including debt and preferred stock), the issuance of additional shares of our common stock or from securitization transactions. However, we may not be able to raise additional capital in the future on favorable terms or at all. Additionally, we may only issue senior securities up to the maximum amount permitted by the 1940 Act. The 1940 Act permits us to issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% (or 150% if, pursuant to the 1940 Act, certain requirements are met) after such issuance or incurrence. If our assets decline in value and we fail to satisfy this test, we may be required to liquidate a portion of our investments and repay a portion of our indebtedness at a time when such sales or repayment may be disadvantageous, which could have a material adverse impact on our liquidity, financial condition and results of operations. As of March 31, 2024, the Company's asset coverage was 279.5% after giving effect to leverage and therefore the Company's asset coverage is above 200%, the minimum asset coverage requirement under the 1940 Act.

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

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

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

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

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

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

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

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

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

claims, potential labor disputes and other employee-related liabilities and grievances.

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

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

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

***The impact of financial reform legislation on us is uncertain.***

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

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

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

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

The 1940 Act generally prohibits the Company from incurring indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). However, in March 2018, the SBCA was signed into law, which included various changes to regulations under the federal securities laws that impact BDCs. The SBCA included changes to the 1940 Act to allow BDCs to decrease their asset coverage requirement from 200% to 150%, if certain requirements are met. Under the 1940 Act, the Company is allowed to increase its leverage capacity if our stockholders representing at least a majority of the votes cast, when a quorum is present, approve a proposal to do so. If we receive stockholder approval, we would be allowed to increase our leverage capacity on the first day after such approval. Alternatively, the 1940 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 proposal. In either case, we would be required to make certain disclosures on our website and in SEC filings regarding, among other things, the receipt of approval to increase our leverage, our leverage capacity and usage, and risks related to leverage.

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

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

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

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

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

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

- The source of income requirement is satisfied if we obtain at least 90% of our gross income for each taxable year from dividends, interest, payments with respect to certain securities loans, gains from the sale or other disposition of stock or other securities or foreign currencies or other income derived with respect to our business of investing in such stock, securities or currencies and net income derived from an interest in a "qualified publicly traded partnership" (as defined in the Code).
- The asset diversification requirement is satisfied if we meet certain asset diversification requirements at the end of each quarter of our taxable year. To satisfy this requirement, at least 50% of the value of our assets must consist of cash, cash equivalents, U.S. Government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of the issuer (which for these purposes includes the equity securities of a "qualified publicly traded partnership"). In addition, no more than 25% of the value of our assets can be invested in the securities, other than U.S. Government securities or securities of other RICs, (1) of one issuer (2) of two or more issuers that are controlled, as determined under applicable tax rules, by us and that are engaged in the same or similar or related trades or businesses or (3) of one or more "qualified publicly traded partnerships".

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

#### **Risks Relating to an Investment in Our Securities**

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

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

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

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

##### ***The market price of our common stock fluctuates.***

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

These factors include:

- significant volatility in the market price and trading volume of securities of business development companies or other companies in our sector, which are not necessarily related to the operating performance of the companies;
- changes in regulatory policies, accounting pronouncements or tax guidelines, particularly with respect to BDCs or RICs;
- loss of our qualification as a RIC or BDC;
- changes in earnings or variations in operating results;

- changes in the value of our portfolio of investments;
- changes in accounting guidelines governing valuation of our investments;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- departure of our key personnel;
- operating performance of companies comparable to us;
- general economic trends and other external factors; and
- loss of a major funding source.

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

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

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

While we currently do not have the requisite stockholder approval to sell shares of our common stock at a price or prices below our then current NAV per

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

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

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

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

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

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

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

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

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

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

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

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

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

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

None.

***Item 3. Defaults Upon Senior Securities***

None.

#### Item 4. Mine Safety Disclosures

None.

#### Item 5. Other Information

None.

#### Item 6. Exhibits

3.1	<a href="#">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).</a>
3.2	<a href="#">Certificate of Amendment to the Certificate of Incorporation (Incorporated by reference to the Current Report on Form 8-K filed on July 13, 2020).</a>
3.3	<a href="#">Certificate of Amendment to Certificate of Incorporation (Incorporated by reference to the Current Report on Form 8-K filed December 28, 2020).</a>
3.4	<a href="#">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).</a>
3.5	<a href="#">Amendment No. 1 to Bylaws (Incorporated by reference to the Current Report on Form 8-K filed February 7, 2019).</a>
3.6	<a href="#">Amendment No. 2 to Bylaws (Incorporated by reference to the Current Report on Form 8-K filed December 28, 2020).</a>
3.7	<a href="#">Amendment No. 3 to the Bylaws (Incorporated by reference to the Current Report on Form 8-K filed February 16, 2021).</a>
4.1	<a href="#">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).</a>
4.2	<a href="#">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).</a>
4.3	<a href="#">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).</a>
4.4	<a href="#">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).</a>
4.5	<a href="#">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).</a>
4.6	<a href="#">Fourth Supplemental Indenture, dated November 15, 2021, between PhenixFIN Corporation and U.S. Bank National Association, as Trustee (Incorporated by reference to the Current Report on Form 8-K filed November 15, 2021).</a>
4.7	<a href="#">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).</a>
10.1	<a href="#">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).</a>
10.2	<a href="#">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).</a>
10.3	<a href="#">Settlement Term Sheet, dated April 15, 2019 (Incorporated by reference to the Current Report on Form 8-K, filed on April 17, 2019).</a>

10.4	<a href="#">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 <i>In re Medley Capital Corporation Stockholder Litigation</i>, Cons. C.A. No. 2019-0100-KSJM (Incorporated by reference to the Current Report on Form 8-K, filed on August 2, 2019).</a>
10.5	<a href="#">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).</a>

10.6	<a href="#">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).</a>
10.7	<a href="#">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).</a>
10.8	<a href="#">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).</a>
10.9	<a href="#">PhenixFIN Long Term Cash Incentive Plan (Incorporated by reference to Exhibit 10.9 to the Quarterly Report on Form 10-Q filed on May 9, 2022).</a>
10.10	<a href="#">First Amendment to the PhenixFIN Long Term Cash Incentive Plan. (Incorporated by reference to Exhibit 10.10 to the Quarterly Report on Form 10-Q filed on February 9, 2023).</a>
10.11	<a href="#">Form of Award Agreement (Incorporated by reference to Exhibit 10.10 to the Quarterly Report on Form 10-Q filed on May 9, 2022).</a>
10.12	<a href="#">Credit Agreement, dated December 15, 2022, between PhenixFIN Corporation and Woodforest National Bank, as Administrative Agent. (Incorporated by reference to Exhibit 10.11 to the Annual Report on Form 10-K filed December 16, 2022).</a>
10.13*	<a href="#">First Amendment to Credit Agreement and Consent, dated February 21, 2024, between PhenixFIN Corporation and Woodforest National Bank, as Administrative Agent.</a>
10.14	<a href="#">Loan Administration and Custodial Agreement, dated September 12, 2022 by and between PhenixFIN Corp. and Computershare Trust Company, N.A. (Incorporated by reference to Exhibit 10.10 to the Annual Report on Form 10-K filed on December 16, 2022).</a>
10.15	<a href="#">Pledge and Security Agreement, dated December 15, 2022 by and between PhenixFIN Corporation and Woodforest National Bank (Incorporated by reference to Exhibit 10.12 to the Annual Report on Form 10-K filed on December 16, 2022).</a>
14.1	<a href="#">Code of Ethics &amp; 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).</a>
21.1	<a href="#">List of Subsidiaries (Incorporated by reference to Exhibit 21.1 of the Quarterly Report on Form 10-Q filed on February 10, 2022).</a>
31.1	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.*</a>
31.2	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.*</a>
32.1	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer pursuant to section 906 of The Sarbanes-Oxley Act of 2002.*</a>
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (Embedded within the Inline XBRL document and included in Exhibit 101)

\* Filed herewith.

## SIGNATURES

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

Dated: May 10, 2024

### 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)

## FIRST AMENDMENT TO CREDIT AGREEMENT AND CONSENT

This **FIRST AMENDMENT TO CREDIT AGREEMENT AND CONSENT**, dated as of February 21, 2024 (this "Amendment"), is among PhenixFIN Corporation, a Delaware corporation, as Borrower, the other Loan Parties party hereto, the Lenders party hereto, and Woodforest National Bank, as Administrative Agent.

WHEREAS, the Loan Parties, the Lenders and the Administrative Agent are parties to that certain Credit Agreement, dated as of December 15, 2022 (as amended, supplemented, amended and restated or otherwise modified prior to the date hereof, the "Existing Credit Agreement" and as amended, modified and supplemented by this Amendment, the "Credit Agreement"; capitalized terms used herein but not otherwise defined herein shall have the respective meanings given to such terms in the Credit Agreement);

WHEREAS, the Loan Parties have requested that the Lenders and the Administrative Agent increase the aggregate amount of Revolving Commitments from \$50,000,000 to \$62,500,000;

WHEREAS, the Loan Parties have requested that the Lenders and the Administrative Agent consent to the following:

(a) the creation of FlexFIN Holdco LLC, a Delaware limited liability company ("Holdco") to be owned by PhenixFIN Investment Holdings LLC, a Delaware limited liability company ("PFIH") and by Brohams, LLC, a New York limited liability company ("Brohams"), in equal fifty percent (50%) membership interests pursuant to the terms of a Limited Liability Company Agreement of FlexFIN Holdco LLC dated February 21, 2023, by and among Holdco, PFIH and Brohams (the "Holdco LLC Agreement");

(b) PFIH's contribution of its currently owned fifty percent (50%) membership interest in FlexFIN, LLC, a Delaware limited liability company ("FlexFIN"), to Holdco pursuant to the terms of a Contribution Agreement dated February 21, 2023, between Holdco, PFIH and Brohams (the "Contribution Agreement"), and a Second Amended and Restated Limited Liability Company Agreement of FlexFIN, LLC dated February 21, 2023, between FlexFIN and Holdco (the "FlexFIN LLC Agreement"), pursuant to which Holdco will own one hundred percent (100%) of the membership interests of FlexFIN (the transactions described in the foregoing paragraphs (a) and (b) collectively, the "FlexFIN Restructuring");

(c) the release by the Administrative Agent, on behalf of the Secured Parties, of their security interest in PFIH's fifty percent (50%) membership interest in FlexFIN (the "FlexFIN Release"); and

(d) the amendment of the Pledge and Security Agreement dated as of December 15, 2022 among the Loan Parties and the Administrative Agreement (the "First Amendment to Pledge and Security Agreement") to evidence the Administrative Agreement's first priority lien and security interest in PFIH's fifty percent (50%) membership interest in Holdco (the "Holdco Pledge");

WHEREAS, the parties desire to name Woodforest National Bank and Valley National Bank as joint bookrunners and joint lead arrangers for the credit facility provided pursuant to the Credit Agreement; and

WHEREAS, the Loan Parties have requested that the Lenders and the Administrative Agent agree to amend certain terms of the Existing Credit Agreement, and the Lenders and the Administrative Agent have agreed thereto on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Amendments to Existing Credit Agreement. As of the Amendment Effective Date, subject to the terms and conditions set forth in this Amendment and in the Existing Credit Agreement, the Existing Credit Agreement is amended as follows:

(a) The definition of "Arranger" in Section 1.01 of the Existing Credit Agreement is hereby amended and restated to read as follows:

"Arranger" means, collectively, Woodforest National Bank and Valley National Bank, in their capacity as joint bookrunners and joint lead arrangers hereunder.

(b) The definition of "Excluded Subsidiary" in Section 1.01 of the Existing Credit Agreement is hereby amended and restated to read as follows:

"Excluded Subsidiary" means (a) FlexFIN Holdco LLC, a Delaware limited liability company, (b) FlexFIN, LLC, a Delaware limited liability company, (c) NVTN LLC, a Delaware limited liability company, and (d) such other Subsidiaries the Administrative Agent agrees to designate as Excluded Subsidiaries in its sole discretion.

(c) The definition of "Revolving Commitment" in Section 1.01 of the Existing Credit Agreement is hereby amended and restated to read as follows:

"Revolving Commitment" means with respect to each Lender, the amount set forth on the Commitment Schedule opposite such Lender's name, or in the Assignment and Assumption or other documentation or record (as such term is defined in Section 9-102(a)(70) of the New York Uniform Commercial Code) as provided in Section 9.04(b)(ii)(C), pursuant to which such Lender shall have assumed its Revolving Commitment, as applicable, as such Revolving Commitment may be reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04; provided, that at no time shall the Revolving Exposure of any Lender exceed its Revolving Commitment. As of February 21, 2024, the aggregate amount of the Lenders' Revolving Commitments is \$62,500,000.

(d) Section 2.06 of the Existing Credit Agreement is hereby amended and restated to read as follows:

Section 2.06 Increase in Revolving Commitments.

(a) The Borrower shall have the right to increase the Revolving Commitments by obtaining additional Revolving Commitments, either

from one or more of the Lenders or another lending institution, provided that (i) any such request for an increase shall be in a minimum amount of \$5,000,000, (ii) the Borrower may make a maximum of two (2) such requests, (iii) after giving effect thereto, the aggregate amount of Revolving Commitments does not exceed \$75,000,000, (iv) the Administrative Agent has approved the identity of any such new Lender, such approvals not to be unreasonably withheld or conditioned, (v) any such new Lender assumes all of the rights and obligations of a "Lender" hereunder as of and after becoming a new Lender but not with respect to any matter relating prior thereto unless otherwise expressly agreed, and (vi) the procedures described in clause (b) below have been satisfied. Nothing contained in this Section 2.06 shall constitute, or otherwise be deemed to be, a commitment on the part of any Lender to increase its Revolving Commitment hereunder at any time.

(b) Any amendment hereto for an increase or addition pursuant to clause (a) above shall be in form and substance reasonably satisfactory to the Administrative Agent and shall only require the written signatures of the Administrative Agent, the Borrower and each Lender being added or increasing its Commitment, subject only to the approval of all Lenders if any such increase or addition would cause the aggregate amount of Revolving Commitments to exceed \$75,000,000. As a condition precedent to such an increase or addition, the Borrower shall deliver to the Administrative Agent (i) a certificate of each Loan Party signed by an authorized officer of such Loan Party (A) certifying and attaching the resolutions adopted by such Loan Party approving or consenting to such increase, and (B) certifying that, before and after giving effect to such increase or addition, (1) the representations and warranties contained in Article 3 and the other Loan Documents are true and correct, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, (2) no Default exists, and (3) the Borrower is in compliance (on a pro forma basis) with the covenants contained in Section 6.12, (ii) legal opinions and documents consistent with those delivered on the Effective Date, to the extent requested by the Administrative Agent, and (iii) prior notice of such requested increase no later than fifteen (15) days before the requested effective date of such increase.

(c) On the effective date of any such increase or addition pursuant to this Section 2.06, (i) any Lender increasing (or, in the case of any newly added Lender, extending) its Revolving Commitment shall make available to the Administrative Agent such amounts in immediately available funds as the Administrative Agent shall determine, for the benefit of the other Lenders, as being required in order to cause, after giving effect to such increase or addition and the use of such amounts to make payments to such other Lenders, each Lender's portion of the outstanding Revolving Loans of all the Lenders to equal its revised Applicable Percentage of such outstanding Revolving Loans, and the Administrative Agent shall make such other adjustments among the Lenders with respect to the Revolving Loans then outstanding and amounts of principal, interest, commitment fees and other amounts paid or payable with respect thereto as shall be necessary, in the opinion of the Administrative Agent, in order to effect such reallocation and (ii) the Borrower shall be deemed to have repaid and reborrowed all outstanding Revolving Loans as of the date of any increase (or addition) in the Revolving Commitments. The deemed payments made pursuant to clause (ii) of the immediately preceding sentence shall be accompanied by payment of all accrued interest on the amount prepaid. Within a reasonable time after the effective date of any increase or addition, the Administrative Agent shall, and is hereby authorized and directed to, revise the Commitment Schedule to reflect such increase or addition and shall distribute such revised Commitment Schedule to each of the Lenders and the Borrower, whereupon such revised Commitment Schedule shall replace the old Commitment Schedule and become part of this Agreement.

(e) Section 6.01(f) of the Existing Credit Agreement is hereby amended and restated to read as follows:

(f) additional unsecured Indebtedness in an aggregate principal amount not to exceed \$10,000,000 at any one time outstanding, subject to approval by the Administrative Agent;

(f) The Commitment Schedule to the Existing Credit Agreement is hereby amended and restated as attached hereto; and

(g) Schedule 3.15 of the Existing Credit Agreement is hereby amended and restated as attached hereto.

2. Consent. Effective as of the Amendment Effective Date, subject to the terms and conditions set forth in this Amendment and in the Existing Credit Agreement, the Lenders and the Administrative Agent (a) consent to the FlexFIN Restructuring, the FlexFIN Release and the Holdco Pledge and (b) authorize the Loan Parties to evidence the FlexFIN Release by filing a UCC-3 amendment in the form attached hereto as Exhibit A.

3. Conditions Precedent. This Amendment shall be effective upon the first date (such date, the "Amendment Effective Date") that all conditions set forth in Section 4.02 of the Credit Agreement and each of the following conditions have been satisfied:

(e) the Administrative Agent shall have received each of the following (together with the schedules and exhibits thereto, if any), duly executed and delivered by each applicable Loan Party:

(i) an executed copy of this Amendment, a First Amendment to Pledge and Security Agreement, a Consent to Pledge and Security Agreement, Amended and Restated Revolving Notes for each Lender increasing its Revolving Commitment pursuant to this Amendment, and such other certificates, documents, instruments and agreements as the Administrative Agent shall request in connection with the transactions contemplated by this Amendment and the other Loan Documents, all in form and substance satisfactory to the Administrative Agent (collectively, the "Amendment Documents");

(ii) duly executed certificates from an authorized officer of each Loan Party, together with all applicable attachments, certifying as to the following:

(A) *Organizational Documents*. Attached thereto is a copy of each organizational document of such Loan Party (or a certification that there have been no changes to the organizational documents delivered to the Administrative Agent on the Effective Date of the Existing Credit Agreement), duly executed and delivered by each party thereto and, to the extent applicable, certified as of a recent date by the appropriate governmental official, each dated the Amendment Effective Date or a recent date prior thereto;

(B) *FlexFIN Restructuring Documents*. Attached thereto are copies of the Holdco LLC Agreement, the FlexFIN LLC Agreement, the Contribution Agreement, and each of the instruments, agreements or other documents to be entered into in connection therewith and the FlexFIN Restructuring (collectively, the "FlexFIN Restructuring Documents"), duly executed and delivered by each party thereto and, to the extent applicable, certified as of a recent date by the appropriate governmental official, each dated the Amendment Effective Date or a recent date prior thereto;

(C) *Resolutions.* Attached thereto are copies of resolutions of the Board of Directors or other governing body of such Loan Party approving and authorizing the execution, delivery and performance of this Amendment, certified as of the Amendment Effective Date as being in full force and effect without modification or amendment; and

(D) *Good Standing Certificates.* Attached thereto is a good standing certificate (or, if applicable, such other comparable certificate) from the applicable Governmental Authority of such Loan Party's jurisdiction of incorporation, organization or formation and in each jurisdiction in which it is qualified as a foreign corporation or other entity to do business, each dated a recent date prior to the Amendment Effective Date;

(iii) a written opinion of the Loan Parties' counsel, addressed to the Administrative Agent and the Lenders, in form and substance satisfactory to the Administrative Agent; and

(iv) the results of a recent search of all effective UCC financing statements (or equivalent filings) made with respect to any personal or mixed property of the Borrower, Holdco and PFIH in the appropriate jurisdictions, together with copies of all such filings disclosed by such search; and

(b) the Borrowers shall have paid all fees and expenses required to be paid under the Credit Agreement, including the fees and expenses of counsel to the Administrative Agent;

(c) the FlexFIN Restructuring Documents shall be in form and substance satisfactory to the Administrative Agent, each of the conditions to the Loan Parties' obligations set forth in the FlexFIN Restructuring Documents shall have been satisfied, and the FlexFIN Restructuring shall have been consummated, or shall be consummated substantially contemporaneously with the execution and delivery of this Amendment, in each case, in accordance with the terms of this Amendment and the FlexFIN Restructuring Documents; and

(d) on the Amendment Effective Date, the representations and warranties contained in the Credit Agreement and in the other Loan Documents shall be true and correct in all respects on and as of the Amendment Effective Date to the same extent as though made on and as of that date, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true and correct in all respects on and as of such earlier date.

**4. Representations and Warranties.** Each Loan Party represents, warrants and certifies to the Administrative Agent and Lenders that:

(a) each Loan Party and its Subsidiaries are duly organized, validly existing and in good standing under the laws of their respective jurisdictions of organization or incorporation;

(b) each Loan Party has full right, power and authority to execute and deliver this Amendment and perform their obligations hereunder and under the other Loan Documents;

(c) the execution and delivery of this Amendment by the Loan Parties and the performance by them of their respective obligations hereunder and under the Loan Documents have been duly authorized by all necessary action and do not and will not (i) violate any of the organizational documents of any Loan Party or otherwise require any approval of any stockholder, member or partner of any Loan Party, except for such approvals or consents which will be obtained on or before the Amendment Effective Date; (ii) violate any provision of any Requirement of Law, judgment, injunction, order or decree applicable to or otherwise binding on any Loan Party or Subsidiary; (iii) result in or require the creation or imposition of any Lien upon any of the properties or assets of any Loan Party or Subsidiary (other than any Liens created pursuant to the Loan Documents); or (iv) result in any default, noncompliance, suspension, revocation, impairment, forfeiture or nonrenewal of any material permit, license, authorization or approval applicable to its operations or any of its properties;

(d) this Amendment and the other Loan Documents are the legal, valid and binding obligations of the Loan Parties, enforceable against them in accordance with their terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability;

(e) the representations and warranties contained in Article III of the Credit Agreement, and in the other Loan Documents, are true and correct in all respects on and as of the Amendment Effective Date to the same extent as though made on and as of that date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date;

(f) no Default or Event of Default exists immediately prior to or after the execution and delivery of this Amendment; and

(g) the Loan Parties are in compliance with the covenants contained in Section 6.12 of the Credit Agreement.

**5. Reaffirmation.** By its execution hereof, each Loan Party hereby expressly (a) acknowledges and agrees to the terms and conditions of this Amendment, (b) ratifies, restates, and reaffirms all of its respective Obligations, covenants, representations, warranties and other obligations set forth in the Credit Agreement and the other Loan Documents to which it is a party (except to the extent expressly modified hereby), and (c) acknowledges that its respective covenants, representations, warranties and other obligations set forth in the Credit Agreement and the other Loan Documents to which it is a party remain in full force and effect (except to the extent modified hereby). Except as expressly modified hereby, the Credit Agreement and the other Loan Documents shall remain unaltered and in full force and effect in accordance with their respective terms. Payment of the Obligations under the Loan Documents, and any other obligations of the Loan Parties to the Lenders, presently existing or hereafter arising, remain and shall be and hereby are secured by all of the Collateral Documents. The Loan Parties ratify and confirm the provisions of the Collateral Documents, and represent and warrant that such documents continue to create first liens and first perfected security interests in the Collateral described therein.

**6. Release.** Each Loan Party hereby jointly and severally acknowledges and agrees that neither it nor any of its Subsidiaries has any claim or cause of action against the Administrative Agent or any Lender (or any of the directors, officers, employees, agents, attorneys or consultants of any of the foregoing), or any defense, set-off, objection or challenge against payment of any sums currently owing or enforcement of any terms, under or with respect to the Loans, the Credit Agreement, or the Loan Documents. Notwithstanding the foregoing, the Administrative Agent and the Lenders wish (and the Loan Parties agree) to eliminate any possibility that any past conditions, acts, omissions, events or circumstances would impair or otherwise adversely affect any of their respective rights, interests, security and/or remedies. Accordingly, for and in consideration of the agreements contained in this Amendment and other good and valuable consideration, each Loan Party (for itself and its Subsidiaries and Affiliates and the successors, assigns, heirs and representatives of each of the foregoing) (collectively, the "Releasors") does hereby jointly, severally, fully, finally, unconditionally and irrevocably release, waive and forever discharge the Administrative Agent and the Lenders, together with their respective Affiliates and Related Funds, and each of the Related Parties of each of the foregoing (collectively, the "Released Parties"), from any and all debts, claims, allegations, obligations, damages, costs, attorneys' fees, suits, demands, liabilities, actions, proceedings and causes of action, in each case, whether known or unknown,

contingent or fixed, direct or indirect, and of whatever nature or description, and whether in law or in equity, under contract, tort, statute or otherwise, which any Releasor has heretofore had or now or hereafter can, shall or may have against any Released Party by reason of any act, omission or thing whatsoever done or omitted to be done, in each case, arising out of, connected with or related to this Amendment, the Credit Agreement or any other Loan Document, or any act, event or transaction related or attendant thereto, or the agreements of the Administrative Agent or any Lender contained therein, or the possession, use, operation or control of any of the assets of any Loan Party in connection with the Credit Agreement or the other Loan Documents, or the making of any Loans or other advances, or the management of such Loans or other advances or the Collateral (collectively, the "Claims"). Each Loan Party represents and warrants that it has no knowledge of any Claim by any Releasor against any Released Party or of any facts or acts or omissions of any Released Party which on the date hereof would be the basis of a Claim by any Releasor against any Released Party which would not be released hereby. It is the express intent of Releasors and the Released Parties that the release and discharge set forth in this Section be construed as broadly as possible in favor of the Released Parties so as to foreclose forever the assertion by any of the Releasors of any Claims against any of the Releasees. For the avoidance of doubt, the provisions in this Section 6 do not apply to the ongoing obligations of the Administrative Agent and the Lenders expressly set forth in the Loan Documents including the Commitments and obligations to make Loans as set forth therein.

**7. No Novation.** The parties to this Amendment intend that this Amendment shall not constitute a substitution or novation, and nothing herein contained shall be construed as a substitution or novation, of any Obligations outstanding under the Credit Agreement, any Loan Document, or any instrument securing the same, all of which shall remain in full force and effect, except as expressly modified hereby.

**8. Amendment Documents as Loan Documents.** Each Loan Party hereby acknowledges and agrees that this Amendment and each other Amendment Document constitutes a "Loan Document" under the Credit Agreement, and shall be subject to the terms of the Credit Agreement. Accordingly, it shall be an immediate Event of Default under the Credit Agreement if (i) any representation or warranty made by any Loan Party under or in connection with this Amendment or any other Amendment Document shall have been incorrect in any respect when made or deemed made, or (ii) any Loan Party shall fail to perform or observe any term, covenant or agreement contained in this Amendment or any other Amendment Document.

**9. General Provisions.** Sections 9.01, 9.03, 9.06, 9.07, 9.09 and 9.10 of the Existing Credit Agreement shall be incorporated herein by reference, *mutatis mutandis*.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective authorized officers as of the day and year first above written.

**BORROWER:**

PHENIXFIN CORPORATION

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

**GUARANTORS:**

PHENIXFIN SMALL BUSINESS FUND GP, LLC

By: PHENIXFIN CORPORATION, its Member

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

PHENIXFIN SMALL BUSINESS FUND, LP

By: PHENIXFIN SMALL BUSINESS FUND GP, LLC, its  
General Partner

By: PHENIXFIN CORPORATION, its Member

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

PHENIXFIN SLF FUNDING I LLC

By: PHENIXFIN CORPORATION, its Member

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

[Loan Parties Signature Page - First Amendment to Credit Agreement]

---

PHENIXFIN INVESTMENT HOLDINGS LLC

By: PHENIXFIN CORPORATION, its Member

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

PHENIXFIN INVESTMENT HOLDINGS AAR LLC

By: PHENIXFIN CORPORATION, its Member

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

PHENIXFIN INVESTMENT HOLDINGS AMVESTAR LLC

By: PHENIXFIN CORPORATION, its Member

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

PHENIXFIN INVESTMENT HOLDINGS OMNIVERE LLC

By: PHENIXFIN CORPORATION, its Member

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

PHENIXFIN INVESTMENTS, LLC

By: PHENIXFIN CORPORATION, its Member

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

[Loan Parties Signature Page - First Amendment to Credit Agreement]

---

**ADMINISTRATIVE AGENT:**

WOODFOREST NATIONAL BANK, as  
Administrative Agent

By: /s/ Thomas Angley  
Name: Thomas Angley  
Title: Senior Vice President

**LENDERS:**

WOODFOREST NATIONAL BANK, as a Lender

By: /s/ Thomas Angley  
Name: Thomas Angley  
Title: Senior Vice President

[Signature Page to First Amendment to Credit Agreement]

---

VALLEY NATIONAL BANK, as a Lender

By: /s/ Kristina Salvo  
Name: Kristina Salvo  
Title: Vice President

[Signature Page to First Amendment to Credit Agreement]

---

AXIOM BANK, as a Lender

By: /s/ T.C. Wilde  
Name: T.C. Wilde  
Title: SVP

[Signature Page to First Amendment to Credit Agreement]

COMMITMENT SCHEDULE

(as of February 21, 2024)

Lender	Revolving Commitment	Commitment
Woodforest National Bank	\$27,500,000.00	\$27,500,000.00
Valley National Bank	\$25,000,000.00	\$25,000,000.00
Axiom Bank	\$10,000,000.00	\$10,000,000.00
<b>Total</b>	<b>\$62,500,000.00</b>	<b>\$62,500,000.00</b>

Schedule 3.15  
CAPITALIZATION AND SUBSIDIARIES

Loan Party	Type of Entity	State of Organization	Owner	Ownership Interest / Number of Shares	Class of Ownership Interest / Shares
PhenixFIN Corporation	Corporation	Delaware	N/A	N/A	N/A
PhenixFIN Small Business Fund GP, LLC	Limited Liability Company	Delaware	PhenixFIN Corporation	100%	N/A
PhenixFIN Small Business Fund, LP	Limited Partnership	Delaware	PhenixFIN Small Business Fund GP, LLC	100%	General Partnership Interest / N/A
PhenixFIN Small Business Fund, LP	Limited Partnership	Delaware	PhenixFIN Corporation	100%	Limited Partnership Interest / N/A
PhenixFIN SLF Funding I LLC	Limited Liability Company	Delaware	PhenixFIN Corporation	100%	N/A
PhenixFIN Investment Holdings LLC	Limited Liability Company	Delaware	PhenixFIN Corporation	100%	N/A
PhenixFIN Investment Holdings AAR LLC	Limited Liability Company	Delaware	PhenixFIN Corporation	100%	N/A
PhenixFIN Investment Holdings AmveStar, LLC	Limited Liability Company	Delaware	PhenixFIN Corporation	100%	N/A
PhenixFIN Investment Holdings OmniVere LLC	Limited Liability Company	Delaware	PhenixFIN Corporation	100%	N/A
PhenixFIN Investments, LLC	Limited Liability Company	Delaware	PhenixFIN Corporation	100%	N/A

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

I, David Lorber, certify that:

- 1) I have reviewed this Quarterly Report on Form 10-Q of PhenixFIN Corporation (the "Company");
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
- 4) The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company 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: May 10, 2024

/s/ David Lorber

\_\_\_\_\_  
David Lorber  
Chief Executive Officer  
(Principal Executive Officer)

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

I, Ellida McMillan, certify that:

- 1) I have reviewed this Quarterly Report on Form 10-Q of PhenixFIN Corporation (the "Company");
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
- 4) The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company 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: May 10, 2024

/s/ Ellida McMillan

Ellida McMillan  
Chief Financial Officer  
(Principal Financial Officer)

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

In connection with the Quarterly Report on Form 10-Q of PhenixFIN Corporation, (the "Company") for the quarterly period ended March 31, 2024, 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: May 10, 2024

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

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