

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2022

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

For the transition period from _____ to _____
Commission File No. 814-00735

Portman Ridge Finance Corporation

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-5951150
(I.R.S. Employer
Identification Number)

650 Madison Avenue, 23rd Floor
New York, New York 10022
(Address of principal executive offices)

(212) 891-2880

(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 \$0.01 per share	PTMN	The NASDAQ Global Select Market

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "non-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 7(a)(2)(B) of the Securities Act.

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

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

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

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of June 30, 2022 was approximately \$221,736,014 based upon a closing price of \$23.43 reported for such date by The NASDAQ Global Select Market. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of outstanding shares of common stock of the registrant as of March 8, 2023 was 9,551,548.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the 2023 annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days following the end of the registrant's fiscal year-end are incorporated by reference into Part III of this report.

NOTE ABOUT REFERENCES TO PORTMAN RIDGE FINANCE CORPORATION

In this Annual Report on Form 10-K, the "Company", "Portman Ridge", "we", "us" and "our" refer to Portman Ridge Finance Corporation and its wholly-owned subsidiaries, unless the context otherwise requires.

NOTE ABOUT TRADEMARKS

Portman Ridge Finance Corporation, our logo and other trademarks of Portman Ridge Finance Corporation are the property of Portman Ridge Finance Corporation. All other trademarks or trade names referred to in this Annual Report are the property of their respective owners.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements. The matters discussed in this Annual Report, as well as in future oral and written statements by the Company, that are forward-looking statements are based on current management expectations that involve substantial risks and uncertainties which could cause actual results to differ materially from the results expressed in, or implied by, these forward-looking statements. Forward-looking statements relate to future events or our future financial performance. We generally identify forward-looking statements by terminology such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “could,” “intend,” “target,” “project,” “contemplate,” “believe,” “estimate,” “predict,” “potential,” or “continue” or the negative of these terms or other similar words, although not all forward-looking statements include these words. Important assumptions include our ability to originate new investments, achieve certain margins and levels of profitability, the availability of additional capital, our ability to successfully and profitably integrate acquired assets and companies, and the ability to maintain certain debt to asset ratios. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this Annual Report should not be regarded as a representation by us that our plans or objectives will be achieved.

The forward-looking statements contained in this Annual Report on Form 10-K include statements as to:

- our future operating results;*
- our business prospects and the prospects of our existing and prospective portfolio companies;*
- the return or impact of current and future investments;*
- our contractual arrangements and other relationships with third parties;*
- the dependence of our future success on the general economy and its impact on the industries in which we invest;*
- the financial condition and ability of our existing and prospective portfolio companies to achieve their objectives;*
- our expected financings and investments;*
- our regulatory structure and tax treatment;*
- our ability to operate as a business development company and a regulated investment company, including the impact of changes in laws or regulations governing our operations or the operations of our portfolio companies;*
- the adequacy of our cash resources and working capital;*
- the timing of cash flows, if any, from the operations of our portfolio companies;*
- the impact of a protracted decline in the liquidity of credit markets on our business;*
- the impact of fluctuations in interest rates on our business;*
- the valuation of our investments in portfolio companies, particularly those having no liquid trading market;*
- our ability to recover unrealized losses;*
- market conditions and our ability to access additional capital; and*
- the timing, form and amount of any dividend distributions.*

For a discussion of factors that could cause our actual results to differ from forward-looking statements contained in this Annual Report, please see the discussion under “Risk Factors” in Item 1A. You should not place undue reliance on these forward-looking statements. The forward-looking statements made in this Annual Report relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances occurring after the date of this Annual Report unless required by law.

Item 1. Business

In this Annual Report on Form 10-K, the “Company”, “Portman Ridge”, “we”, “us” and “our” refer to Portman Ridge Finance Corporation and its wholly-owned subsidiaries, unless the context otherwise requires.

GENERAL**Our Company**

We are an externally managed, non-diversified closed-end investment company that has elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940 (the “1940 Act”). Sierra Crest Investment Management LLC (the “Adviser”) is an affiliate of BC Partners LLP (“BC Partners”). Subject to the overall supervision of the Board, the Adviser is responsible for managing our business and activities, including sourcing investment opportunities, conducting research, performing diligence on potential investments, structuring our investments, and monitoring our portfolio companies on an ongoing basis through a team of investment professionals.

The Adviser seeks to invest on our behalf in performing, well-established middle market businesses that operate across a wide range of industries (i.e., no concentration in any one industry). The Adviser employs fundamental credit analysis, targeting investments in businesses with relatively low levels of cyclicality and operating risk. The holding size of each position will generally be dependent upon a number of factors including total facility size, pricing and structure, and the number of other lenders in the facility. The Adviser has experience managing levered vehicles, both public and private, and seeks to enhance our returns through the use of leverage with a prudent approach that prioritizes capital preservation. The Adviser believes this strategy and approach offers attractive risk/return with lower volatility given the potential for fewer defaults and greater resilience through market cycles.

We originate, structure, and invest in secured term loans, bonds or notes and mezzanine debt primarily in privately-held middle market companies but may also invest in other investments such as loans to publicly-traded companies, high-yield bonds, and distressed debt securities (collectively the “Debt Securities Portfolio”). We also invest in joint ventures and debt and subordinated securities issued by collateralized loan obligation funds (“CLO Fund Securities”). In addition, from time to time we may invest in the equity securities of privately held middle market companies and may also receive warrants or options to purchase common stock in connection with our debt investments.

In our Debt Securities Portfolio, our investment objective is to generate current income and, to a lesser extent, capital appreciation from the investments in senior secured term loans, mezzanine debt and selected equity investments in privately-held middle market companies. We define the middle market as comprising companies with earnings before interest, taxes, depreciation and amortization (“EBITDA”) of \$10 million to \$50 million and/or total debt of \$25 million to \$150 million. We primarily invest in first and second lien term loans which, because of their priority in a company’s capital structure, we expect will have lower default rates and higher rates of recovery of principal if there is a default and which we expect will create a stable stream of interest income. The investments in our Debt Securities Portfolio are all or predominantly below investment grade, and have speculative characteristics with respect to the issuer’s capacity to pay interest and repay principal.

From time-to-time we have made investments in CLO Fund Securities managed by other asset managers. Our collateralized loan obligation funds (“CLO Funds”) typically invest in broadly syndicated loans, high-yield bonds and other credit instruments.

Our investment portfolio (excluding our investments in the CLO Funds and Joint Ventures, as defined below) at December 31, 2022 was spread across 31 different industries and 119 different entities with an average par balance per entity of approximately \$3.3 million. Our investment portfolio totaled \$576.5 million at fair value as of December 31, 2022.

Subject to market conditions, we intend to grow our portfolio of assets by raising additional capital, including through the prudent use of leverage available to us. As a BDC, we are limited in the amount of leverage we can incur under the 1940 Act. Effective March 29, 2019, we are allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 150% after such borrowing. Because we also recognize the need to have funds available for operating our business and to make investments, we seek to have adequate liquidity at all times to cover normal cyclical swings in funding availability and to allow us to meet abnormal and unexpected funding requirements. As a result, we may hold varying amounts of cash and other short-term investments from time-to-time for liquidity purposes.

We have elected to be treated for U.S. federal income tax purposes as a regulated investment company (“RIC”) under the Internal Revenue Code of 1986, as amended (the “Code”) and intend to operate in a manner to maintain our RIC status. See “-Taxation as a Regulated Investment Company” below.

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

The Externalization

On April 1, 2019 (the “Closing”), we became externally managed (the “Externalization”) by the Adviser, an affiliate of BC Partners LLP, pursuant to a stock purchase and transaction agreement (the “Externalization Agreement”) with BC Partners Advisors L.P. (“BCP”), an affiliate of BC Partners. In connection with the Externalization, our stockholders approved an investment advisory agreement (the “Advisory Agreement”) with the Adviser. See “-Advisory Agreement” below.

Pursuant to the Externalization Agreement with BCP, the Adviser became our investment adviser in exchange for a cash payment from BCP, or its affiliate, of \$25 million, or \$0.669672 per share of our common stock, directly to our stockholders. In addition, the Adviser (or its affiliate) will use up to \$10 million of the incentive fee actually paid to the Adviser prior to the second anniversary of the Closing to buy newly issued shares of our common stock at the most recently determined net asset value per share of our common stock at the time of such purchase. From inception, the Adviser has purchased approximately \$4.6 million newly issued shares of our common stock in connection with the agreement. For the period of one year from the first day of the first quarter following the quarter in which the Closing occurred, the Adviser agreed to permanently forego up to the full amount of the incentive fees earned by the Adviser without recourse against or reimbursement by us, to the extent necessary in order to achieve aggregate net investment income per share of common stock for such one-year period to be at least equal to \$0.40 per share, subject to certain adjustments. BCP and the Adviser’s total financial commitment to the transactions contemplated by the Externalization Agreement was \$35.0 million.

On the date of the Closing, we changed our name from KCAP Financial, Inc. to Portman Ridge Finance Corporation and on April 2, 2019, began trading on the NASDAQ Global Select Market under the symbol “PTMN.”

GARS Transaction

On October 28, 2020, we completed our acquisition of Garrison Capital Inc., a publicly traded BDC (“GARS”, and such transaction the “GARS Acquisition”). To effect the acquisition, our wholly owned merger subsidiary merged with and into GARS, with GARS surviving the merger as our wholly owned subsidiary. Immediately thereafter and as a single integrated transaction, GARS consummated a second merger, whereby GARS merged with and into us, with the Company surviving the merger.

In accordance with the terms of the merger agreement for the GARS Acquisition, dated June 24, 2020 (the “GARS Merger Agreement”), each share of common stock, par value \$0.001 per share, of GARS (the “GARS Common Stock”) issued and outstanding was converted into the right to receive (i) an amount in cash, without interest, equal to approximately \$1.19 and (ii) approximately 1.917 shares of common stock, par value \$0.01 per share, of the Company (plus any applicable cash in lieu of fractional shares). Each share of GARS Common Stock issued and outstanding received, as additional consideration funded by the Adviser, an amount in cash, without interest, equal to approximately \$0.31. In connection with the closing of the GARS Acquisition, the Board approved an increase in the size of the Board from seven members to nine members, and appointed two former GARS directors to the Board.

HCAP Transaction

On June 9, 2021 we completed our acquisition of Harvest Capital Credit Corporation, a publicly traded BDC (“HCAP”, and such transaction the “HCAP Acquisition”). To effect the acquisition, our wholly owned merger subsidiary (“Acquisition Sub”) merged with and into HCAP, with HCAP surviving the merger as the Company’s wholly owned subsidiary. Immediately thereafter and as a single integrated transaction, HCAP consummated a second merger, whereby HCAP merged with and into the Company, with the Company surviving the merger. As a result of, and as of the effective time of, the second merger, HCAP’s separate corporate existence ceased.

Under the terms of the merger agreement for the HCAP Acquisition, dated December 23, 2020 (the “HCAP Merger Agreement”), HCAP stockholders as of immediately prior to the effective time of the first merger (other than shares held by a subsidiary of HCAP or held, directly or indirectly, by the Company or Acquisition Sub, and all treasury shares (collectively, “Cancelled Shares”)) received a combination of (i) \$18.54 million in cash paid by the Company, (ii) 15,252,453 validly issued, fully paid and non-assessable shares of the Company’s common stock, par value \$0.01 per share, and (iii) an additional cash payment from the Adviser of \$2.15 million in the aggregate.

Reverse Stock Split

On August 23, 2021, the Company filed a Certificate of Amendment (the “Reverse Stock Split Certificate of Amendment”) to the Company’s Certificate of Incorporation with the Secretary of State of the State of Delaware to effect a 1-for-10 reverse stock split of the issued and outstanding (or held in treasury) shares of the Company’s common stock, par value \$0.01 per share (the “Reverse Stock Split”). The Reverse Stock Split became effective as of 12:01 a.m. (Eastern Time) on August 26, 2021.

As a result of the Reverse Stock Split, every ten shares of issued and outstanding common stock were automatically combined into one issued and outstanding share of common stock. There was no change in the par value per share or the rights and preferences to the shareholders. No fractional shares were issued as a result of the Reverse Stock Split. Instead, any stockholder who would have been entitled to receive a fractional share as a result of the Reverse Stock Split received cash payments in lieu of such fractional shares (without interest and subject to backup withholding and applicable withholding taxes).

On August 23, 2021, the Company filed a Certificate of Amendment to decrease the number of authorized shares of common stock by one half of the reverse stock split ratio (the “Decrease Shares Certificate of Amendment”) with the Secretary of State of the State of Delaware. The Decrease Shares Certificate of Amendment became effective as of 12:05 a.m. (Eastern Time) on August 26, 2021. Following the effectiveness of the Decrease Shares Certificate of Amendment, the number of authorized shares of common stock under the Company’s Certificate of Incorporation was reduced from 100 million shares to 20 million shares. The Reverse Stock Split Certificate of Amendment and the Decrease Shares Certificate of Amendment were approved by the Company’s stockholders at its annual meeting held on June 7, 2021 and were approved by the Board on August 4, 2021.

All share and per share values have been adjusted retroactively to reflect the split for all periods presented, except where otherwise noted.

Advisers’ Corporate Information

The Advisers’ principal executive offices are located at 650 Madison Avenue, 23rd Floor, New York, New York 10022, and our telephone number is (212) 891-2880.

Available Information

We maintain a website on the Internet at www.portmanridge.com. The information contained in our website is not incorporated by reference into this Annual Report. We make copies of our periodic and current reports and other information meeting the informational requirements of the Securities Exchange Act of 1934 (the “Exchange Act”) available on the Investor Relations-SEC Filings section of our website free of charge as soon as reasonably practicable after we electronically file the information with, or furnish it to, the SEC. The SEC maintains an Internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information filed electronically by us with the SEC.

Investment Portfolio

Our investment portfolio generates investment income, which is generally used to pay principal and interest on our borrowings, our operating expenses, and to fund distributions to our stockholders. Our investment portfolio consists primarily of our Debt Securities Portfolio, investments in joint ventures and investments in CLO Fund Securities.

Debt Securities Portfolio. We target privately-held middle market companies that have strong historical cash flows, experienced management teams and identifiable and defensible market positions in industries with positive dynamics. We generally target companies that generate positive cash flows because we look to cash flows as the primary source for servicing debt.

We employ a disciplined approach in the selection and monitoring of our investments. Generally, we target investments that will generate a current return through interest income to provide for stability in our shareholder distributions and place less reliance on realized capital gains from our investments. Our investment philosophy is focused on preserving capital with an appropriate return profile relative to risk. Our investment due diligence and selection generally focuses on an underlying issuer’s net cash flow after capital expenditures to service its debt rather than on multiples of net income, valuations or other broad benchmarks which frequently miss the nuances of an issuer’s business and prospective financial performance. We also generally avoid concentrations in any one industry or issuer. We manage risk by following our internal credit policies and procedures.

When we extend senior and junior secured term loans, we will generally take a security interest in the available assets of the portfolio company, including the equity interests of its subsidiaries, which we expect to help mitigate the risk that we will not be repaid. Nonetheless, there is a possibility that our lien could be subordinated to claims of other creditors. Structurally, mezzanine debt ranks subordinate in priority of payment to senior term loans and is often unsecured. Relative to equity, mezzanine debt ranks senior to common and preferred equity in a borrower's capital structure. Typically, mezzanine debt has elements of both debt and equity instruments, offering the fixed returns in the form of interest payments associated with a loan, while providing an opportunity to participate in the capital appreciation of a borrower, if any, through an equity interest that is typically in the form of equity purchased at the time the mezzanine loan is originated or warrants to purchase equity at a future date at a fixed cost. Mezzanine debt generally earns a higher return than senior secured debt due to its higher risk profile and usually less restrictive covenants. From time to time we may receive warrants in connection with a mezzanine debt investment. The warrants associated with mezzanine debt are typically detachable, which allows lenders to receive repayment of their principal on an agreed amortization schedule on the debt security while retaining an equity interest in the borrower. Mezzanine debt with warrants also may include a "put" feature, which permits the holder to sell its equity interest back to the borrower at a price determined through an agreed formula.

Below are summary attributes for our Debt Securities Portfolio as of and for the year ended December 31, 2022:

- represented approximately 82% of the total investment portfolio at fair value;
- contained credit instruments issued by corporate borrowers;
- primarily comprised of senior secured and junior secured loans (88% and 12% of Debt Securities Portfolio, respectively);
- spread across 31 different industries and 119 different entities;
- average par balance per investment of approximately \$3.3 million;
- four investments were on non-accrual status; and
- the weighted average contractual interest rate on our interest earning Debt Securities Portfolio was approximately 11.1%.

Our Debt Securities Portfolio investments generally range between \$1 million to \$20 million, although particular investments may be larger or smaller. The size of individual investments will vary according to their priority in a company's capital structure, with larger investments in more secure positions in an effort to maximize capital preservation. The size of our investments and maturity dates may vary as follows:

- senior secured term loans from \$2 to \$20 million maturing in five to seven years;
- second lien term loans from \$5 to \$15 million maturing in six to eight years;
- senior unsecured loans from \$5 to \$23 million maturing in six to eight years;
- mezzanine loans from \$5 to \$15 million maturing in seven to ten years; and
- equity investments from \$1 to \$5 million.

Investment in Joint Ventures.

KCAP Freedom 3 LLC. During the third quarter of 2017, the Company and Freedom 3 Opportunities LLC ("Freedom 3 Opportunities"), an affiliate of Freedom 3 Capital LLC, entered into an agreement to create KCAP Freedom 3 LLC (the "F3C Joint Venture"). The Company and Freedom 3 Opportunities contributed approximately \$37 million and \$25 million, respectively, in assets to the F3C Joint Venture, which in turn used the assets to capitalize a new fund, Great Lakes KCAP F3C Senior Funding L.L.C. (formerly known as KCAP F3C Senior Funding, L.L.C.) (the "Fund") managed by KCAP Management, LLC, one of the Asset Manager Affiliates. In addition, the Fund used cash on hand and borrowings under a credit facility to purchase approximately \$184 million of primarily middle-market loans from us and we used the proceeds from such sale to redeem approximately \$147 million in debt issued by KCAP Senior Funding I, LLC ("KCAP Senior Funding"). The Fund invests primarily in middle-market loans and the F3C Joint Venture partners may source middle-market loans from time-to-time for the Fund. During the fourth quarter of 2017, the Fund was refinanced through the issuance of senior and subordinated notes. The F3C Joint Venture purchased 100% of the subordinated notes issued by the Fund. In connection with the refinancing, the F3C Joint Venture made a cash distribution to us of approximately \$12.6 million. Approximately \$11.2 million of this distribution was a reduction in the cost basis of our investment in the F3C Joint Venture. The final determination of the tax attributes of distributions from the F3C Joint Venture is made on an annual (full calendar year) basis at the end of the year, therefore, any estimate of tax attributes of distributions made on an interim basis may not be representative of the actual tax attributes of distributions for the full year.

While we own a 62.8% interest in the F3C Joint Venture, the F3C Joint Venture is structured as an unconsolidated Delaware limited liability company. All portfolio and other material decisions regarding the F3C Joint Venture must be submitted to its board of managers, which is comprised of four members, two of whom were selected by us and two of whom were selected by Freedom 3 Opportunities, and must be approved by at least one member appointed by us and one appointed by Freedom 3 Opportunities. In addition, certain matters may be approved by the F3C Joint Venture's investment committee, which is comprised of one member appointed by us and one member appointed by Freedom 3 Opportunities.

As of December 31, 2022, our investment in the F3C Joint Venture was approximately \$18.7 million at fair value.

Series A - Great Lakes Funding II LLC. In August 2022, we invested in Series A – Great Lakes Funding II LLC (the "Great Lakes II Joint Venture," collectively with the F3C Joint Venture the "Joint Ventures"), a joint venture with an investment strategy to underwrite and hold senior, secured unitranche loans made to middle-market companies. We treat our investment in the Great Lakes II Joint Venture as a joint venture since an affiliate of the Adviser controls a 50% voting interest in the Great Lakes II Joint Venture. In connection with the launch of the Great Lakes II Joint Venture, we entered into a series of transactions pursuant to which our prior investment in BCP Great Lakes Holdings LP, a vehicle formed as a co-investment vehicle to facilitate the participation of certain co-investors to invest, directly or indirectly, in BCP Great Lakes Funding, LLC (the "Prior Great Lakes Joint Venture"), and the corresponding assets held by the Prior Great Lakes Joint Venture in respect of our investment in BCP Great Lakes Holdings LP, were transferred to the Great Lakes II Joint Venture in complete redemption of our investment in BCP Great Lakes Holdings LP.

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

The fair value of our investment in the Great Lakes II Joint Venture at December 31, 2022 was approximately \$40.3 million at fair value. As of December 31, 2022, we had an aggregate \$8.0 million unfunded commitment to the Great Lakes II Joint Venture.

CLO Fund Securities. Our investments in CLO Fund Securities are primarily made up of minority investments in the subordinated securities or preferred stock of CLO Funds managed by other asset managers.

Below are summary attributes for our CLO Fund Securities, as of and for the year-ended December 31, 2022, unless otherwise specified:

- CLO Fund Securities represented approximately 3% of the total investment portfolio at fair value;
- CLO Fund Securities Portfolio represented investments in subordinated securities or equity securities issued by CLO Funds;
- all CLO Funds invested primarily in credit instruments issued by corporate borrowers;

Process

We review potential investment opportunities and conduct due diligence that typically includes a review of historical and prospective financial information, participation in a presentation held by the prospective portfolio company's management and/or the transaction sponsor, a review of the prospective portfolio company's product or service, an analysis and understanding of the drivers of the particular industry in which the prospective portfolio company operates, and an assessment of the debt service capabilities of the prospective portfolio company under a variety of assumed forecast scenarios.

Due to our ability to source transactions through multiple channels, we expect to continue to maintain a pipeline of opportunities to allow comparative risk return analysis and selectivity. By focusing on the drivers of revenue and cash flow, we develop our own underwriting cases, and multiple stress and event specific case scenarios for each company analyzed.

We focus on lending and investing opportunities in:

- companies with EBITDA of \$10 to \$50 million;
 - companies with financing needs of \$25 to \$150 million;
 - companies purchased by well-regarded private equity sponsors;
 - non-sponsored companies with successful business models, management teams and systems; and
 - high-yield bonds and broadly syndicated loans to larger companies on a selective basis.
- We source investment opportunities from:
- private equity sponsors;
 - regional investment banks for non-sponsored companies;
 - financial advisers and other market intermediaries; and
 - other middle market lenders with whom we can participate in loans.

In our experience, good credit judgment is based on a thorough understanding of both the qualitative and quantitative factors that determine a company's performance. Our analysis begins with an understanding of the fundamentals of the industry in which a company operates, including the current economic environment and the outlook for the industry. We also focus on the company's relative position within the industry and our historical ability to weather economic cycles. Other key qualitative factors include the experience and depth of the management team and the financial sponsor, if any.

Only after we have a comprehensive understanding of the qualitative factors do we focus on quantitative metrics. We believe that with the context provided by the qualitative analysis, we can gain a better understanding of a company's financial performance. We analyze a potential portfolio company's sales growth and margins in the context of our competition as well as our ability to manage our working capital requirements and our ability to generate consistent cash flow. Based upon this historical analysis, we develop a set of projections which represents a reasonable underwriting case of most likely outcomes for the company over the period of our investment. We also look at potential downside cases to determine a company's ability to service its debt in a stressed credit environment.

Elements of the *qualitative analysis* we use in evaluating investment opportunities include some combination of the following:

- industry fundamentals;
- competitive position and market share;
- impact of historical down-cycles on the industry and us;
- quality of financial and technology infrastructure;
- sourcing risks and opportunities;
- labor and union strategy;
- technology risk;
- diversity of customer base and product lines;
- quality of financial sponsor (if applicable); and
- acquisition and integration history.

Elements of the *quantitative analysis* we use in evaluating investment opportunities include some combination of the following:

- income statement analysis of growth and margin trends;
- cash flow analysis of capital expenditures and free cash flow;
- financial ratio and market share standing among comparable companies;
- financial projections: underwriting versus stress case;

- event specific credit modeling;
- credit profile trend;
- future capital expenditure needs and asset sale plans;
- downside protection to limit losses in an event of default;
- risk adjusted returns and relative value analysis; and
- enterprise and asset valuations.

The origination, structuring and credit approval processes are fully integrated. Our credit team is directly involved in all due diligence and analysis prior to the formal credit approval process by our Investment Committee.

Investment Committee

The Investment Committee serves to provide investment consistency and adherence to our core investment philosophy and policies.

Upon completion of the due diligence investigation, the underwriting team of investment professionals/analysts will prepare a credit underwriting memorandum that will summarize the contemplated transaction, present the investment highlights, analyze the risk in the transaction and mitigating factors to those risks, analyze the prospective portfolio's historical financial statements, financial projections, industry and management team, and will then present this memorandum with its recommendations to the Investment Committee for review and approval.

The approval of a majority of the Investment Committee is required for all investments.

Monitoring

Our Board, including a majority of its independent directors, oversees and monitors our investment performance and annually reviews the compensation we pay to the Adviser.

Our Adviser has significant experience monitoring credit portfolios. Along with origination and credit analysis, portfolio management is one of the key elements of our business. Most of our investments will not be liquid and, therefore, we must prepare to act quickly if potential issues arise so that we can work closely with the Adviser and the private equity sponsor, if applicable, of the portfolio company to take any necessary remedial action. In addition, most of the Adviser's senior management team, has substantial workout and restructuring experience.

In order to assist us in detecting issues with our Debt Securities Portfolio companies as early as possible, we perform a financial analysis at least quarterly on each portfolio company. This analysis typically includes:

- A summary of the portfolio company's current total credit exposure as well as our portion of this exposure.
- A summary and update of the portfolio company's financial condition and performance, including but not limited to, performance versus plan, deterioration/improvement in market position, or industry fundamentals, management changes or additions, and ongoing business strategy.
- Reaffirmation of, or proposal to change, the risk rating of the underlying investment.
- A summary of the portfolio company's financial covenant results vis a vis financial covenant levels established in the credit agreement.

Watch list credits are followed closely and discussed more frequently than quarterly, as appropriate.

About the Adviser

The Adviser is an affiliate of BC Partners. Subject to the overall supervision of the Board, the Adviser is responsible for managing our business and activities, including sourcing investment opportunities, conducting research, performing diligence on potential investments, structuring our investments, and monitoring our portfolio companies on an ongoing basis through a team of investment professionals.

The Adviser seeks to invest on our behalf in performing, well-established middle market businesses that operate across a wide range of industries (i.e., no concentration in any one industry). The Adviser employs fundamental credit analysis, targeting investments in businesses with relatively low levels of cyclical and operating risk. The holding size of each position will generally be dependent upon a number of factors including total facility size, pricing and structure, and the number of other lenders in the facility. The Adviser has experience managing levered vehicles, both public and private, and seeks to enhance our returns through the use of leverage with a prudent approach that prioritizes capital preservation. The Adviser believes this strategy and approach offers attractive risk/return with lower volatility given the potential for fewer defaults and greater resilience through market cycles.

BC Partners is a leading buyout firm with a 30-year history investing across Europe and North America with over €40 billion in assets under management in private equity, private credit and real estate strategies. The assets under management for BC Partners are based on actively managed commitments of its managed funds and relevant vehicles formed for the purpose of co-investing alongside such funds. BC Partners operates a private equity investment platform ("BCP PE") a credit investment platform ("BCP Credit") and a real estate investment platform as fully integrated businesses. Our investment activity will take place primarily within the BCP Credit platform. Integration with the broader BC Partners platform allows BCP Credit to leverage a team of investment professionals across its private equity platform including its operations team. The BCP Credit Investment Team (the "Investment Team") is led by Ted Goldthorpe who sits on both the BCP Credit and BCP PE investment committees.

During the fourth quarter of 2020, LibreMax Intermediate Holdings, LP ("LibreMax") sold its minority stake in the Adviser to a wholly-owned subsidiary of Mount Logan Capital Inc. ("Mount Logan"). An affiliate of BC Partners serves as administrator to Mount Logan.

Advisory Agreement

The Adviser provides management services to us pursuant to the Advisory Agreement. Under the terms of the Investment Advisory Agreement, the Adviser is responsible for the following:

- managing our assets in accordance with our investment objective, policies and restrictions;
- determining the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes;

- identifying, evaluating and negotiating the structure of our investments;
- monitoring our investments;
- determining the securities and other assets we will purchase, retain or sell;
- assisting the Board with its valuation of our assets;
- directing investment professionals of the Adviser to provide managerial assistance to our portfolio companies;
- performing due diligence on prospective portfolio companies;
- exercising voting rights in respect of portfolio securities and other investments for us;
- serving on, and exercising observer rights for, boards of directors and similar committees of our portfolio companies; and
- providing us with such other investment advisory, research and related services as we may, from time to time, reasonably require for the investment of capital.

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

Term

Unless earlier terminated as described below, the Investment Advisory Agreement will remain in effect from year-to-year if approved annually by a majority of the Board or by the holders of a majority of our outstanding shares, and, in each case, a majority of the independent directors.

The Advisory Agreement will automatically terminate within the meaning of the 1940 Act and related SEC guidance and interpretations in the event of its assignment. In accordance with the 1940 Act, without payment of any penalty, we may terminate the Advisory Agreement with the Adviser upon 60 days' written notice. The decision to terminate the agreement may be made by a majority of our Board or the stockholders holding a majority of the outstanding shares of our common stock. See "Advisory Agreement—Removal of Adviser" below. In addition, without payment of any penalty, the Adviser may generally terminate the Advisory Agreement upon 60 days' written notice and, in certain circumstances, the Adviser may only be able to terminate the Advisory Agreement upon 120 days' written notice.

Removal of Adviser

The Adviser may be removed by our Board or by the affirmative vote of a Majority of the Outstanding Shares. "Majority of the Outstanding Shares" means the lesser of (1) 67% or more of the outstanding shares of our common stock present at a meeting, if the holders of more than 50% of the outstanding shares of our common stock are present or represented by proxy or (2) a majority of outstanding shares of our common stock.

Compensation of Adviser

Pursuant to the terms of the Advisory Agreement, we pay the Adviser (i) a base management fee (the "Base Management Fee") and (ii) an incentive fee (the "Incentive Fee"). For the period from the date of the Advisory Agreement (the "Effective Date") through the end of the first calendar quarter after the Effective Date, the Base Management Fee will be calculated at an annual rate of 1.50% of our gross assets, excluding cash and cash equivalents, but including assets purchased with borrowed amounts, as of the end of such calendar quarter. Subsequently, the Base Management Fee will be 1.50% of our average gross assets, excluding cash and cash equivalents, but including assets purchased with borrowed amounts, at the end of the two most recently completed calendar quarters; provided, however, that the Base Management Fee will be 1.00% of our average gross assets, excluding cash and cash equivalents, but including assets purchased with borrowed amounts, that exceed the product of (i) 200% and (ii) the value of our net asset value at the end of the most recently completed calendar quarter. The Incentive Fee consists of two parts: (1) a portion based on our pre-incentive fee net investment income (the "Income-Based Fee") and (2) a portion based on the net capital gains received on our portfolio of securities on a cumulative basis for each calendar year, net of all realized capital losses and all unrealized capital depreciation on a cumulative basis, in each case calculated from the Effective Date, less the aggregate amount of any previously paid capital gains Incentive Fee (the "Capital Gains Fee"). The Income-Based Fee is 17.50% of pre-incentive fee net investment income with a 7.00% hurdle rate. The Capital Gains Fee is 17.50%. In connection with the Externalization, for the period of one year from the first day of the first quarter following the quarter in which the Closing occurred, the Adviser agreed to permanently forego up to the full amount of the incentive fees earned by the Adviser without recourse against or reimbursement by us, to the extent necessary in order to achieve aggregate net investment income per share of common stock for such one-year period to be at least equal to \$0.40 per share, subject to certain adjustments.

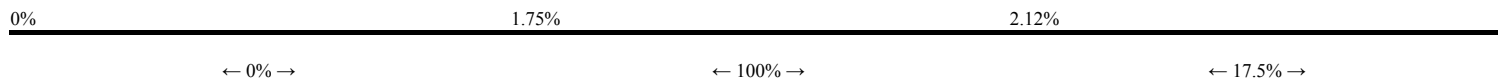
Pre-incentive fee net investment income means dividends (including reinvested dividends), interest and fee income accrued by us during the calendar quarter, minus operating expenses for the quarter (including the management fee, expenses payable under the administration agreement, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with payment-in-kind ("PIK") interest and zero coupon securities), accrued income that we may not have received in cash. The Adviser is not obligated to return the incentive fee it receives on PIK interest that is later determined to be uncollectible in cash. See "Item 1A. Risk Factors—Risks Related to Our Business and Structure - We may be obligated to pay the Adviser incentive compensation even if it incurs a net loss due to a decline in the value of our portfolio." Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

To determine the Income-Based Fee, pre-incentive fee net investment income is expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter. Because of the structure of the incentive fee, it is possible that we may pay an incentive fee in a calendar quarter in which we incur a loss. For example, if we receive pre-incentive fee net investment income in excess of the quarterly hurdle rate, we will pay the applicable incentive fee even if we have incurred a loss in that calendar quarter due to realized capital losses and unrealized capital depreciation. In addition, because the quarterly hurdle rate is calculated based on our net assets, decreases in our net assets due to realized capital losses or unrealized capital depreciation in any given calendar quarter may increase the likelihood that the hurdle rate is reached and therefore the likelihood of us paying an incentive fee for the subsequent quarter. Our net investment income used to calculate this component of the incentive fee is also included in the amount of our gross assets used to calculate the management fee because gross assets are total assets (including cash received) before deducting liabilities (such as declared dividend payments).

The following is a graphical representation of the calculation of the Income-Based Fee:

Quarterly Income-Based Fee

(expressed as a percentage of the value of net assets)



The second component of the incentive fee, the Capital Gains Fee, payable at the end of each calendar year in arrears, equals 17.50% of cumulative realized capital gains through the end of such calendar year commencing with the calendar year ending December 31, 2019, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, in each case calculated from the Effective Date, less the aggregate amount of any previously paid capital gains fee for prior periods. We will accrue, but will not pay, a Capital Gains incentive Fee with respect to unrealized appreciation because a Capital Gains incentive Fee would be owed to the Adviser if we were to sell the relevant investment and realize a capital gain. In no event will the capital gains incentive fee payable pursuant to the Investment Advisory Agreement be in excess of the amount permitted by the Investment Advisers Act of 1940, as amended (the “Advisers Act”) including Section 205 thereof.

The fees that are payable under the Investment Advisory Agreement for any partial period will be appropriately prorated.

Limitations of Liability and Indemnification

Under the Advisory Agreement, the Adviser, its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with the Adviser, including without limitation its managing member, will not be liable to us for acts or omissions performed in accordance with and pursuant to the Advisory Agreement, except those resulting from acts constituting criminal conduct, gross negligence, willful misfeasance, bad faith or reckless disregard of the duties that the Adviser owes to us under the Advisory Agreement. In addition, as part of the Advisory Agreement, we have agreed to indemnify the Adviser and each of its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with the Adviser, including without limitation its general partner, and the Administrator from and against any damages, liabilities, costs and expenses, including reasonable legal fees and other expenses reasonably incurred, in or by reason of any pending, threatened or completed action, suit, investigation or other proceeding (including an action or suit by or in the right of the Company or its security holders) arising out of or otherwise based upon the performance of any of the Adviser’s duties or obligations under the Advisory Agreement or otherwise as an investment adviser of the Company, except where attributable to criminal conduct, gross negligence, willful misfeasance, bad faith or reckless disregard of such person’s duties under the Advisory Agreement.

Board Approval of the Advisory Agreement

On December 12, 2018, our then-current Board held an in-person meeting to consider and approve the Advisory Agreement and related matters, and on April 1, 2019, we entered into the Advisory Agreement with the Adviser. Our Board most recently determined to re-approve the Advisory Agreement at a meeting held on March 6, 2023.

In reaching a decision to re-approve the Advisory Agreement, the Board was provided the information required to consider the Advisory Agreement, including: (a) the nature, quality and extent of the advisory and other services to be provided to us by the Adviser; (b) comparative data with respect to advisory fees or similar expenses paid by other BDCs with similar investment objectives; (c) our projected operating expenses and expense ratio compared to BDCs with similar investment objectives; (d) any existing and potential sources of indirect income to the Adviser from its relationship with us and the profitability of that relationship; (e) information about the services to be performed and the personnel performing such services under the Advisory Agreement; and (f) the organizational capability and financial condition of the Adviser and its affiliates.

The Board, including a majority of independent directors, will oversee and monitor our investment performance and annually reviews the compensation we pay to the Adviser.

Administration Agreement

Under the terms of the Administration Agreement between us and the Administrator, the Administrator will perform, or oversee the performance of, required administrative services, which includes providing office space, equipment and office services, maintaining financial records, preparing reports to stockholders and reports filed with the SEC, and managing the payment of expenses and the performance of administrative and professional services rendered by others. We will reimburse the Administrator for services performed for us pursuant to the terms of the Administration Agreement. In addition, pursuant to the terms of the Administration Agreement, the Administrator may delegate its obligations under the Administration Agreement to an affiliate or to a third party and we will reimburse the Administrator for any services performed for us by such affiliate or third party.

Payments under the Administration Agreement are equal to an amount that reimburses the Administrator for its costs and expenses in performing its obligations and providing personnel and facilities (including rent, office equipment and utilities) for our use under the Administration Agreement, including our allocable portion of the compensation paid to our chief compliance officer and chief financial officer and their respective staff who provide services to us. The Board, including the independent directors, will review the general nature of the services provided by the Administrator as well as the related cost to us for those services and consider whether the cost is reasonable in light of the services provided.

Unless earlier terminated as described below, the Administration Agreement will remain in effect from year-to-year if approved annually by a majority of the Board or by the holders of a Majority of the Outstanding Shares, and, in each case, a majority of the independent directors. On April 1, 2019, the Board approved the Administration Agreement with the Administrator and our Board most recently determined to re-approve the Administration Agreement at a meeting held on March 6, 2023.

We may terminate the Administration Agreement, without payment of any penalty, upon 60 days’ written notice. The decision to terminate the agreement may be made by a majority of the Board or the stockholders holding a Majority of the Outstanding Shares. In addition, the Adviser may terminate the Administration Agreement, without payment of any penalty, upon 60 days’ written notice.

Payment of Our Expenses under Our Advisory and Administration Agreements

Except as specifically provided below, we anticipate that all investment professionals and staffs of the Adviser, when and to the extent engaged in providing investment advisory and management services to us, and the compensation and routine overhead expenses (including rent, office equipment and utilities), of such personnel allocable to such services, will be provided and paid for by the Adviser. We will bear an allocable portion of the compensation paid by the Adviser (or its affiliates) to our chief compliance officer and chief financial officer and their respective staffs (based on a percentage of time such individuals devote, on an estimated basis, to our business affairs). We will also bear all other costs and expenses of our operations, administration and transactions, including, but not limited to (i) investment advisory fees, including management fees and incentive fees, to the Adviser, pursuant to our Advisory Agreement; (ii) an allocable portion of overhead and other expenses incurred by the Adviser (or its affiliates) in performing its administrative obligations under our Advisory Agreement; and (iii) all other expenses of our operations and transactions including, without limitation, those relating to:

- the cost of calculating our net asset value, including the cost of any third-party valuation services;
- the cost of effecting any sales and repurchases of our common stock and other securities;
- fees and expenses payable under any dealer manager or placement agent agreements, if any;
- administration fees payable under our Administration Agreement and any sub-administration agreements, including related expenses;
- debt service and other costs of borrowings or other financing arrangements;
- costs of hedging;
- expenses, including travel expense, incurred by the Adviser, or members of the investment team, or payable to third parties, performing due diligence on prospective portfolio companies and, if necessary, enforcing our rights;
- transfer agent and custodial fees;
- fees and expenses associated with marketing efforts;
- federal and state registration fees, any stock exchange listing fees and fees payable to rating agencies;
- federal, state and local taxes;
- independent directors' fees and expenses including certain travel expenses;
- costs of preparing financial statements and maintaining books and records and filing reports or other documents with the SEC (or other regulatory bodies) and other reporting and compliance costs, including registration and listing fees, and the compensation of professionals responsible for the preparation of the foregoing;
- the costs of any reports, proxy statements or other notices to stockholders (including printing and mailing costs), the costs of any stockholder or director meetings and the compensation of personnel responsible for the preparation of the foregoing and related matters;
- commissions and other compensation payable to brokers or dealers;
- research and market data;
- fidelity bond, directors and officers errors and omissions liability insurance and other insurance premiums;
- direct costs and expenses of administration, including printing, mailing, long distance telephone and staff;
- fees and expenses associated with independent audits, outside legal and consulting costs;
- costs of winding up our affairs;
- costs incurred by either the Administrator or us in connection with administering our business, including payments under our Administration Agreement;
- extraordinary expenses (such as litigation or indemnification); and
- costs associated with reporting and compliance obligations under the 1940 Act and applicable federal and state securities laws.

Allocation of Investment Opportunities and Potential Conflicts of Interest

Co-Investment Relief

As a BDC, we are subject to certain regulatory restrictions in making investments. For example, BDCs generally are not permitted to co-invest with certain affiliated entities in transactions originated by the BDC or its affiliates in the absence of an exemptive order from the SEC. However, BDCs are permitted to, and may, simultaneously co-invest in transactions where price is the only negotiated term. On October 23, 2018, the SEC issued an exemptive order to an affiliate of the Adviser that permits us to co-invest, subject to the satisfaction of certain conditions, in certain private placement transactions, with other funds managed by us or our affiliates. Under the terms of the exemptive order, in order for us to participate in a co-investment transaction a "required majority" (as defined in Section 57(o) of the 1940 Act) of our independent directors must conclude that (i) the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching with respect to us or our stockholders on the part of any person concerned, and (ii) the proposed transaction is consistent with the interests of our stockholders and is consistent with our investment objectives and strategies and certain criteria established by our Board.

Related Party Trades

For both the year ended December 31, 2022, the Company purchased \$4.0 million in total investments from a fund managed by an affiliate of the Investment Advisor in accordance with, and pursuant to, procedures adopted under Rule 17a-7 of the 1940 Act. There were no transactions subject to Rule 17a-7 under the 1940 Act during the year ended December 31, 2021.

DETERMINATION OF NET ASSET VALUE

We determine the net asset value per share of our common stock quarterly. The net asset value per share is equal to the value of our total assets minus liabilities and any preferred stock outstanding divided by the total number of shares of common stock outstanding.

Our net asset value per share was \$24.23 and \$28.88 as of December 31, 2022 and December 31, 2021, respectively. Since we report our assets at fair value for each reporting period, net asset value also represents the amount of stockholders' equity per share for the reporting period. Our net asset value is comprised primarily of investment assets less debt and other liabilities:

(\$ in thousands)	December 31, 2022		December 31, 2021	
	Fair Value ⁽¹⁾	Per Share ⁽¹⁾⁽²⁾	Fair Value ⁽¹⁾	Per Share ⁽¹⁾⁽²⁾
Investments at fair value:				
Non-Controlled/non-affiliated investments	\$ 483,698	\$ 50.48	\$ 452,482	\$ 46.65
Non Controlled affiliated investments	73,827	7.71	74,142	7.64
Controlled affiliated investments	18,953	1.98	23,361	2.41
Cash and cash equivalents	5,148	0.54	28,919	2.98
Restricted Cash ⁽³⁾	27,983	2.92	39,421	4.06
All other assets	9,877	1.03	29,976	3.10
Total Assets	\$ 619,486	\$ 64.66	\$ 648,301	\$ 66.84
2018-2 CLO Secured Notes (net of discount)	\$ 176,937	\$ 18.47	\$ 162,460	\$ 16.75
4.875% Notes Due 2026 (net of discount, net of offering costs)	105,478	11.01	104,892	10.81
Great Lakes Portman Ridge Funding LLC (net of offering costs)	90,893	9.49	79,839	8.23
Investment in Derivatives	-	-	2,412	0.25
Payable for open trades	1,276	0.13	5,397	0.56
Other liabilities	12,779	1.33	13,179	1.36
Total Liabilities	\$ 387,363	\$ 40.43	\$ 368,179	\$ 37.96
NET ASSET VALUE	\$ 232,123	\$ 24.23	\$ 280,122	\$ 28.88

- (1) Our balance sheet at fair value and resultant net asset value are calculated on a basis consistent with GAAP. Our per share presentation of such amounts (other than net asset value per share) is an internally derived non-GAAP performance measure calculated by dividing the applicable balance sheet amount by outstanding shares. We believe that the per share amounts for such balance sheet items are helpful in analyzing our balance sheet both quantitatively and qualitatively.
- (2) The Company completed a Reverse Stock Split of 10 to 1 effective August 26, 2021, amounts have been adjusted retroactively to reflect the split.
- (3) Consists of cash held for interest and principal payments on our borrowings.

Valuation

As a BDC, we invest primarily in illiquid securities, including loans to and equity of private companies and interests in other illiquid securities, such as interests in CLO Fund Securities, joint ventures, derivatives, partnerships and distressed debt securities. These portfolio investments may be subject to restrictions on resale and will generally have no established trading market. As a result, the Adviser determines in good faith the fair value of our portfolio investments pursuant to a valuation policy developed in accordance with the Financial Accounting Standards Board Accounting Standards Codification 820, Fair Value Measurements and Disclosures ("ASC 820: Fair Value"), and a valuation process approved by our Board and in accordance with the 1940 Act. Our valuation policy is intended to provide a consistent basis for determining the fair value of the portfolio. In December 2020, the SEC adopted Rule 2a-5 under the 1940 Act, which permits a BDC's board of directors to designate its investment adviser as a valuation designee to determine the fair value for its investment portfolio, subject to the active oversight of the board. Our Board adopted valuation policies and procedures pursuant to Rule 2a-5 and designated our Adviser to serve as our Board's valuation designee thereunder. Our Board remains ultimately responsible for making fair value determinations under the 1940 Act and satisfies its responsibility through oversight of the valuation designee in accordance with Rule 2a-5. We use independent valuation firms to provide third party valuation consulting services to us, the Adviser, and the Board of Directors. For additional information concerning valuation, see "Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations – Valuation of Portfolio Investments"; and Notes 2 and 4 to the financial statements.

Competition

Our primary competitors also provide financing to prospective portfolio companies. These include commercial investment banks, specialty finance companies, hedge funds, structured investment funds, and other BDCs. Our competitors may have a lower cost of funds, and many have access to funding sources that are not available to us. Many of these entities have greater managerial resources than we have, and the 1940 Act imposes certain regulatory restrictions on us as a BDC to which many of our competitors are not subject. For additional information concerning the competitive risks we face, see "Item 1A. Risk Factors — Risks Related to Our Business and Structure — We operate in a highly competitive market for investment opportunities."

Employees

Since the Externalization, we have not had any employees and do not expect to have any employees.

REGULATION

The following discussion is a general summary of some of the material prohibitions and restrictions governing BDCs generally. It does not purport to be a complete description of all the laws and regulations affecting BDCs.

A BDC is a unique kind of investment company that primarily focuses on investing in or lending to private or relatively small publicly traded companies and making managerial assistance available to them. The 1940 Act contains prohibitions and restrictions relating to transactions between BDCs and their directors and officers and certain other related persons and requires that a majority of the directors be persons other than "interested persons," as that term is defined in the 1940 Act. We have implemented certain procedures to ensure that we do not engage in any prohibited transactions with any persons affiliated with us.

In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a BDC unless approved by a majority of our outstanding voting securities. A majority of the outstanding voting securities of a company is defined under the 1940 Act as the lesser of (i) 67% or more of such company's shares present at a meeting or represented by proxy if more than 50% of the outstanding shares of such company are present or represented by proxy or (ii) more than 50% of the outstanding shares of such company.

Qualifying Assets

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

- Securities of an “eligible portfolio company” purchased in transactions not involving any public offering. An “eligible portfolio company” is defined in the 1940 Act as any issuer which:
 - (a) is organized under the laws of, and has its principal place of business in, the United States;
 - (b) is not an investment company (other than a small business investment company wholly-owned by the BDC) or a company that would be an investment company but for certain exclusions under the 1940 Act; and
 - (c) satisfies any of the following:
 - (i) does not have any class of securities listed on a national securities exchange (or, if it has a class of securities listed on a national securities exchange, has an aggregate market value of outstanding voting and non-voting common equity of less than \$250 million);
 - (ii) is controlled by a BDC or a group of companies including a BDC and the BDC has an affiliated person who is a director of the eligible portfolio company;
 - (iii) is a small and solvent company having total assets of not more than \$4 million and capital and surplus of not less than \$2 million; or
 - (iv) does not have outstanding any class of securities with respect to which a broker or dealer may extend margin credit.
- Securities of any eligible portfolio company that we control;
- Securities purchased in a private transaction from a U.S. issuer that is not an investment company and is in bankruptcy and subject to reorganization;
- Securities received in exchange for or distributed on or with respect to securities described above, or pursuant to the conversion of warrants or rights relating to such securities; and
- Cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment.

Significant Managerial Assistance

A BDC must be organized and have its principal place of business in the United States and must be operated for the purpose of making investments in the types of securities described above. In addition, BDCs must generally offer to make available to such issuer of the securities (other than small and solvent companies described above) significant managerial assistance; except that, where we purchase such securities in conjunction with one or more other persons acting together, one of the other persons is the group may make available such managerial assistance. Making available significant managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company through monitoring of portfolio company operations, selective participation in board and management meetings, consulting with and advising a portfolio company’s officers or other organizational or financial guidance.

Temporary Investments

Pending investment in other types of “Qualifying Assets,” as described above, our investments may consist of cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, so that at least 70% of our assets are “Qualifying Assets.” Typically, we invest in U.S. treasury bills or in repurchase agreements, provided that such agreements are fully collateralized by cash or securities issued by the U.S. government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed upon future date and at a price which is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25% of our total assets constitute repurchase agreements that are treated, under applicable tax rules, as being issued by a single counterparty, we would not meet the diversification tests imposed on us by the Code to qualify for tax treatment as a RIC for U.S. federal income tax purposes. Thus, we do not intend to enter into repurchase agreements treated as issued, under applicable tax rules, by a single counterparty in excess of this limit. We monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

Indebtedness; Coverage Ratio

We are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 150% immediately after each such issuance. In addition, with respect to certain types of senior securities, we must make provisions to prohibit any dividend distribution to our stockholders or the repurchase of certain of our securities, unless we meet the applicable asset coverage ratios at the time of the dividend distribution or repurchase. On March 29, 2018, our Board, including a “required majority” (as such term is defined in Section 57(o) of the 1940 Act) of the Board, approved the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the SBCA. As a result, our asset coverage requirement for senior securities was changed from 200% to 150%, effective as of March 29, 2019. We may also borrow amounts up to 5% of the value of our total assets for temporary purposes. For a discussion of the risks associated with the resulting leverage, see “Item 1A. Risk Factors — Risks Associated With Our Use of Leverage — We borrow money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us.”

Common Stock

We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, at a price below the current net asset value of the common stock if our Board determines that such sale is in our best interests and that of our stockholders, and our stockholders approve such sale. In any such case, the price at which our common stock is to be issued and sold may not be less than a price which, in the determination of our Board, closely approximates the market value of such common stock (less any distributing commission or discount). We may also make rights offerings to our stockholders at prices per share less than the net asset value per share, subject to applicable requirements of the 1940 Act. See “Item 1A. Risk Factors — Risks Related to Our Business and Structure — Regulations governing our operation as a BDC affect our ability to, and the way in which we, raise additional capital.”

Code of Ethics

We adopted and maintain a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to the code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements. A copy of the code of ethics is available on the Corporate Governance section of the Company's website at www.portmanridge.com. Our code of ethics is available on the EDGAR Database on the SEC's Internet site at <http://www.sec.gov>. Copies may be obtained by electronic request to publicinfo@sec.gov

Privacy Principles

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

Generally, we do not receive any non-public personal information relating to our stockholders, although some non-public personal information of our stockholders may become available to us. We do not disclose any non-public personal information about our stockholders or former stockholders to anyone, except as is necessary to service stockholder accounts, such as to a transfer agent, or as otherwise permitted by law.

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

Proxy Voting Policy and Procedures

Although the securities we hold are not typically voting securities, some of our investments could entitle us to voting rights. If this were to occur the Adviser would vote its portfolio securities in the best interest of our stockholders and the Adviser would review on a case-by-case basis each proposal submitted to a stockholder vote to determine its impact on the portfolio securities held by us. Although the Adviser would generally vote against proposals that it believes may have a negative impact on our portfolio securities, the Adviser may vote for such a proposal if it were to believe there exists a compelling long-term reason to do so.

Our voting decisions would be made by the Adviser, subject to authority assigned under our Advisory Agreement. To ensure that the Adviser's vote would not be the product of a conflict of interest, we would require that (1) anyone involved in the decision making process disclose to our Board any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a vote; and (2) employees involved in the decision making process or vote administration are prohibited from revealing how we intend to vote on a proposal to reduce any attempted influence from interested parties.

Exclusion from CFTC Regulation

Rule 4.5 of the Commodity Futures Trading Commission ("CFTC") permits investment advisers to BDCs to claim an exclusion from the definition of "commodity pool operator" under the Commodities Exchange Act (the "CEA") with respect to a fund, provided certain requirements are met. In order to permit our Adviser to claim this exclusion with respect to us, we must limit our transactions in certain futures, options on futures and swaps deemed "commodity interests" under CFTC rules (excluding transactions entered into for "bona fide hedging purposes," as defined under CFTC regulations) such that either: (i) the aggregate initial margin and premiums required to establish such futures, options on futures and swaps do not exceed 5% of the liquidation value of our portfolio, after taking into account unrealized profits and losses on such positions; or (ii) the aggregate net notional value of such futures, options on futures and swaps does not exceed 100% of the liquidation value of our portfolio, after taking into account unrealized profits and losses on such positions. In addition to meeting one of the foregoing trading limitations, we may not market our self as a commodity pool or otherwise as a vehicle for trading in the futures, options or swaps markets. Accordingly, we are not subject to regulation under the CEA or otherwise regulated by the CFTC. If the Adviser was unable to claim the exclusion with respect to us, the Adviser would become subject to registration and regulation as a commodity pool operator, which would subject the Adviser and us to additional registration and regulatory requirements and increased operating expenses.

Other

We are subject to examination by the SEC for compliance with the 1940 Act.

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

We are required to adopt and implement written policies and procedures reasonably designed to prevent violation of the federal securities laws and to review these policies and procedures annually for their adequacy and the effectiveness of their implementation. We have a designated Chief Compliance Officer who is responsible for administering these policies and procedures.

TAXATION AS A REGULATED INVESTMENT COMPANY

We have elected to be treated for U.S. federal income tax purposes as a RIC under the Code and intend to operate in a manner to maintain our RIC tax treatment. As a RIC, we generally will not have to pay corporate-level U.S. federal income taxes on any ordinary income or capital gains that we timely distribute to our stockholders as dividends. To qualify for tax treatment as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements (as described below). In addition, we must distribute to our stockholders, for each taxable year, at least 90% of our "investment company taxable income," which is generally our net ordinary taxable income plus the excess of our realized net short-term capital gains over our realized net long-term capital losses (the "Annual Distribution Requirement").

Taxation as a RIC

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

We will be subject to a 4% nondeductible U.S. federal excise tax on our undistributed income unless we distribute in a timely manner for each calendar year an amount at least equal to the sum of (a) 98% of our net ordinary income for that calendar year, (b) 98.2% of our capital gain net income for the one-year period ending October 31 in that calendar year and (c) 100% of any ordinary income and net capital gains recognized, but not distributed, in the preceding year and on which we paid no corporate-level U.S. federal income tax (the "Excise Tax Avoidance Requirement"). For this purpose, however, any net ordinary income or capital gain net income

retained by us that is subject to corporate-level U.S. federal income tax for the tax year ending in that calendar year will be considered to have been distributed by year end (or earlier if estimated taxes are paid). Although we generally endeavor to make sufficient distributions each taxable year to satisfy the Excise Tax Avoidance Requirement, we may incur a U.S. federal excise tax. In that case, we will be liable for the tax only on the amount by which we do not meet the Excise Tax Avoidance Requirement.

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

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

If we do not satisfy the requirements of the Diversification Tests as of the end of any quarter, we will not lose our status as a RIC provided that (i) we satisfied the requirements in a prior quarter and (ii) our failure to satisfy the requirements in the current quarter is not due in whole or in part to an acquisition of any security or other property.

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

We may be required to recognize taxable income in circumstances in which we do not receive cash. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments with payment-in-kind (“PIK”) interest or, in certain cases, with increasing interest rates or issued with warrants), we must include in income each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. Because any original issue discount accrued will be included in our investment company taxable income for the year of accrual, we may be required to make a distribution to our stockholders in order to satisfy the Annual Distribution Requirement, even though we will not have received any corresponding cash amount. If we are not able to obtain sufficient cash from other sources to satisfy the Annual Distribution Requirement, we may fail to qualify as a RIC and become subject to corporate-level U.S. federal income taxes on all of our taxable income without the benefit of the dividends-paid deduction.

Although we do not presently expect to do so, we are authorized to borrow funds and to sell assets in order (i) to satisfy the Annual Distribution Requirement and to otherwise eliminate our liability for U.S. federal income and excise taxes and (ii) to satisfy the Diversification Tests. However, under the 1940 Act, we are not permitted to borrow additional funds or to make distributions to our stockholders while our debt obligations and other senior securities are outstanding unless a certain “asset coverage” test is met. See “Regulation — Indebtedness; Coverage Ratio.” Moreover, our ability to dispose of assets to meet the Annual Distribution Requirement, the Excise Tax Avoidance Requirement or the Diversification Tests may be limited by (a) the illiquid nature of our portfolio and/or (b) other requirements relating to our qualification as a RIC. If we dispose of assets in order to meet the Annual Distribution Requirement, the Excise Tax Avoidance Requirement, or the Diversification Tests, we may make such dispositions at times that, from an investment standpoint, are not advantageous.

Certain of our investment practices may be subject to special and complex U.S. federal income tax provisions that may, among other things, (a) treat dividends that would otherwise constitute qualified dividend income as non-qualified dividend income, (b) treat dividends that would otherwise be eligible for the corporate dividends received deduction as ineligible for such treatment, (c) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (d) convert lower-taxed long-term capital gain into higher-taxed short-term capital gain or ordinary income, (e) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited), (f) cause us to recognize income or gain without a corresponding receipt of cash, (g) adversely affect the time as to when a purchase or sale of stock or securities is deemed to occur, (h) adversely alter the characterization of certain complex financial transactions and (i) produce income that will not be qualifying income for purposes of the 90% Income Test. We intend to monitor our transactions and may make certain tax elections to mitigate the effect of these provisions and prevent our disqualification as a RIC.

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

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

Failure to Qualify as a RIC

If we were unable to qualify for treatment as a RIC, we would be subject to tax on all of our taxable income at regular corporate rates, regardless of whether we make any distributions to our stockholders. Distributions would not be required, and any distributions made out of our current or accumulated earnings and profits would be taxable to our stockholders as ordinary dividend income that, subject to certain limitations, may be eligible for the 20.0% maximum rate if paid to non-corporate stockholders. Subject to certain limitations under the Code, corporate distributees would be eligible for the dividends-received deduction with respect to such dividend. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder’s tax basis in our stock, and any remaining distributions would be treated as a capital gain provided the stockholder holds our stock as a capital asset. If we fail to qualify as a RIC for a period greater than two taxable years, to qualify as a RIC in a subsequent year we may be subject to regular corporate tax on any net built-in gains with respect to certain of our assets (i.e., the excess of the aggregate gains, including items of income, over aggregate losses that would have been realized with respect to such assets if we had been liquidated) that we elect to recognize on requalification or when recognized over the next five years.

DIVIDEND REINVESTMENT PLAN

We have adopted a dividend reinvestment plan that provides for reinvestment of our distributions on behalf of our stockholders, unless a stockholder elects to receive cash as provided below. As a result, if our Board authorizes, and we declare, a cash distribution, then our stockholders who have not "opted out" of our dividend reinvestment plan will have their cash distributions automatically reinvested in additional shares of our common stock, rather than receiving the cash.

No action is required on the part of a registered stockholder to have such shareholder's cash distribution reinvested in shares of our common stock. A registered stockholder may elect to receive an entire distribution in cash by notifying American Stock Transfer & Trust Company, the plan administrator and our transfer agent and registrar, in writing so that such notice is received by the plan administrator no later than the record date for distributions to stockholders. The plan administrator will set up an account for shares acquired through the plan for each stockholder who has not elected to receive distributions in cash and hold such shares in non-certificated form. Upon request by a stockholder participating in the plan, received in writing not less than ten days prior to the record date, the plan administrator will, instead of crediting shares to the participant's account, issue a certificate registered in the participant's name for the number of whole shares of our common stock and a check for any fractional share.

Those stockholders whose shares are held by a broker or other financial intermediary may receive distributions in cash by notifying their broker or other financial intermediary of their election.

We intend to use primarily newly issued shares to implement the plan, whether our shares are trading at a premium or at a discount to net asset value. However, we reserve the right to purchase shares in the open market in connection with our implementation of the plan. The number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the dividend payable to such stockholder by the market price per share of our common stock at the close of regular trading on The NASDAQ Global Select Market on the dividend payment date. Market price per share on that date will be the closing price for such shares on The NASDAQ Global Select Market or, if no sale is reported for such day, at the average of their reported bid and asked prices. Shares purchased in open market transactions by the plan administrator of the dividend reinvestment plan will be allocated to a stockholder based upon the average purchase price, excluding any brokerage charges or other charges, of all shares of common stock purchased with respect to the distribution.

There are no brokerage charges or other charges to stockholders who participate in the plan. The plan administrator's fees under the plan are paid by us. If a participant elects by written notice to the plan administrator to have the plan administrator sell part or all of the shares held by the plan administrator in the participant's account and remit the proceeds to the participant, the plan administrator is authorized to deduct a \$15.00 transaction fee plus a \$0.10 per share brokerage commission from the proceeds.

If your distributions are reinvested, you will be required to pay tax on the distributions in the same manner as if the distributions were received in cash. The taxation of distributions will not be affected by the form in which you receive them.

Participants may terminate their accounts under the plan by notifying the plan administrator via its website at www.amstock.com, by filling out the transaction request form located at bottom of their statement and sending it to the plan administrator at the address set forth below or by calling the plan administrator at 1-866-668-8564.

The plan may be terminated by us upon notice in writing mailed to each participant at least 30 days prior to any record date for the payment of any dividend by us. All correspondence concerning the plan should be directed to, and additional information about the plan may be obtained from, the plan administrator by mail at American Stock Transfer & Trust Company, Attn. Dividend Reinvestment Department, P.O. Box 922, Wall Street Station, New York, NY 10269-0560 or by telephone at 1-866-668-8564.

Item 1A. Risk Factors

Investing in our securities involves a high degree of risk. In addition to the other information contained in this annual report on Form 10-K, the following information should be carefully considered before making an investment in our securities. The risks set out below are not the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us might also impair our operations and performance. If any of the following events occur, our business, financial condition and results of operations could be materially and adversely affected. In such case, our net asset value and the trading price of our securities could decline, and an investor may lose part or all of an investment.

The following is a summary of the principal risks that you should carefully consider before investing in our securities. Further details regarding each risk included in the below summary list can be found further below.

- The Adviser relies on key personnel, the loss of any of whom could impair its ability to successfully manage us.
- We operate in a highly competitive market for investment opportunities.
- We may from time to time expand our business through acquisitions, which could disrupt our business and harm our financial condition.
- Regulations governing our operation as a BDC affect our ability to, and the way in which we, raise additional capital.
- Our portfolio investments for which there is no readily available market, including our investment in our Joint Ventures and our investments in CLO Funds, are recorded at fair value as determined in good faith by our Board. As a result, there is uncertainty as to the value of these investments.
- We borrow money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us.
- We may default under the Revolving Credit Facility, the 4.875% Notes due 2026 or any future indebtedness or be unable to amend, repay or refinance any such facility or financing arrangement on commercially reasonable terms, or at all, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.
- Our investments may be risky, and you could lose all or part of your investment.
- The lack of liquidity in our investments may adversely affect our business.
- Shares of closed-end investment companies, including BDCs, frequently trade at a discount to their net asset value, and we cannot assure you that the market price of our common stock will not decline below the net asset value of the stock.
- We may be unable to realize the benefits anticipated by our prior strategic acquisitions, including estimated cost savings, or it may take longer than anticipated to realize such benefits.

- Capital markets may experience periods of disruption and instability and we cannot predict when these conditions will occur. Such market conditions could materially and adversely affect debt and equity capital markets in the United States and abroad, which could have a negative impact on our business, financial condition and results of operations.
- Major public health issues, and specifically the COVID-19 pandemic, could have an adverse impact on our financial condition and results of operations and other aspects of our business.

Risks Related to Our Business and Structure

Ineffective internal controls could impact our business and operating results.

Our internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If we fail to maintain the adequacy of our internal controls, including any failure to implement required new or improved controls, or if we experience difficulties in their implementation, our business and operating results could be harmed and we could fail to meet our financial reporting obligations. Such failure or difficulties could also cause investors and lenders to lose confidence in our reported financial information, which could negatively impact the trading price of our common stock.

The Adviser and its affiliates, including our officers and some of our directors, face conflicts of interest caused by compensation arrangements with us and our affiliates, which could result in actions that are not in the best interests of our stockholders.

The Adviser and its affiliates will receive substantial fees from us in return for their services, including certain incentive fees based on the performance of our investments. These fees could influence the advice provided to us. Generally, the more equity we sell in private offerings and the greater the risk assumed by us with respect to our investments, the greater the potential for growth in our assets and profits, and, correlatively, the fees payable by us to the Adviser. These compensation arrangements could affect the Adviser or its affiliates' judgment with respect to private offerings of equity and investments made by us, which allows the Adviser to earn increased asset management fees.

We may be obligated to pay the Adviser incentive compensation even if it incurs a net loss due to a decline in the value of our portfolio.

Our Advisory Agreement entitles the Adviser to receive incentive compensation on income regardless of any capital losses. In such case, we may be required to pay the Adviser incentive compensation for a fiscal quarter even if there is a decline in the value of our portfolio or if we incur a net loss for that quarter.

Any incentive fee payable by us that relates to our net investment income may be computed and paid on income that may include interest that has been accrued, but not yet received, including original issue discount, which may arise if we receive fees in connection with the origination of a loan or possibly in other circumstances, or contractual PIK interest, which represents contractual interest added to the loan balance and due at the end of the loan term. To the extent we do not distribute accrued PIK interest, the deferral of PIK interest has the simultaneous effects of increasing the assets under management and increasing the base management fee at a compounding rate, while generating investment income and increasing the incentive fee at a compounding rate. In addition, the deferral of PIK interest would also increase the loan-to-value ratio at a compounding rate if the issuer's assets do not increase in value, and investments with a deferred interest feature, such as PIK interest, may represent a higher credit risk than loans on which interest must be paid in full in cash on a regular basis.

For example, if a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously included in the calculation of the incentive fee will become uncollectible. The Adviser is not under any obligation to reimburse us for any part of the incentive fee it received that was based on accrued income that we never received as a result of a default by an entity on the obligation that resulted in the accrual of such income, and such circumstances would result in us paying an incentive fee on income that we never received.

There may be conflicts of interest related to obligations that the Adviser's senior management and investment team has to other clients.

The members of the senior management and investment team of the Adviser serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as us, or of investment funds managed by the same personnel. In serving in these multiple capacities, they may have obligations to other clients or investors in those entities, the fulfillment of which may not be in our best interests or in the best interest of our stockholders. Our investment objective may overlap with the investment objectives of such investment funds, accounts or other investment vehicles. In particular, we rely on the Adviser to manage our day-to-day activities and to implement our investment strategy. The Adviser and certain of its affiliates are presently, and plan in the future to continue to be, involved with activities that are unrelated to us. As a result of these activities, the Adviser, its officers and employees and certain of its affiliates will have conflicts of interest in allocating their time between us and other activities in which they are or may become involved, including the management of its affiliated funds. The Adviser and its officers and employees will devote only as much of its or their time to our business as the Adviser and its officers and employees, in their judgment, determine is reasonably required, which may be substantially less than their full time.

We rely, in part, on the Adviser to assist with identifying and executing upon investment opportunities and on our Board to review and approve the terms of our participation in co-investment transactions with the Adviser and its affiliates. The Adviser and its affiliates are not restricted from forming additional investment funds, entering into other investment advisory relationships or engaging in other business activities. These activities could be viewed as creating a conflict of interest in that the time and effort of the members of the Adviser, its affiliates and their officers and employees will not be devoted exclusively to our business, but will be allocated between us and such other business activities of the Adviser and its affiliates in a manner that the Adviser deems necessary and appropriate.

An affiliate of the Adviser manages BC Partners Lending Corporation and Logan Ridge Finance Corporation, each of which is a BDC that invests primarily in debt and equity of privately-held middle-market companies, similar to our targets for investment. Therefore, there may be certain investment opportunities that satisfy the investment criteria for those BDCs and us. Each of BC Partners Lending Corporation and Logan Ridge Finance Corporation operates as a distinct and separate company and any investment in our common stock will not be an investment in either of those BDCs. In addition, certain of our executive officers serve in substantially similar capacities for BC Partners Lending Corporation and Logan Ridge Finance Corporation and four of our independent directors serve as independent directors of those BDCs.

The time and resources that individuals employed by the Adviser devote to us may be diverted and we may face additional competition due to the fact that individuals employed by the Adviser are not prohibited from raising money for or managing other entities that make the same types of investments that we target.

Neither the Adviser nor individuals employed by the Adviser are generally prohibited from raising capital for and managing other investment entities that make the same types of investments that we target. As a result, the time and resources that these individuals may devote to us may be diverted. In addition, we may compete with any such investment entity for the same investors and investment opportunities. An affiliate of the Adviser has received exemptive relief that allows BDCs managed by the Adviser, including us, to co-invest, subject to the satisfaction of certain conditions, in certain private placement transactions, with other funds managed by the Adviser or its affiliates, including BC Partners Lending Corporation, Logan Ridge Finance Corporation, BCP Special Opportunities Fund I LP and BCP Special Opportunities Fund II LP and any future funds that are advised by the Adviser or its affiliated investment advisers. Affiliates of the Adviser, whose primary business includes the origination of investments, engage in investment advisory business with accounts that compete with us.

Our base management and incentive fees may induce the Adviser to make speculative investments or to incur leverage.

The incentive fee payable by us to the Adviser may create an incentive for the Adviser to make investments on our behalf that are risky or more speculative than would be the case in the absence of such compensation arrangement. The way in which the incentive fee payable to the Adviser is determined may encourage the Adviser to use leverage to increase the leveraged return on our investment portfolio. The part of the management and incentive fees payable to the Adviser that relates to our net investment income is computed and paid on income that may include interest income that has been accrued but not yet received in cash, such as market discount, debt instruments with PIK interest, preferred stock with PIK dividends and zero coupon securities. This fee structure may be considered to involve a conflict of interest for the Adviser to the extent that it may encourage the Adviser to favor debt financings that provide for deferred interest, rather than current cash payments of interest.

In addition, the fact that our base management fee is payable based upon our gross assets, which would include any borrowings for investment purposes, may encourage the Adviser to use leverage to make additional investments. Under certain circumstances, the use of leverage may increase the likelihood of defaulting on our borrowings, which would disfavor holders of our common stock. Such a practice could result in us investing in more speculative securities than would otherwise be in our best interests, which could result in higher investment losses, particularly during cyclical economic downturns.

The Adviser relies on key personnel, the loss of any of whom could impair its ability to successfully manage us.

Our future success depends, to a significant extent, on the continued services of the officers and employees of the Adviser or its affiliates. Our Adviser's capabilities in structuring the investment process, providing competent, attentive and efficient services to us, and facilitating access to financing on acceptable terms depend on the employment of investment professionals in adequate number and of adequate sophistication to match the corresponding flow of transactions. The departure of key personnel or of a significant number of the investment professionals or partners of our Adviser could have a material adverse effect on our ability to achieve our investment objective. Our Adviser may need to hire, train, supervise and manage new investment professionals to participate in our investment selection and monitoring process and may not be able to find investment professionals in a timely manner or at all.

The Adviser may retain additional consultants, advisors and/or operating partners to provide services to us, and such additional personnel will perform similar functions and duties for other organizations which may give rise to conflicts of interest.

BC Partners may work with or alongside one or more consultants, advisors (including senior advisors and executive officers) and/or operating partners who are retained by BC Partners on a consultancy or retainer or other basis, to provide services to us and other entities sponsored by BC Partners including the sourcing of investments and other investment-related and support services. The functions undertaken by such persons with respect to us and any of our investments will not be exclusive and such persons may perform similar functions and duties for other organizations which may give rise to conflicts of interest. Such persons may also be appointed to the board of directors of companies and have other business interests which give rise to conflicts of interest with the interests of us or a portfolio entity of us. Stockholders should note that such persons may retain compensation that will not offset the base management fee payable to the Adviser, including that: (i) such persons are permitted to retain all directors' fees, monitoring fees and other compensation received by them in respect of acting as a director or officer of, or providing other services to, a portfolio entity and such amounts shall not be credited against the base management fee; and (ii) certain of such persons may be paid a deal fee, a consultancy fee or other compensation where they are involved in a specific project relating to us, which fee will be paid either by us or, if applicable, the relevant portfolio entity.

The Adviser's influence on conducting our operations gives it the ability to increase its fees, which may reduce the amount of cash flow available for distribution to our stockholders.

The Adviser is paid a base management fee calculated as a percentage of our gross assets and unrelated to net income or any other performance base or measure. The Adviser may advise us to consummate transactions or conduct its operations in a manner that, in the Adviser's reasonable discretion, is in the best interests of our stockholders. These transactions, however, may increase the amount of fees paid to the Adviser. The Adviser's ability to influence the base management fee paid to it by us could reduce the amount of cash flow available for distribution to our stockholders.

The Adviser's liability is limited under the Advisory Agreement, and we are required to indemnify the Adviser against certain liabilities, which may lead the Adviser to act in a riskier manner on our behalf than it would when acting for its own account.

Under the Advisory Agreement, the Adviser will not assume any responsibility to us other than to render the services described in the Advisory Agreement, and it is not responsible for any action of our Board in declining to follow the Adviser's advice or recommendations. Pursuant to the Advisory Agreement, the Adviser and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with the Adviser are not liable to us for their acts under the Advisory Agreement, absent criminal conduct, willful misfeasance, bad faith or gross negligence in the performance of their duties or by reason of the reckless disregard of their duties and obligations. We have agreed to indemnify, defend and protect the Adviser and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with the Adviser with respect to all damages, liabilities, costs and expenses arising out of or otherwise based upon the performance of any of the Adviser's duties or obligations under the Advisory Agreement or otherwise as the Adviser for us, and not arising out of criminal conduct, willful misfeasance, bad faith or gross negligence in the performance of their duties or by reason of the reckless disregard of their duties and obligations under the Advisory Agreement. These protections may lead the Adviser to act in a riskier manner when acting on our behalf than it would when acting for its own account.

The Adviser is able to resign upon 60 days' written notice, and we may not be able to find a suitable replacement within that time, resulting in a disruption in our operations that could adversely affect our financial condition, business and results of operations.

We are an externally managed BDC pursuant to the Advisory Agreement. Pursuant to the Advisory Agreement, the Adviser has the right to resign upon 60 days' written notice, whether a replacement has been found or not. If the Adviser resigns, it may be difficult to find a replacement with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If a replacement is not found quickly, our business, results of operations and financial condition as well as our ability to pay distributions are likely to be adversely affected and the value of our shares may decline. In addition, the coordination of our internal management and investment activities is likely to suffer if we are unable to identify and reach an agreement with a single institution or group of executives having the expertise possessed by the Adviser. Even if a comparable service provider or individuals performing such services are retained, whether internal or external, their integration into our business and lack of familiarity with our investment objective may result in additional costs and time delays that may materially adversely affect our business, results of operations and financial condition.

We operate in a highly competitive market for investment opportunities.

A large number of entities compete with us to make the types of investments that we make. We compete with other BDCs, as well as a number of investment funds, investment banks and other sources of financing, including traditional financial services companies, such as commercial banks and finance companies. Many of our competitors are substantially larger and have considerably greater financial, marketing and other 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. This may enable some of our competitors to make commercial loans with interest rates that are lower than the rates we typically offer. We may lose prospective portfolio investments if we do not match our competitors' pricing, terms and structure. If we do match our competitors' pricing, terms or structure, we may experience decreased net interest income. 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, establish more relationships and build their market shares. Furthermore, many of our potential competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC. As a result of this competition, there can be no assurance that we will be able to identify and take advantage of attractive investment opportunities or that we will be able to fully invest our available capital. If we are not able to compete effectively, our business and financial condition and results of operations will be adversely affected.

If the Adviser is unable to source investments effectively, we may be unable to achieve our investment objectives and provide returns to stockholders.

Our ability to achieve our investment objective depends on the Adviser's ability to identify, evaluate and invest in suitable companies that meet our investment criteria. Accomplishing this result on a cost-effective basis is largely a function of the Adviser's marketing capabilities, its management of the investment process, its ability to provide efficient services and its access to financing sources on acceptable terms. Failure to source investments effectively could have a material adverse effect on our business, financial condition and results of operations.

We may have difficulty paying distributions required to maintain our RIC status if we recognize income before or without receiving cash equal to such income.

In accordance with the Code, we include in income certain amounts that we have not yet received in cash, such as non-cash PIK interest, which represents contractual interest added to the loan balance and due at the end of the loan term. The increases in loan balances as a result of contracted non-cash PIK arrangements are included in income for the period in which such non-cash PIK interest was received, which is often in advance of receiving cash payment, and are separately identified on our statements of cash flows. We also may be required to include in income certain other amounts that we will not receive in cash. Any warrants that we receive in connection with our debt investments generally are valued as part of the negotiation process with the particular portfolio company. As a result, a portion of the aggregate purchase price for the debt investments and warrants is allocated to the warrants that we receive. This generally results in the associated debt investment having "original issue discount" for tax purposes, which we must recognize as ordinary income as it accrues. This increases the amounts we are required to distribute to maintain our qualification for tax treatment as a RIC. Because such original issue discount income might exceed the amount of cash received in a given year with respect to such investment, we might need to obtain cash from other sources to satisfy such distribution requirements. Other features of the debt instruments that we hold may also cause such instruments to generate original issue discount.

Since, in certain cases, we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the annual distribution requirement necessary to maintain RIC tax treatment under the Code. Accordingly, we may have to sell some of our investments at times and/or at prices we would not consider advantageous, raise additional debt or equity capital or forgo new investment opportunities for this purpose. If we are not able to obtain cash from other sources, we may fail to qualify for RIC tax treatment and thus become subject to corporate-level U.S. federal income tax. For additional discussion regarding the tax implications of a RIC, see "Business — Regulation — Taxation as a Regulated Investment Company."

Any unrealized losses we experience on our loan portfolio may be an indication of future realized losses, which could reduce our resources available to make distributions.

As a BDC, we are required to carry our investments at market value or, if no market value is ascertainable, at the fair value as determined in accordance with our valuation procedures adopted pursuant to Rule 2a-5 under the 1940 Act. Decreases in the market values or fair values of our investments will be recorded as unrealized losses. An unrealized loss in our loan portfolio could be an indication of a portfolio company's inability to meet its repayment obligations with respect to the affected loans. This could result in realized losses in the future and ultimately in reductions of our resources available to pay dividends or interest and principal on our securities and could cause you to lose all or part of your investment.

We may experience fluctuations in our quarterly and annual operating results and credit spreads.

We could experience fluctuations in our quarterly and annual operating results due to a number of factors, some of which are beyond our control, including our ability to make investments in companies that meet our investment criteria, the interest rate payable on the debt securities we acquire (which could stem from the general level of interest rates, credit spreads, or both), the default rate on such securities, prepayment upon the triggering of covenants in our middle market loans as well as our CLO Funds, our level of expenses, variations in and 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.

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

Changes in interest rates may have a substantial negative impact on our investments, the value of our securities and our rate of return on invested capital. A reduction in the interest spreads on new investments could also have an adverse impact on our net interest income. An increase in interest rates could decrease the value of any investments we hold which earn fixed interest rates, including mezzanine securities and high-yield bonds, and also could increase our interest expense, thereby decreasing our net income. An increase in interest rates due to an increase in credit spreads, regardless of general interest rate fluctuations, could also negatively impact the value of any investments we hold in our portfolio.

In addition, an increase in interest rates available to investors could make an investment in our securities less attractive than alternative investments, a situation which could reduce the value of our securities. Conversely, a decrease in interest rates may have an adverse impact on our returns by requiring us to seek lower yields on our debt investments and by increasing the risk that our portfolio companies will prepay our debt investments, resulting in the need to redeploy capital at potentially lower rates. A decrease in market interest rates may also adversely impact our returns on idle funds, which would reduce our net investment income.

We are subject to risks associated with the discontinuation of LIBOR

On March 5, 2021, the Financial Conduct Authority ("FCA") confirmed its intention to cease publication of (i) one-week and two-month U.S. dollar LIBOR tenors after December 31, 2021 and (ii) remaining U.S. dollar LIBOR tenors after June 30, 2023.

As an alternative to LIBOR, the U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, supports replacing U.S.-dollar LIBOR with the Secured Overnight Financing Rate ("SOFR"), a new index calculated by short-term repurchase agreements, backed by Treasury securities. Other jurisdictions have also proposed their own alternative to LIBOR, including the Sterling Overnight Index Average for Sterling markets, the Euro Short Term Rate for Euros and Tokyo Overnight Average Rate for Japanese Yens. Although SOFR appears to be the preferred replacement rate for U.S. dollar LIBOR, at this time, it is uncertain whether SOFR will attain market traction or the effect of any such changes as the establishment of alternative reference rates or other reforms to LIBOR. Some regulators have prohibited the use of any LIBOR benchmarks in new contracts and have required that regulated entities transition existing contracts to another benchmark prior to June 30, 2023. Although settings of such LIBOR benchmarks may continue to be available, such prohibitions and requirements may adversely affect the value of floating-rate debt securities in our portfolio or issued by us. Moreover, at this time, no consensus exists as to what rate or rates will become accepted alternative to LIBOR.

The transition away from LIBOR to alternative base rates is complex and could have adverse impacts on our business, financial condition and results of operations, including as a result of any changes in the pricing of our investments, changes to the documentation for certain of our investments, disputes and other actions regarding the interpretation of current and prospective loan documentation or modifications to processes and systems. In addition, while some debt investments and borrowings that are linked to LIBOR may contemplate a scenario where LIBOR is no longer available by providing for an alternative rate setting methodology, not

all instruments may have such provisions and there is significant uncertainty regarding the effectiveness of any such alternative methodologies. We and our portfolio companies may need to amend or restructure our existing LIBOR-based debt instruments and any related hedging arrangements that extend beyond June 30, 2023, which may be difficult, costly and time consuming. The transition from LIBOR to SOFR or other alternative reference rates may also introduce operational risks in our accounting, financial reporting, loan servicing, liability management and other aspects of our business.

We may from time to time expand our business through acquisitions, which could disrupt our business and harm our financial condition.

We may pursue potential acquisitions of, and investments in, businesses complementary to our business and from time to time engage in discussions regarding such possible acquisitions. Such acquisition and any other acquisitions we may undertake involve a number of risks, including:

- failure of the acquired businesses to achieve the results we expect;
- substantial cash expenditures;
- diversion of capital and management attention from operational matters;
- our inability to retain key personnel of the acquired businesses
- incurrence of debt and contingent liabilities and risks associated with unanticipated events or liabilities; and
- the potential disruption and strain on our existing business and resources that could result from our planned growth and continuing integration of our acquisitions.

If we fail to properly evaluate acquisitions or investments, we may not achieve the anticipated benefits of such acquisitions, we may incur costs in excess of what we anticipate, and management resources and attention may be diverted from other necessary or valuable activities. Any acquisition may not result in short-term or long-term benefits to us. If we are unable to integrate or successfully manage any business that we acquire, we may not realize anticipated cost savings, improved efficiencies or revenue growth, which may result in reduced profitability or operating losses.

We may invest through joint ventures, partnerships or other special purpose vehicles and our investments through these vehicles may entail greater risks, or risks that we otherwise would not incur, if we otherwise made such investments directly.

We may make indirect investments in portfolio companies through joint ventures, partnerships or other special purpose vehicles (“Investment Vehicles”). In general, the risks associated with indirect investments in portfolio companies through a joint venture, partnership or other special purpose vehicle are similar to those associated with a direct investment in a portfolio company. While we intend to analyze the credit and business of a potential portfolio company in determining whether or not to make an investment in an Investment Vehicle, we will nonetheless be exposed to the creditworthiness of the Investment Vehicle. In the event of a bankruptcy proceeding against the portfolio company, the assets of the portfolio company may be used to satisfy its obligations prior to the satisfaction of our investment in the Investment Vehicle (i.e., our investment in the Investment Vehicle could be structurally subordinated to the other obligations of the portfolio company). In addition, if we are to invest in an Investment Vehicle, we may be required to rely on our partners in the Investment Vehicle when making decisions regarding the Investment Vehicle’s investments, accordingly, the value of the investment could be adversely affected if our interests diverge from those of our partners in the Investment Vehicle.

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

Our Board 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 and operating results. Nevertheless, the effects may adversely affect our business and they could negatively impact our ability to pay you dividends and could cause you to lose all or part of your investment in our securities.

Regulations governing our operation as a BDC affect our ability to, and the way in which we, raise additional capital.

Our business requires a substantial amount of additional capital. We may acquire additional capital from the issuance of senior securities or other indebtedness, 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. We may issue debt securities or preferred securities, which we refer to collectively as “senior securities,” and we may borrow money from banks or other financial institutions, up to the maximum amount permitted by the 1940 Act. The 1940 Act permits us to issue senior securities or incur indebtedness only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 150% immediately after such issuance or incurrence. With respect to certain types of senior securities, we must make provisions to prohibit any dividend distribution to our stockholders or the repurchase of certain of our securities, unless we meet the applicable asset coverage ratios at the time of the dividend distribution or repurchase. If the value of our assets declines, we may be unable to satisfy the asset coverage test. Furthermore, any amounts that we use to service our indebtedness would not be available for distributions to our common stockholders.

All of the costs of offering and servicing such debt or preferred stock (if issued by us in the future), including interest or preferential dividend payments thereon, will be borne by our common stockholders. The interests of the holders of any debt or preferred stock we may issue will not necessarily be aligned with the interests of our common stockholders. In particular, the rights of holders of our debt or preferred stock to receive interest, dividends or principal repayment will be senior to those of our common stockholders. Also, in the event we issue preferred stock, the holders of such preferred stock will have the ability to elect two members of our Board. In addition, we may grant a lender a security interest in a significant portion or all of our assets, even if the total amount we may borrow from such lender is less than the amount of such lender’s security interest in our assets.

We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock at a price below the then-current net asset value of our common stock if our Board determines that such sale is in the best interests of us and our stockholders, and our stockholders approve, giving us the authority to do so. Although we currently do not have such authorization, we previously sought and received such authorization from our stockholders in the past and may seek such authorization in the future. In any such case, the price at which our securities are to be issued and sold may not be less than a price which, in the determination of our Board, closely approximates the market value of such securities (less any distributing commission or discount). We are also generally prohibited under the 1940 Act from issuing securities convertible into voting securities without obtaining the approval of our existing stockholders. Sales of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing our net asset value per share and may reduce our market price per share. In addition to issuing securities to raise capital as described above, we may securitize a portion of the loans to generate cash for funding new investments. If we are unable to successfully securitize our loan portfolio, our ability to grow our business and fully execute our business strategy and our earnings (if any) may be adversely affected. Moreover, even successful securitization of our loan portfolio might expose us to losses, as the residual loans in which we do not sell interests tend to be those that are riskier and more apt to generate losses.

The application of the risk retention rules under Section 941 of the Dodd-Frank Act to CLOs may have broader effects on the CLO and loan markets in general, potentially resulting in fewer or less desirable investment opportunities for us.

Section 941 of the Dodd-Frank Act added a provision to the Exchange Act requiring the seller, sponsor or securitizer of a securitization vehicle to retain no less than five percent of the credit risk in assets it sells into a securitization and prohibiting such securitizer from directly or indirectly hedging or otherwise transferring the retained credit risk. The responsible federal agencies adopted final rules implementing these restrictions on October 22, 2014. The U.S. risk retention rules became effective with respect to CLOs two years after publication in the Federal Register. Under the final rules, the asset manager of a CLO is considered the sponsor of a securitization vehicle and is required to retain five percent of the credit risk in the CLO, which may be retained horizontally in the equity tranche of the CLO or vertically as a five percent interest in each tranche of the securities issued by the CLO.

On February 9, 2018, the United States Court of Appeals for the District of Columbia (the “D.C. Circuit Court”) ruled in favor of an appeal brought by the Loan Syndications and Trading Association (the “LSTA”) against the SEC and the Board of Governors of the Federal Reserve System (the “Applicable Governmental Agencies”) that managers of so-called “open market CLOs” are not “securitizers” under Section 941 of the Dodd-Frank Act and, therefore, are not subject to the requirements of the U.S. risk retention rules (the “Appellate Court Ruling”).

On April 5, 2018, the D.C. District Court entered an order implementing the Appellate Court Ruling and thereby vacated the U.S. risk retention rules insofar as they apply to CLO managers of “open market CLOs.” As a result of this decision, CLO managers of “open market CLOs” will no longer be required to comply with the U.S. risk retention rules solely because of their roles as managers of “open market CLOs”, and there may be no “sponsor” of such securitization transactions and no party may be required to acquire and retain an economic interest in the credit risk of the securitized assets of such transactions.

There can be no assurance or representation that any of the transactions, structures or arrangements currently under consideration by or currently used by CLO market participants will comply with the U.S. risk retention rules to the extent such rules are reinstated or otherwise become applicable to open market CLOs. The ultimate impact of the U.S. risk retention rules on the loan securitization market and the leveraged loan market generally remains uncertain, and any negative impact on secondary market liquidity for securities comprising a CLO may be experienced due to the effects of the U.S. risk retention rules on market expectations or uncertainty, the relative appeal of other investments not impacted by the U.S. risk retention rules and other factors.

Our ability to enter into transactions with our affiliates is restricted.

We are prohibited under the 1940 Act from participating in certain transactions with certain of our affiliates without the prior approval of the members of our independent directors and, in some cases, the SEC. Any person that owns, directly or indirectly, 5% or more of our outstanding voting securities is our affiliate for purposes of the 1940 Act and we are generally prohibited from buying or selling any securities (other than our securities) from or to such affiliate, absent the prior approval of our independent directors. The 1940 Act also prohibits certain “joint” transactions with certain of our affiliates, which could include investments in the same portfolio company (whether at the same or different times), without prior approval of our independent directors and, in some cases, the SEC. An affiliate of the Adviser has received exemptive relief that allows BDCs managed by the Adviser, including us, to co-invest, subject to the satisfaction of certain conditions, in certain private placement transactions, with other funds managed by the Adviser or its affiliates. If a person acquires more than 25% of our voting securities, we will be prohibited from buying or selling any security (other than any security of which we are the issuer) from or to such person or certain of that person’s affiliates, or entering into prohibited joint transactions with such person, absent the prior approval of the SEC. Similar restrictions limit our ability to transact business with our officers or directors or their affiliates.

A failure on our part to maintain our status as a BDC or the application of additional regulatory burdens would significantly reduce our operating flexibility.

If we fail to maintain our status as a BDC, we might be regulated as a closed-end investment company that is required to register under the 1940 Act, which would subject us to additional regulatory restrictions and significantly decrease our operating flexibility. In addition, any such failure could cause an event of default under our outstanding indebtedness, which could have a material adverse effect on our business, financial condition or results of operations.

In December 2019, the CFTC amended certain rules to require BDCs that trade “commodity interests” (as defined under CFTC rules) to a de minimis extent file an electronic notice of exclusion to not be deemed a “commodity pool operator” pursuant to CFTC regulations. This exclusion allows BDCs that trade commodity interests to forgo regulation under the CEA and the CFTC. If our Adviser is unable to claim this exclusion, or fails to do so in the future, with respect to us, the Adviser would become subject to registration and regulation as a commodity pool operator under the CEA. This additional regulation would subject our Adviser and us to additional registration and regulatory requirements, along with increasing operating expenses which could have a material adverse effect on our business, results of operations or financial condition.

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

Following periods of volatility in the market price of a company’s securities, securities class-action litigation has often been brought against such company. Stockholder activism, which could take many forms or arise in a variety of situations, has been increasing in the BDC space recently. While we are currently not subject to any securities litigation or stockholder activism, we have in the past and may in the future become the target of securities litigation or stockholder activism. Securities litigation and stockholder activism, including potential proxy contests, could result in substantial costs and divert management’s and our Boards’ 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.

We will be subject to corporate-level U.S. federal income taxes if we are unable to qualify as a RIC under Subchapter M of the Code.

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 will be satisfied if we distribute to our stockholders on an annual basis 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. Because we use debt financing, we are subject to certain asset coverage ratio requirements under the 1940 Act and are (and may in the future become) subject to certain financial covenants under loan, indenture and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to satisfy the distribution requirement. If we are unable to obtain cash from other sources, we could fail to qualify for RIC tax treatment and thus become subject to corporate-level U.S. federal income taxes.
- The source income requirement will be satisfied if we obtain at least 90% of our income for each year from dividends, interest, gains from the sale of stock or securities or similar sources.
- The asset diversification requirement will be 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 acceptable securities; and 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, of one issuer, of two or more issuers that are controlled, as determined under applicable Code rules, by us and that are engaged in

the same or similar or related trades or businesses or of certain “qualified publicly traded partnerships.” If we do not satisfy the diversification requirements as of the end of any quarter, we will not lose our status as a RIC provided that (i) we satisfied the requirements in a prior quarter and (ii) our failure to satisfy the requirements in the current quarter is not due in whole or in part to an acquisition of any security or other property.

Failure to meet these requirements may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC status. Because most of our investments will be in private companies, and therefore will be illiquid, any such dispositions could be made at disadvantageous prices and could result in substantial losses. Moreover, if we fail to maintain RIC tax treatment for any reason and are subject to corporate-level U.S. federal income taxes, the resulting taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions. Such a failure would have a material adverse effect on us and on our stockholders.

Risks Associated with Our Use of Leverage

We borrow money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us.

Borrowings, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in us. We have issued senior securities, and in the future may borrow from, or issue additional senior securities (such as preferred or convertible securities or debt securities) to, banks and other lenders and investors. Subject to prevailing market conditions, we intend to grow our portfolio of assets by raising additional capital, including through the prudent use of leverage available to us. Lenders and holders of such senior securities would have fixed dollar claims on our assets that are superior to the claims of our common stockholders. Leverage is generally considered a speculative investment technique. Any increase in our income in excess of interest payable on our outstanding indebtedness would cause our net income to increase more than it would have had we not incurred leverage, while any decrease in our income would cause net income to decline more sharply than it would have had we not incurred leverage. Such a decline could negatively affect our ability to make distributions to our stockholders and service our debt obligations. In addition, our common stockholders will bear the burden of any increase in our expenses as a result of leverage. There can be no assurance that our leveraging strategy will be successful.

Our outstanding indebtedness imposes, and additional debt we may incur in the future will likely impose, financial and operating covenants that restrict our business activities, including limitations that could hinder our ability to finance additional loans and investments or to make the distributions required to maintain our status as a RIC. A failure to add new debt facilities or issue additional debt securities or other evidences of indebtedness in lieu of or in addition to existing indebtedness could have a material adverse effect on our business, financial condition or results of operations.

The following table illustrates the effect of leverage on returns from an investment in our common stock as of December 31, 2022, assuming various annual returns, net of expenses. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing in the table below.

Assumed Return on our Portfolio (Net of Expenses)	-10%	-5%	0%	5%	10%
Corresponding return to common stockholder ⁽¹⁾	-36.6%	-23.3%	-9.9%	3.4%	16.8%

(1) Assumes \$619.5 million in total assets, \$232.1 million in net assets, and \$378.2 million in par value of outstanding borrowings with a weighted average interest rate of 6.1% as of December 31, 2022.

Our indebtedness could adversely affect our financial health and our ability to respond to changes in our business.

With certain limited exceptions, we are only allowed to borrow amounts or issue senior securities such that our asset coverage, as defined in the 1940 Act, is at least 150% immediately after such borrowing or issuance. The amount of leverage that we employ in the future will depend on our management’s and our Board’s assessment of market and other factors at the time of any proposed borrowing. There is no assurance that a leveraging strategy will be successful. As a result of the level of our leverage:

- our exposure to risk of loss is greater if we incur debt or issue senior securities to finance investments because a decrease in the value of our investments has a greater negative impact on our equity returns and, therefore, the value of our business if we did not use leverage;
- the decrease in our asset coverage ratio resulting from increased leverage and the covenants contained in documents governing our indebtedness (which may impose asset coverage or investment portfolio composition requirements that are more stringent than those imposed by the 1940 Act) limit our flexibility in planning for, or reacting to, changes in our business and industry, as a result of which we could be required to liquidate investments at an inopportune time;
- we are required to dedicate a portion of our cash flow to interest payments, limiting the availability of cash for dividends and other purposes; and
- our ability to obtain additional financing in the future may be impaired.

We cannot be sure that our leverage will not have a material adverse effect on us. In addition, we cannot be sure that additional financing will be available when required or, if available, will be on terms satisfactory to us. Further, even if we are able to obtain additional financing, we may be required to use some or all of the proceeds thereof to repay our outstanding indebtedness.

We may default under the Revolving Credit Facility, the 4.875% Notes due 2026 or any future indebtedness or be unable to amend, repay or refinance any such facility or financing arrangement on commercially reasonable terms, or at all, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In the event we default under our revolving credit facility (the “Revolving Credit Facility”), the 4.875% Notes due 2026 or any future indebtedness, or are unable to amend, repay or refinance such indebtedness on commercially reasonable terms, or at all, our business could be adversely affected as we may be forced to sell a portion of our investments quickly and prematurely at prices that may be disadvantageous to us in order to meet our outstanding payment obligations and/or support working capital requirements under the Revolving Credit Facility, the 4.875% Notes due 2026 or any future indebtedness, any of which would have a material adverse effect on our business, financial condition, results of operations and cash flows.

Events of default under the Revolving Credit Facility include, among other things, (i) a payment default; (ii) bankruptcy; (iii) a covenant default; (iv) a change of control; (v) if we are required to register as an “investment company” as defined in the 1940 Act; and (vi) certain declines in our net asset value. Following any such default, the agent for the lenders under the Revolving Credit Facility could assume control of the disposition of any or all of our assets, including the selection of such assets to be disposed and the timing of such disposition, which would have a material adverse effect on our business, financial condition, results of operations and cash flows.

Events of default under the indenture governing the 4.875% Notes due 2026 include, among other things, (i) a payment default; (ii) a covenant default; (ii) a cross-default provision with respect to any instrument by which we have indebtedness for money borrowed in excess of \$50 million in the aggregate; (iii) bankruptcy; and (iv) certain declines in the net asset value of the 4.875% Notes due 2026. If any such event of default has occurred and is continuing, the trustee or the holders of not less than 25% in principal amount of the 4.875% Notes due 2026 may declare the entire principal amount of all such notes to be due and immediately payable.

Our continued compliance with the covenants under the Revolving Credit Facility and the indenture governing the 4.875% Notes due 2026 Notes depends on many factors, some of which are beyond our control, and there can be no assurance that we will continue to comply with such covenants. Our failure to satisfy the respective covenants could result in foreclosure by the lenders under the applicable credit facility or governing instrument or acceleration by the applicable lenders or noteholders, which would accelerate our repayment obligations under the relevant agreement and thereby have a material adverse effect on our business, liquidity, financial condition, results of operations and ability to pay distributions to our stockholders.

Provisions in the Revolving Credit Facility or any other future borrowing facility may limit our discretion in operating our business.

The Revolving Credit Facility is, and any future borrowing facility may be, backed by all or a portion of our loans and securities on which the lenders will or, in the case of a future facility, may have a security interest. We may pledge up to 100% of our assets and may grant a security interest in all of our assets under the terms of any debt instrument we enter into with lenders. We expect that any security interests we grant will be set forth in a pledge and security agreement and evidenced by the filing of financing statements by the agent for the lenders. In addition, we expect that the custodian for our securities serving as collateral for such loan would include in its electronic systems notices indicating the existence of such security interests and, following notice of occurrence of an event of default, if any, and during its continuance, will only accept transfer instructions with respect to any such securities from the lender or its designee. If we were to default under the terms of any debt instrument, the agent for the applicable lenders would be able to assume control of the timing of disposition of any or all of our assets securing such debt, which would have a material adverse effect on our business, financial condition, results of operations and cash flows.

In addition, any security interests as well as negative covenants under the Revolving Credit Facility or any other borrowing facility may limit our ability to create liens on assets to secure additional debt and may make it difficult for us to restructure or refinance indebtedness at or prior to maturity or obtain additional debt or equity financing. In addition, if our borrowing base under the Revolving Credit Facility or any other borrowing facility were to decrease, we would be required to secure additional assets in an amount equal to any borrowing base deficiency. In the event that all of our assets are secured at the time of such a borrowing base deficiency, we could be required to repay advances under the Revolving Credit Facility or any other borrowing facility or make deposits to a collection account, either of which could have a material adverse impact on our ability to fund future investments and to make stockholder distributions.

In addition, under the Revolving Credit Facility or any future borrowing facility we will be subject to limitations as to how borrowed funds may be used, which may include restrictions on geographic and industry concentrations, loan size, payment frequency and status, average life, collateral interests and investment ratings, as well as regulatory restrictions on leverage, which may affect the amount of funding that may be obtained. There may also be certain requirements relating to portfolio performance, including required minimum portfolio yield and limitations on delinquencies and charge-offs, a violation of which could limit further advances and, in some cases, result in an event of default. An event of default under the Revolving Credit Facility or any other borrowing facility could result in an accelerated maturity date for all amounts outstanding thereunder, which could have a material adverse effect on our business and financial condition. This could reduce our revenues and, by delaying any cash payment allowed to us under the Revolving Credit Facility or any other borrowing facility until the lenders have been paid in full, reduce our liquidity and cash flow and impair our ability to grow our business and maintain our qualification as a RIC.

We hold investments in a collateralized loan obligation vehicle, which investments are subject to a number of significant risks.

Following the consummation of the GARS Acquisition, we own all of the subordinated notes issued as part of the 2018-2 CLO (as defined below) (the "2018-2 Subordinated Notes"), and we consolidate the financial statements of the 2018-2 CLO in our financial statements and treat the senior secured notes issued as part of the 2018-2 CLO (the "2018-2 Secured Notes") as leverage, except any 2018-2 Secured Notes owned by us, which are eliminated in consolidation. "2018-2 CLO" refers to the \$420.0 million collateralized loan obligation ("CLO") completed on October 18, 2018 by Portman Ridge Funding 2018-2 Ltd. ("PRF CLO 2018-2") (formerly known as Garrison Funding 2018-2 Ltd.), an exempted company incorporated with limited liability under the laws of the Cayman Islands and Portman Ridge Funding 2018-2 LLC (formerly known as Garrison Funding 2018-2 LLC), a Delaware limited liability company and wholly-owned subsidiary of PRF CLO 2018-2.

Investments in CLOs, including an investment in the 2018-2 CLO, involve a number of significant risks, including:

- CLOs typically are comprised of a portfolio of senior secured loans; payments on CLO investments are and will be payable solely from the cash-flows from such senior secured loans;
- CLO investments are exposed to leveraged credit risk;
- CLO Funds are highly leveraged;
- there is the potential for interruption and deferral of cash-flow from CLO investments;
- interest rates paid by corporate borrowers are subject to volatility;
- the inability of a CLO collateral manager to reinvest the proceeds of the prepayment of senior secured loans may adversely affect us;
- our CLO investments are subject to prepayments and calls, increasing re-investment risk;
- we have limited control of the administration and amendment of senior secured loans owned by the CLOs in which we invest;
- we have limited control of the administration and amendment of any CLO in which we invest;
- senior secured loans of CLOs may be sold and replaced resulting in a loss to us;
- our financial results may be affected adversely if one or more of our significant equity or junior debt investments in a CLO vehicle defaults on its payment obligations or fails to perform as we expect; and
- non-investment grade debt involves a greater risk of default and higher price volatility than investment grade debt.

Because we intend to continue to distribute substantially all of our income and net realized capital gains to our stockholders, we will need additional capital to finance our growth.

In order to continue to qualify as a RIC, to avoid payment of excise taxes and to minimize or avoid payment of U.S. federal income taxes, we intend to continue to distribute to our stockholders substantially all of our net ordinary income and realized net capital gains (although we may retain certain net long-term capital gains, pay applicable U.S. federal income taxes with respect thereto and elect to treat the retained amount as deemed distributions to our stockholders). As a BDC, in order to incur new debt, 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 150%, as measured immediately after issuance of such security. This requirement limits the amount that we may borrow. Because we will continue to need capital to grow our loan and investment portfolio, this limitation may prevent us from incurring debt and require us to issue 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 such borrowings. Also, as a business development company, we generally are not permitted to issue equity securities priced

below net asset value without stockholder approval. If additional funds are not available to us, we could be forced to curtail or cease new lending and investment activities.

Risks Associated with Our Information Technology Systems

We rely on various information technology systems to manage our operations. Information technology systems are subject to numerous risks including unanticipated operating problems, system failures, rapid technological change, failure of the systems that operate as anticipated, reliance on third party computer hardware, software and IT service providers, computer viruses, telecommunication failures, data breaches, denial of service attacks, spamming, phishing attacks, computer hackers and other similar disruptions, any of which could materially adversely impact our consolidated financial condition and results of operations. Additional risks include, but are not limited to, the following:

Disruptions in current systems or difficulties in integrating new systems.

We regularly maintain, upgrade, enhance or replace our information technology systems to support our business strategies and provide business continuity. Replacing legacy systems with successor systems, making changes to existing systems or acquiring new systems with new functionality have inherent risks including disruptions, delays, or difficulties that may impair the effectiveness of our information technology systems.

Internal and external cyber threats, as well as other disasters, 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, unauthorized tampering employee impersonation, social engineering or “phishing” attempts. Like other companies, we may experience threats to our data and systems, including malware and computer virus attacks, unauthorized access, 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. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks (i.e., efforts to make network services unavailable to intended users) on websites, servers or other online systems. Cyber security incidents and cyber-attacks have been occurring more frequently and will likely continue to increase. Such an attack could cause interruptions or malfunctions in our operations, which could result in financial losses, misstated or unreliable financial data, 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 risk. We outsource certain functions and these relationships allow for the storage and processing of our information, as well as client, counterparty, employee, and borrower information. While we engage in actions to reduce our exposure resulting from outsourcing, ongoing threats may result in unauthorized access, loss, exposure, destruction, or other cybersecurity incident that affects our data, resulting in increased costs and other consequences as described above.

Substantial costs may be incurred in order to prevent any cyber incidents in the future. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means. 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. There is no assurance that any efforts to mitigate cybersecurity risks undertaken by us, our affiliates, or our or their respective third-party service providers will be effective.

Risks Related to Our Investments

Inflation may adversely affect the business, results of operations and financial condition of our portfolio companies.

Certain of our portfolio companies are in industries that may be impacted by inflation. If such portfolio companies are unable to pass any increases in their costs of operations along to their customers, it could adversely affect their operating results and impact their ability to pay interest and principal on our loans, particularly if interest rates rise in response to inflation. In addition, any projected future decreases in our portfolio companies’ operating results due to inflation could adversely impact the fair value of those investments. Any decreases in the fair value of our investments could result in future realized or unrealized losses and therefore reduce our net increase (decrease) in net assets resulting from operations.

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

We invest primarily in senior secured term loans, mezzanine debt and selected equity investments issued by middle market companies, CLO Funds, Joint Ventures and derivatives. The investments in our Debt Securities Portfolio are all or predominantly below investment grade, may be highly leveraged, and therefore have speculative characteristics with respect to the issuer’s capacity to pay interest and repay principal. Defaults by portfolio companies may harm our operating results.

Secured Loans. When we extend secured term loans, we generally take a security interest (either as a first lien position or as a second lien position) in the available assets of these portfolio companies, including the equity interests of their subsidiaries, which we expect to assist in mitigating the risk that we will not be repaid. However, 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 exercise our remedies.

Mezzanine Debt. Our mezzanine debt investments generally are subordinated to senior loans and generally are unsecured. This may result in an above average amount of risk and volatility or loss of principal.

These investments may entail additional risks that could adversely affect our investment returns. To the extent interest payments associated with such debt are deferred, such debt is subject to greater fluctuations in value based on changes in interest rates and such debt could subject us to phantom income. Since we generally do not receive any cash prior to maturity of the debt, the investment is of greater risk.

Equity Investments. We have made and expect to make selected equity investments in middle market companies. In addition, when we invest in senior secured loans or mezzanine debt, we may acquire warrants in the equity of the portfolio company. 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.

Middle Market Companies. Investments in middle market companies also involve a number of significant risks, including:

- limited financial resources and inability to meet their obligations, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of our realizing the value of any guarantees we may have obtained in connection with our investment;
- 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;
- dependence on 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;
- less predictable operating results, being parties to litigation from time to time, engaging in rapidly changing businesses with products subject to a substantial risk of obsolescence and requiring substantial additional capital expenditures to support their operations, finance expansion or maintain their competitive position;
- difficulty accessing the capital markets to meet future capital needs; and
- generally less publicly available information about their businesses, operations and financial condition.

CLO Fund Investments. Investments in CLO Funds also involve a number of significant risks, including:

- CLOs typically are comprised of a portfolio of senior secured loans; payments on CLO investments are and will be payable solely from the cash-flows from such senior secured loans;
- CLO investments are exposed to leveraged credit risk;
- CLO Funds are highly leveraged;
- there is the potential for interruption and deferral of cash-flow from CLO investments;
- interest rates paid by corporate borrowers are subject to volatility;
- the inability of a CLO collateral manager to reinvest the proceeds of the prepayment of senior secured loans may adversely affect us;
- our CLO investments are subject to prepayments and calls, increasing re-investment risk;
- we have limited control of the administration and amendment of any CLO in which we invest;
- senior secured loans of CLOs may be sold and replaced resulting in a loss to us;
- our financial results may be affected adversely if one or more of our significant equity or junior debt investments in a CLO vehicle defaults on its payment obligations or fails to perform as we expect; and
- non-investment grade debt involves a greater risk of default and higher price volatility than investment grade debt.

Our portfolio investments for which there is no readily available market, including our investment in our Joint Ventures and our investments in CLO Funds, are recorded at fair value. As a result, there is uncertainty as to the value of these investments.

Our investments consist primarily of securities issued by privately-held companies, the fair value of which is not readily determinable. In addition, we are not permitted to maintain a general reserve for anticipated loan losses. Instead, we are required by the 1940 Act to specifically value each investment and record an unrealized gain or loss for any asset that we believe has increased or decreased in value. These securities are valued at fair value pursuant to a valuation policy approved by our Board.

We have engaged independent valuation firms to provide third party valuation consulting services to our Adviser and our Board. Each quarter, the independent valuation firms perform third party valuations on our material investments in illiquid securities, such that they are reviewed at least once during a trailing 12 month period. These third party valuation estimates are one of the relevant data points in the determination of fair value. We and our Adviser intend to continue to engage independent valuation firms in the future to provide certain valuation services, including the review of certain portfolio assets, as part of the quarterly and annual year-end valuation process. In addition to such third-party input, the types of factors that may be considered in valuing our investments include the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings, the markets in which the portfolio company does business, comparison to publicly-traded companies, discounted cash flow and other relevant factors. In addition, our investment in our Joint Venture is carried at fair value, which is determined based on the fair value of the investments held by the Joint Venture. Because such valuations, and particularly valuations of private investments and private companies, are inherently uncertain and may be based on estimates, our Adviser's determinations of fair value may differ materially from the values that would be assessed if a ready market for these securities existed. Our net asset value could be adversely affected if our Adviser's determinations regarding the fair value of our illiquid investments were materially higher than the values that we ultimately realize upon the disposal of such securities.

We are a non-diversified investment company within the meaning of the 1940 Act, and therefore we may invest a significant portion of our assets in a relatively small number of issuers, which subjects us to a risk of significant loss if any of these issuers defaults on its obligations under any of its debt instruments or as a result of a downturn in the particular industry.

We are classified as a non-diversified investment company within the meaning of the 1940 Act, and therefore we may invest a significant portion of our assets in a relatively small number of issuers in a limited number of industries. Beyond the asset diversification requirements associated with our qualification as a RIC, we do not have fixed guidelines for diversification, and while we are not targeting any specific industries, relatively few industries may become significantly represented among our investments. To the extent that we assume large positions in the securities of a small number of issuers, our net asset value 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, changes in fair value over time or a downturn in any particular industry. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company.

Defaults by our portfolio companies could harm our operating results.

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other debt holders could lead to defaults and, potentially, acceleration of the time when the loans are due and foreclosure on its secured assets. Such events could trigger cross-defaults under other agreements and jeopardize a portfolio company's ability to meet its obligations under the debt that we hold and the value of any equity securities we own. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company. In addition, some of the loans in which we may invest may be "covenant-lite" loans. We use the term "covenant-lite" loans to refer generally to loans that do not have a complete set of financial maintenance covenants. Generally, "covenant-lite" loans provide borrower companies more freedom to negatively impact lenders because their covenants are incurrence-based, which means they are only tested and can only be breached following an affirmative action of the borrower, rather than by a deterioration in the borrower's financial condition. Accordingly, to the extent we invest in "covenant-lite" loans, we may have fewer rights against a borrower and may have a greater risk of loss on such investments as compared to investments in or exposure to loans with financial maintenance covenants.

As part of our lending activities, we may in certain opportunistic circumstances originate loans to companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Any such investment would involve a substantial degree of risk. In any reorganization or liquidation proceeding relating to a company that we fund, we may lose all or part of the amounts advanced to the borrower or may be required to accept collateral with a value less than the amount of the loan advanced by us to the borrower.

When we are a debt or minority equity investor in a portfolio company, which generally is the case, we may not be in a position to control the entity, and its management may make decisions that could decrease the value of our investment.

Most of our investments are either debt or minority equity investments in our portfolio companies. Therefore, we are subject to the risk that a portfolio company may make business decisions with which we disagree, and the stockholders and management of such company may take risks or otherwise act in ways that do not serve our interests. As a result, a portfolio company may make decisions that could decrease the value of our portfolio holdings. In addition, we generally are not in a position to control any portfolio company by investing in its debt securities.

We may have limited access to information about privately held companies in which we invest.

We invest primarily in privately-held companies. 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. These companies and their financial information are not subject to the Sarbanes-Oxley Act of 2002 and other rules that govern public 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 investment.

Prepayments of our debt investments by our portfolio companies could negatively impact our operating results.

We are subject to the risk that the investments we make in our portfolio companies may be repaid prior to maturity. When this occurs, we generally reinvest these proceeds in temporary investments, pending their future investment in new portfolio companies. These temporary investments typically have substantially lower yields than the debt being prepaid and we could experience significant delays in reinvesting these amounts. Any future investment in a new portfolio company may also be at lower yields than the debt that was repaid. Consequently, our results of operations could be materially adversely affected if one or more of our portfolio companies elects to prepay amounts owed to us. Additionally, prepayments could negatively impact our return on equity, which could result in a decline in the market price of our common stock.

Our portfolio companies may incur debt that ranks equal with, or senior to, our investments in such companies.

We invest primarily in debt securities issued by our portfolio companies. In some cases portfolio companies are permitted to have other debt that ranks equal with, or senior to, the debt securities in which we invest. By their terms, such debt instruments may provide that the holders thereof are entitled to receive payment of interest or principal on or before the dates on which we are entitled to receive payments in respect of the debt securities in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, 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 respect of our investment. After repaying such senior creditors, such portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equal with debt securities in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company.

Second priority liens on collateral securing loans that we make to our portfolio companies may be subject to control by senior creditors with first priority liens. If there is a default, the value of the collateral may not be sufficient to repay in full both the first priority creditors and us.

Certain loans that we make are secured by a second priority security interest in the same collateral pledged by a portfolio company to secure senior debt owed by the portfolio company to other traditional lenders. Often the senior lender has procured covenants from the portfolio company prohibiting the incurrence of additional secured debt, without the senior lender's consent. Prior to, and as a condition of, permitting the portfolio company to borrow money from us secured by the same collateral pledged to the senior lender, the senior lender will require assurances that it will control the disposition of any collateral in the event of bankruptcy or other default. In many such cases, the senior lender will require us to enter into an "intercreditor agreement" prior to permitting the portfolio company to borrow from us. Typically, the intercreditor agreements we are requested to execute expressly subordinate our debt instruments to those held by the senior lender and further provide that the senior lender shall control: (1) the commencement of foreclosure or other proceedings to liquidate and collect on the collateral; (2) the nature, timing and conduct of foreclosure or other collection proceedings; (3) the amendment of any collateral document; (4) the release of the security interests in respect of any collateral; and (5) the waiver of defaults under any security agreement. Because of the control we may cede to senior lenders under intercreditor agreements we may enter, we may be unable to realize the proceeds of any collateral securing some of our loans.

There may be circumstances where our debt investments could be subordinated to claims of other creditors or we could be subject to lender liability claims.

Even though we may have structured certain of our investments as senior loans, if one of our portfolio companies were to go bankrupt, depending on the facts and circumstances, including the size of our investment and the extent to which we actually provided managerial assistance to that portfolio company, a bankruptcy court might recharacterize our debt investment and subordinate all or a portion of our claim to that of other creditors. In addition, lenders can be subject to lender liability claims for actions taken by them where they become too involved in the borrower's business or exercise control over the borrower. It is possible that we could become subject to a lender's liability claim, including as a result of actions taken in rendering significant managerial assistance.

Our investments in equity securities involve a substantial degree of risk.

We purchase common stock and other equity securities, including warrants. Although equity securities have historically generated higher average total returns than fixed-income securities over the long term, equity securities have also experienced significantly more volatility in those returns. The equity securities we acquire may fail to appreciate and may decline in value or become worthless, and our ability to recover our investment depends on our portfolio company's success. Investments in equity securities involve a number of significant risks, including the risk of further dilution as a result of additional issuances, inability to access

additional capital and failure to pay current distributions. Investments in preferred securities involve special risks, such as the risk of deferred distributions, credit risk, illiquidity and limited voting rights.

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

We may invest in securities issued by private companies. These securities may be subject to legal and other restrictions on resale or otherwise be less liquid than publicly-traded securities. The illiquidity of these investments may make it difficult for us to sell these investments when desired. 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 these investments. Our investments are usually subject to contractual or legal restrictions on resale or are otherwise illiquid because there is usually no established trading market for such investments. The illiquidity of most of our investments may make it difficult for us to dispose of them at a favorable price, and, as a result, we may suffer losses.

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.

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.

We may not receive any return on our investment in the CLO Funds in which we have invested.

As of December 31, 2022, we had \$20.5 million at fair value invested in the subordinated securities, preferred shares, or other securities issued by the CLO Funds. Subordinated securities are the most junior class of securities issued by the CLO Funds and are subordinated in priority of payment to every other class of securities issued by these CLO Funds. Therefore, they only receive cash distributions if the CLO Funds have made all cash interest payments to all other debt securities issued by the CLO Fund. The subordinated securities are also unsecured and rank behind all of the secured creditors, known or unknown, of the CLO Fund, including the holders of the senior securities issued by the CLO Fund. Consequently, to the extent that the value of a CLO Fund's loan investments has been reduced as a result of conditions in the credit markets, or as a result of defaulted loans or individual fund assets, the value of the subordinated securities at their redemption could be reduced.

Risks Related to Our Common Stock

We may not be able to pay distributions to our stockholders, our distributions may not grow over time, and a portion of distributions paid to our stockholders may be a return of capital.

We intend to continue to make distributions on a quarterly basis to our stockholders out of assets legally available for distribution. We may not be able to achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions. Our ability to pay distributions might be adversely affected by, among other things, the impact of one or more of the risk factors described herein. In addition, the inability to satisfy the asset coverage test applicable to us as a BDC could limit our ability to pay distributions. In addition, due to the asset coverage test applicable to us as a BDC and covenants that we agreed to in connection with the issuance of the 4.875% Notes Due 2026 we are limited in our ability to make distributions in certain circumstances. In this regard, we agreed in connection with our issuance of 4.875% Notes Due 2026 that for the period of time during which the 4.875% Notes Due 2026 are outstanding, we will not violate (regardless of whether we are subject to) Section 18(a)(1)(B) as modified by Section 61(a)(1) of the 1940 Act. These provisions generally prohibit us from declaring any cash dividend or distribution upon our common stock, or purchasing any such common stock if our asset coverage, as defined in the 1940 Act, is below 150% at the time of the declaration of the dividend or distribution or the purchase and after deducting the amount of such dividend, distribution or purchase. Further, if we invest a greater amount of assets in equity securities that do not pay current dividends, it could reduce the amount available for distribution.

All distributions will be paid at the discretion of our Board and will depend on our earnings, our financial condition, maintenance of our RIC status, compliance with applicable BDC regulations and such other factors as our Board may deem relevant from time to time. We cannot assure you that we will pay distributions to our stockholders in the future.

When we make quarterly distributions, we will be required to determine the extent to which such distributions are paid out of current or accumulated earnings, from recognized capital gains or from capital. To the extent there is a return of capital, investors will be required to reduce their basis in our stock for U.S. federal income tax purposes, which may result in higher tax liability when the shares are sold, even if they have not increased in value or have lost value. Our distributions have over the last several years included a significant return of capital component. For more information about our distributions over the last several years that have included a return of capital component, see Note 7 — “Distributable Taxable Income” to our consolidated financial statements included elsewhere in this Annual Report.

Investing in shares of our common stock 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, volatility or loss of principal than alternative investment options. Our investments in portfolio companies may be highly speculative, and therefore, an investment in our common stock may not be suitable for investors with lower risk tolerance.

Shares of closed-end investment companies, including BDCs, frequently trade at a discount to their net asset value, and we cannot assure you that the market price of our common stock will not decline below the net asset value of the stock.

We cannot predict the price at which our common stock will trade. Shares of closed-end investment companies frequently trade at a discount to their net asset value and our stock may also be discounted in the market. This characteristic of closed-end investment companies is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether shares of our common stock will trade above, at or below our net asset value. The risk of loss associated with this characteristic of closed-end investment companies may be greater for investors expecting to sell shares of common stock soon after the purchase of such shares of

common stock. In addition, if our common stock trades below its net asset value, we will generally not be able to issue additional shares of our common stock at its market price without first obtaining the approval of our stockholders and our independent directors.

Our share price may be volatile and may fluctuate substantially.

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

- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market price and trading volume of securities of BDCs or other companies in our sector, which are not necessarily related to the operating performance of these companies or to us;
- our inability to deploy or invest our capital;
- fluctuations in interest rates;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- operating performance of companies comparable to us;
- changes in regulatory policies or tax rules, particularly with respect to RICs or BDCs;
- inability to maintain our qualification as a RIC for U.S. federal income tax purposes;
- changes in earnings or variations in operating results;
- changes in the value of our portfolio;
- general economic conditions and trends; and
- departure of key personnel.

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. Our Board is divided into three classes of directors serving staggered three-year terms, which could prevent stockholders from removing a majority of directors in any given election. Our Board may, without stockholder action, authorize the issuance of shares in one or more classes or series, including shares of preferred stock. 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.

Risks Related to Our Notes

The 4.875% Notes due 2026 are unsecured and therefore are effectively subordinated to any secured indebtedness we may incur.

The 4.875% Notes due 2026 are not secured by any of our assets or any of the assets of our subsidiaries. As a result, the 4.875% Notes due 2026 are effectively subordinated to any secured indebtedness we or our subsidiaries have currently incurred or that we or our subsidiaries may incur in the future (or any indebtedness that is initially unsecured in respect of which we subsequently grant security) to the extent of the value of the assets securing such indebtedness. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness and the secured indebtedness of our subsidiaries may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holders of the 4.875% Notes due 2026.

The 4.875% Notes due 2026 are subordinated structurally to the indebtedness and other liabilities of our subsidiaries.

The 4.875% Notes due 2026 are obligations exclusively of Portman Ridge Finance Corporation and not of any of our subsidiaries. None of our subsidiaries is a guarantor of the 4.875% Notes due 2026, and the 4.875% Notes due 2026 are not required to be guaranteed by any subsidiaries we may acquire or create in the future. Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of creditors, including trade creditors, and holders of our preferred stock, if any, of our subsidiaries will have priority over our claims (and therefore the claims of our creditors, including holders of the 4.875% Notes due 2026) with respect to the assets of such subsidiaries. Even if we were recognized as a creditor of one or more of our subsidiaries, our claims would still be effectively subordinated to any security interests in the assets of any such subsidiary and to any indebtedness or other liabilities of any such subsidiary senior to our claims. Consequently, the 4.875% Notes due 2026 are subordinated structurally to all indebtedness and other liabilities of any of our subsidiaries and any subsidiaries that we may in the future acquire or establish as financing vehicles or otherwise. All of the existing indebtedness of our subsidiaries is structurally senior to the 4.875% Notes due 2026. In addition, our subsidiaries may incur substantial additional indebtedness in the future, all of which would be structurally senior to the 4.875% Notes due 2026.

There is currently no public market for the 4.875% Notes due 2026. If an active trading market for the 4.875% Notes due 2026 does not develop or is not maintained, holders of the 4.875% Notes due 2026 may not be able to sell them.

There is currently no trading market for the 4.875% Notes due 2026 and we do not currently intend to apply for listing of the 4.875% Notes due 2026 on any securities exchange or for quotation of the 4.875% Notes due 2026 on any automated dealer quotation system. If no active trading market develops, you may not be able to resell your 4.875% Notes due 2026 at their fair market value or at all. If the 4.875% Notes due 2026 are traded after their initial issuance, they may trade at a discount from their initial offering price depending on prevailing interest rates, the market for similar securities, our credit ratings, general economic conditions, our financial condition, performance and prospects and other factors. Certain of the initial purchasers in the private offerings of the outstanding 4.875% Notes due 2026 have advised us that they intend to make a market in the 4.875% Notes due 2026 as permitted by applicable laws and regulations; however, the initial purchasers are not obligated to make a market in any of the 4.875% Notes due 2026, and they may discontinue their market-making activities at any time without notice. Accordingly, we cannot assure you that an active and liquid trading market will develop or continue for the 4.875% Notes due 2026, that you will be able to sell your 4.875% Notes due 2026 at a particular time or that the price you receive when you sell will be favorable. To the extent an active trading market does not develop, the liquidity and trading price for the 4.875% Notes due 2026 may be harmed. Accordingly, you may be required to bear the financial risk of an investment in the 4.875% Notes due 2026 for an indefinite period of time.

A downgrade, suspension or withdrawal of the credit rating assigned by a rating agency to us or the 4.875% Notes due 2026, if any, could cause the liquidity or market value of the 4.875% Notes due 2026 to decline significantly.

Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the 4.875% Notes due 2026. These credit ratings may not reflect the potential impact of risks relating to the structure or marketing of the 4.875% Notes due 2026. Credit ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization in its sole discretion. Neither we nor any initial purchaser of the 4.875% Notes due 2026 undertakes any obligation to maintain our credit ratings or to advise holders of the 4.875% Notes due 2026 of any changes in our credit ratings.

The 4.875% Notes due 2026 are subject to periodic review by independent credit rating agencies. Such ratings are limited in scope and do not address all material risks relating to an investment in the 4.875% Notes due 2026, but rather reflect only the view of each rating agency at the time the rating is issued. An explanation of the significance of such rating may be obtained from such rating agency. There can be no assurance that their respective credit ratings will remain for any given period of time or that such credit ratings will not be lowered or withdrawn entirely by the applicable ratings agency if in its judgment future circumstances relating to the basis of the credit rating, such as adverse changes in our business, financial condition and results of operations, so warrant.

An increase in market interest rates could result in a decrease in the market value of the 4.875% Notes due 2026.

The condition of the financial markets and fluctuations in prevailing interest rates could have an adverse effect on the market prices of the 4.875% Notes due 2026. In general, as market interest rates rise, debt securities bearing interest at fixed rates of interest decline in value. Consequently, if you purchase 4.875% Notes due 2026 bearing interest at fixed rates and market interest rates increase, the market values of those 4.875% Notes due 2026 may decline. We cannot predict the future level of market interest rates.

The indenture governing the 4.875% Notes due 2026 contains limited protection for holders of the 4.875% Notes due 2026.

The indenture governing the 4.875% Notes due 2026 offers limited protection to holders of the 4.875% Notes due 2026. The terms of the indenture and the 4.875% Notes due 2026 do not restrict our or any of our subsidiaries' ability to engage in, or otherwise be a party to, a variety of corporate transactions, circumstances or events that could have an adverse impact on your investment in the 4.875% Notes due 2026. In particular, the terms of the indenture and the 4.875% Notes due 2026 do not place any restrictions on our or our subsidiaries' ability to:

- issue securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to the 4.875% Notes due 2026, (2) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the 4.875% Notes due 2026 to the extent of the values of the assets securing such debt, (3) indebtedness of ours that is guaranteed by one or more of our subsidiaries and which therefore is structurally senior to the 4.875% Notes due 2026 and (4) securities, indebtedness or obligations issued or incurred by our subsidiaries that would be senior to our equity interests in our subsidiaries and therefore rank structurally senior to the 4.875% Notes due 2026 with respect to the assets of our subsidiaries, in each case other than an incurrence of indebtedness that would cause a violation of Section 18(a)(1)(A) of the 1940 Act as modified by Section 61(a)(2) of the 1940 Act;
- pay dividends on, or purchase or redeem or make any payments in respect of, capital stock or other securities ranking junior in right of payment to the 4.875% Notes due 2026, including preferred stock or subordinated indebtedness, in each case other than dividends, purchases, redemptions or payments that would cause a violation of Section 18(a)(1)(B) as modified by Section 61(a)(2) of the 1940 Act or any successor provisions, giving effect to any no-action relief granted by the SEC to another BDC and upon which we may reasonably rely (or to us if we determine to seek such similar SEC no-action or other relief) permitting the BDC to declare any cash dividend or distribution notwithstanding the prohibition contained in Section 18(a)(1)(B) as modified by Section 61(a)(2) of the 1940 Act in order to maintain the BDC's status as a RIC under Subchapter M of the Code;
- sell assets (other than certain limited restrictions on our ability to consolidate, merge or sell all or substantially all of our assets);
- enter into transactions with affiliates;
- create liens (including liens on the shares of our subsidiaries) or enter into sale and leaseback transactions;
- make investments; or
- create restrictions on the payment of dividends or other amounts to us from our subsidiaries.

In addition, the terms of the indenture and the 4.875% Notes due 2026 do not protect holders of the 4.875% Notes due 2026 in the event that we experience changes (including significant adverse changes) in our financial condition, results of operations or credit ratings, as they will not require that we or our subsidiaries adhere to any financial tests or ratios or specified levels of net worth, revenues, income, cash flow or liquidity other than as described above.

Our ability to recapitalize, incur additional debt and take a number of other actions are not limited by the terms of the 4.875% Notes due 2026 and may have important consequences for you as a holder of the 4.875% Notes due 2026, including making it more difficult for us to satisfy our obligations with respect to the 4.875% Notes due 2026 or negatively affecting the trading value of the 4.875% Notes due 2026.

Other debt we issue or incur in the future could contain more protections for its holders than the indenture and the 4.875% Notes due 2026, including additional covenants and events of default. The issuance or incurrence of any such debt with incremental protections could affect the market for and trading levels and prices of the 4.875% Notes due 2026.

The optional redemption provision may materially adversely affect your return on the Exchange Notes.

The 4.875% Notes due 2026 are redeemable in whole or in part upon certain conditions at any time or from time to time at our option. We may choose to redeem the 4.875% Notes due 2026 at times when prevailing interest rates are lower than the interest rate paid on the 4.875% Notes due 2026. In this circumstance, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the 4.875% Notes due 2026 being redeemed.

We may not be able to repurchase the 4.875% Notes due 2026 upon a Change of Control Repurchase Event.

We may not be able to repurchase the 4.875% Notes due 2026 upon a Change of Control Repurchase Event (as defined in the indenture governing the 4.875% Notes due 2026) if we do not have sufficient funds. Upon a Change of Control Repurchase Event, holders of the 4.875% Notes due 2026 may require us to repurchase for cash some or all of the 4.875% Notes due 2026 at a repurchase price equal to 100% of the aggregate principal amount of the 4.875% Notes due 2026 being repurchased, plus accrued and unpaid interest to, but not including, the repurchase date. Our failure to purchase such tendered 4.875% Notes due 2026 upon the occurrence of such Change of Control Repurchase Event would cause an event of default under the indenture governing the 4.875% Notes due 2026 and may cause a cross-default under the agreements governing certain of our other indebtedness, which may result in the acceleration of such indebtedness requiring us to repay that indebtedness immediately. If a Change of Control Repurchase Event were to occur, we may not have sufficient funds to repay any such accelerated indebtedness and/or to make the required repurchase of the 4.875% Notes due 2026.

Risks Relating to Acquisitions

If we sell investments acquired as a result of our prior strategic acquisitions, it may result in capital gains and increase the incentive fees payable to the Adviser.

Investments that we acquired as a result of our prior strategic acquisitions, including the GARS Acquisition and the HCAP Acquisition, are booked at a discount under ASC 805-50, Business Combinations—Related Issues. To the extent we sell one of these acquired investments at a price that is higher than its then-amortized cost, such sale would result in realized capital gain that would be factored into the amount of the incentive fee on capital gains, if any, that is paid by us to the Adviser. If we sell a significant portion of the investments acquired as a result of our prior strategic acquisitions, including the GARS Acquisition and the HCAP Acquisition, it may materially increase the incentive fee on capital gains paid to the Adviser. The effect on the incentive fee on capital gains would be greater for acquired investments sold closer to the closing date of the applicable acquisition.

We may be unable to realize the benefits anticipated by our prior strategic acquisitions, including estimated cost savings, or it may take longer than anticipated to realize such benefits.

The realization of certain benefits anticipated as a result of our prior strategic acquisitions, including the GARS Acquisition and the HCAP Acquisition, will depend in part on the integration of such companies' investment portfolio with ours and the integration of their business. There can be no assurance that the investment portfolio or business of any such companies can be operated profitably or integrated successfully into our operations in a timely fashion or at all. The dedication of management resources to such integration may divert attention from the day-to-day business of the combined company and there can be no assurance that there will not be substantial costs associated with the transition process or there will not be other material adverse effects as a result of these integration efforts. Such effects, including incurring unexpected costs or delays in connection with such integration and failure of such companies' investment portfolio to perform as expected, could have a material adverse effect on our results of operations.

We also expect to achieve certain cost savings from our prior strategic acquisitions, including the GARS Acquisition and the HCAP Acquisition, when the two companies have fully integrated their portfolios. It is possible that the estimates of the potential cost savings could ultimately be incorrect. The cost savings estimates also assume we will be able to combine the operations of us and such companies in a manner that permits those cost savings to be fully realized. If the estimates turn out to be incorrect or if we are not able to successfully combine the investment portfolio or business of any such companies with our operations, the anticipated cost savings may not be fully realized, or realized at all, or may take longer to realize than expected.

General Risk Factors

Economic recessions or downturns could have a material adverse effect on our business, financial condition and results of operations, and could impair the ability of our portfolio companies to repay loans.

Economic recessions or downturns could result in a prolonged period of market illiquidity which could have a material adverse effect on our business, financial condition and results of operations. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could limit our investment originations, limit our ability to grow and negatively impact our operating results.

In the event of economic recessions and downturns, the financial results of middle-market companies, like those in which we invest, will likely experience deterioration, which could ultimately lead to difficulty in meeting debt service requirements and an increase in defaults. Additionally, the end markets for certain of our portfolio companies' products and services would likely experience negative financial trends. The performances of certain of our portfolio companies have been, and may continue to be, negatively impacted by these economic or other conditions, which may ultimately result in our receipt of a reduced level of interest income from our portfolio companies and/or losses or charge offs related to our investments, and, in turn, may adversely affect distributable income. Further, adverse economic conditions may decrease the value of collateral securing some of our loans and the value of our equity investments. As a result, we may need to modify the payment terms of our investments, including changes in payment-in-kind interest provisions and/or cash interest rates. These factors may result in our receipt of a reduced level of interest income from our portfolio companies and/or losses or charge offs related to our investments, and, in turn, may adversely affect distributable income and have a material adverse effect on our results of operations.

Capital markets may experience periods of disruption and instability and we cannot predict when these conditions will occur. Such market conditions could materially and adversely affect debt and equity capital markets in the United States and abroad, which could have a negative impact on our business, financial condition and results of operations.

The U.S. and global capital markets have, from time to time, experienced periods of disruption characterized by the freezing of available credit, a lack of liquidity in the debt capital markets, significant losses in the principal value of investments, the re-pricing of credit risk in the broadly syndicated credit market, the failure of major financial institutions and general volatility in the financial markets. During these periods of disruption, general economic conditions deteriorated with material and adverse consequences for the broader financial and credit markets, and the availability of debt and equity capital for the market as a whole, and financial services firms in particular, was reduced significantly. These conditions may reoccur for a prolonged period of time or materially worsen in the future. In addition, uncertainty between the U.S. and other countries with respect to trade policies, treaties and tariffs, among other factors, have caused disruptions in the global markets, including markets in which we participate, and we cannot assure you that these market conditions will not continue or worsen in the future.

We may in the future have difficulty accessing debt and equity capital markets, and a severe disruption in the global financial markets, deterioration in credit and financing conditions or uncertainty regarding U.S. government spending and deficit levels or other global economic and political conditions, including future recessions, political instability, geopolitical turmoil and foreign hostilities, and disease, pandemics and other serious health events, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

Periods of market volatility could continue to occur in response to pandemics or other events outside of our control. We, the Adviser, and the portfolio companies in which we invest in could be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, such as acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, acts of war, terrorism, labor strikes, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes, government macroeconomic policies, social instability, etc.). Some force majeure events could adversely affect the ability of a party (including us, the Adviser, a portfolio company or a counterparty to us, the Adviser, or a portfolio company) to perform its obligations until it is able to remedy the force majeure event or could lead to the unavailability of essential equipment and technologies. These risks could, among other effects, adversely impact the cash flows available from a portfolio company, cause personal injury or loss of life, damage property, or instigate disruptions of service. Certain events causing catastrophic loss could be either uninsurable, or insurable at such high rates as to adversely impact us, the Adviser, or portfolio companies, as applicable, and insurance proceeds received, if any, could be inadequate to completely or even

partially cover any loss of revenues or investments, any increases in operating and maintenance expenses, or any replacements or rehabilitation of property. Force majeure events that are incapable of or are too costly to cure could have permanent adverse effects.

In addition, certain force majeure events (such as events of war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which we invest or our portfolio companies operate specifically. Such force majeure events could result in or coincide with: increased volatility in the global securities, derivatives and currency markets; a decrease in the reliability of market prices and difficulty in valuing assets; greater fluctuations in currency exchange rates; increased risk of default (by both government and private issuers); further social, economic, and political instability; nationalization of private enterprise; greater governmental involvement in the economy or in social factors that impact the economy; less governmental regulation and supervision of the securities markets and market participants and decreased monitoring of the markets by governments or self-regulatory organizations and reduced enforcement of regulations; limited, or limitations on, the activities of investors in such markets; controls or restrictions on foreign investment, capital controls and limitations on repatriation of invested capital; inability to purchase and sell investments or otherwise settle security or derivative transactions (i.e., a market freeze); unavailability of currency hedging techniques; substantial, and in some periods extremely high, rates of inflation, which can last many years and have substantial negative effects on credit and securities markets as well as the economy as a whole; recessions; and difficulties in obtaining and/or enforcing legal judgments.

Additionally, a major governmental intervention into industry, including the nationalization of an industry or the assertion of control over one or more portfolio companies or its assets, could result in a loss to us, including if the investment in such portfolio companies is canceled, unwound or acquired (which could result in inadequate compensation). Any of the foregoing could therefore adversely affect the performance of us and our investments.

The COVID-19 pandemic resulted in a period of capital markets disruption and economic uncertainty.

The U.S. capital markets experienced extreme volatility and disruption following the global outbreak of COVID-19. Some economists and major investment banks have expressed concern that the continued spread of the virus globally could lead to a prolonged period of world-wide economic downturn. Disruptions in the capital markets have in the past increased the spread between the yields realized on risk-free and higher risk securities, resulting in illiquidity in parts of the capital markets. Such disruptions and/or illiquidity adversely effected our business, financial condition, results of operations and cash flows, and future market disruptions and/or illiquidity may again negatively impact us. Such unfavorable economic conditions also would be expected to increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could limit our investment originations, limit our ability to grow and have a material negative impact on our operating results and the fair values of our debt and equity investments. We also face an increased risk of investor, creditor or portfolio company disputes, litigation and governmental and regulatory scrutiny as a result of the effects of COVID-19, including multiple variants thereof, on economic and market conditions.

Global economic, political and market conditions, including downgrades of the U.S. credit rating, may adversely affect our business, results of operations and financial condition.

The current global financial market situation, as well as various social and political tensions in the United States and around the world (including the deterioration in the bilateral relationship between the U.S. and China and the conflict between Russia and Ukraine), may contribute to increased market volatility, may have long-term effects on the United States and worldwide financial markets and may cause economic uncertainties or deterioration in the U.S. and worldwide. The impact of downgrades by rating agencies to the U.S. government's sovereign credit rating or its perceived creditworthiness as well as potential government shutdowns and uncertainty surrounding transfers of power could adversely affect the U.S. and global financial markets and economic conditions. In addition, there will likely continue to be considerable uncertainty as to the United Kingdom's post-transition and post-withdrawal framework following its withdrawal from the European Union ("Brexit"), in particular as to the arrangements which will apply to its relationships with the European Union and with other countries. The new Trade and Cooperation Agreement reached between the European Union and the United Kingdom in late 2020 is untested and may lead to ongoing political and economic uncertainty and periods of exacerbated volatility in both the United Kingdom and in wider European and global markets for some time.

Additionally, the U.S. political environment and uncertainties regarding actual and potential shifts in U.S. foreign investment, trade, taxation, economic, environmental and other policies under the current presidential administration, could lead to disruption, instability and volatility in the global markets. Trade wars and volatility in the U.S. repo market, the U.S. high yield bond markets, the Chinese stock markets and global markets for commodities may affect other financial markets worldwide. We monitor developments in economic, political and market conditions and seek to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that we will be successful in doing so.

The ongoing Russian invasion of Ukraine and related sanctions have increased global political and economic uncertainty, which may have a material adverse impact on us and our portfolio companies.

The ongoing Russian invasion of Ukraine which began in February 2022 has resulted in significant volatility in certain equity, debt and currency markets, material increases in certain commodity prices and increased global political and economic uncertainty. The conflict may escalate and its resolution is unclear. The U.S. government and other governments have imposed severe sanctions against Russia and Russian interests and threatened additional sanctions and controls. Sanctions and export control laws and regulations are complex, frequently changing, and increasing in number, and they may impose additional legal compliance costs or business risks associated with our operations. There is also the risk of retaliatory actions by Russia against countries which have enacted sanctions, including cyberattacks against financial and governmental institutions, which could result in business disruptions and further economic turbulence. Additionally, to the extent that third parties, investors, or related customer bases have material operations or assets in Russia or Ukraine, they may experience adverse consequences related to the ongoing conflict.

Our businesses may be adversely affected by litigation and regulatory proceedings.

From time to time, we may be subject to legal actions as well as various regulatory, governmental and law enforcement inquiries, investigations and subpoenas. In any such claims or actions, demands for substantial monetary damages may be asserted against us and may result in financial liability or an adverse effect on our reputation among investors. In connection with acquisitions of, and investments in, businesses complementary to our business, we have been and may be in the future subject to securities litigation or shareholder activism in connection with such acquisitions or investments. Securities litigation and shareholder 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. We may be unable to accurately estimate our exposure to litigation risk when we record balance sheet reserves for probable loss contingencies. As a result, any reserves we establish to cover any settlements or judgments may not be sufficient to cover our actual financial exposure, which may have a material impact on our results of operations or financial condition. In regulatory enforcement matters, claims for disgorgement, the imposition of penalties and the imposition of other remedial sanctions are possible.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We do not own any real estate or other real property.

Item 3. Legal Proceedings

The Company is not currently a party to any material legal proceedings except as set forth below.

HCAP and certain of its officer and directors as well as JMP Group LLC were named as defendants in two putative stockholder class action lawsuits, both filed in the Court of Chancery in the State of Delaware, captioned *Stewart Thompson v. Joseph Jolson, et al.*, Case No. 2021-0164 and *Ronald Tornese v. Joseph Jolson, et al.*, Case No. 2021-0167 (the "Delaware Actions"). The complaints in the Delaware Actions allege certain breaches of fiduciary duties against the defendants as well as aiding and abetting claims against JMP Group LLC and HCAP's Chief Executive Officer concerning HCAP's proposed merger with the Company and Acquisition Sub that resulted in the merger with and into the Company.

On June 9, 2021, HCAP merged with and into the Company with the Company as the surviving corporation. As a result, the Company became responsible for any claims against HCAP as well as for any advancement and/or indemnification owed to the former officers and directors of HCAP. On or about May 10, 2022, plaintiffs in the Delaware Actions filed a consolidated amended complaint seeking damages against defendants for allegedly breaching their fiduciary duties in connection with the proposed merger. On or about May 31, 2022, defendants moved to dismiss the Delaware action.

The Delaware Actions remain at the early stage. We and the former HCAP officers and directors intend to defend ourselves vigorously against the allegations in the aforementioned actions to the extent they proceed. Neither the outcome of the lawsuits nor an estimate of any reasonably possible losses is determinable at this time. While we and HCAP maintain directors' and officers' insurance that provides coverage for claims such as those alleged in the complaints, an adverse judgment for monetary damages in excess of or outside of available insurance coverage could have a material adverse effect on our operations and liquidity.

Item 4. Mine Safety Disclosures

Not applicable.

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

COMMON STOCK AND HOLDERS

Our common stock is quoted on the NASDAQ Global Select Market under the symbol "PTMN." As of March 8, 2023, there were approximately 53 holders of record of our common stock. This number does not include shareholders for whom shares are held in "nominee" or "street name."

PRICE RANGE OF COMMON STOCK

The following table sets forth, for each fiscal quarter during the last two fiscal years and the current fiscal year to date, the net asset value, or NAV, per share of our common stock, the high and low closing sales prices for our common stock and such sales prices as a percentage of NAV per share.

Period	NAV ⁽¹⁾⁽⁴⁾	Closing Sale Prices ⁽²⁾⁽⁴⁾		Premium / (Discount) of High Sale Price to NAV ⁽³⁾⁽⁴⁾	Premium / (Discount) of Low Sale Price to NAV ⁽³⁾⁽⁴⁾
		High	Low		
First quarter of 2023 (as of March 8, 2023)	*	\$ 23.33	\$ 22.23	*	*
Fourth quarter of 2022	\$ 24.23	\$ 23.00	\$ 19.61	(5.08)%	(19.07)%
Third quarter of 2022	\$ 26.18	\$ 24.38	\$ 20.00	(6.88)%	(23.61)%
Second quarter of 2022	\$ 27.26	\$ 24.08	\$ 21.86	(11.66)%	(19.80)%
First quarter of 2022	\$ 28.76	\$ 25.15	\$ 23.29	(12.55)%	(19.02)%
Fourth quarter of 2021	\$ 28.88	\$ 25.66	\$ 24.00	(11.15)%	(16.90)%
Third quarter of 2021	\$ 29.71	\$ 25.70	\$ 22.80	(13.50)%	(23.26)%
Second quarter of 2021	\$ 29.28	\$ 24.60	\$ 21.70	(15.98)%	(25.89)%
First quarter of 2021	\$ 29.24	\$ 21.70	\$ 18.20	(25.79)%	(37.76)%

(1) NAV per share is determined as of the last day in the relevant quarter and therefore may not reflect the NAV per share on the date of the high and low sales prices. The NAVs shown are based on outstanding shares at the end of each period.

(2) Closing sales price as provided by the NASDAQ.

(3) Calculated as of the respective high or low closing sales price divided by the quarter end NAV.

(4) On August 23, 2021, we filed a Certificate of Amendment to our Certificate of Incorporation with the Secretary of State of Delaware to effect a 1-for-10 reverse stock split of the issued and outstanding (or held in treasury) of our common stock. The reverse split became effective as of 12:01 a.m. on August 26, 2021. The share information in the table above has been adjusted to reflect the impact of the reverse stock split thereon.

* Not determinable at the time of filing.

On March 8, 2023, the reported closing sales price of our common stock was \$23.33 per share.

Shares of BDCs may trade at a market price that is less than the value of the net assets attributable to those shares. The possibility that our shares of common stock will trade at a discount from net asset value per share or at premiums that are unsustainable over the long term are separate and distinct from the risk that our net asset value per share will decrease. It is not possible to predict whether our common stock will trade at, above, or below net asset value per share. Since our initial public offering in December 2006, our shares of common stock have traded at prices both less than and exceeding our net asset value per share.

DIVIDEND POLICY

We intend to continue to make quarterly distributions to our stockholders. Our quarterly distributions, if any, will be determined by our Board. To maintain our RIC status, we must timely distribute an amount equal to at least 90% of our tax basis ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, reduced by deductible expenses, out of the assets legally available for distribution, for each year. To avoid certain excise taxes imposed on RICs, we are generally required to distribute during each calendar year an amount at least equal to the sum of (1) 98% of our ordinary income for the calendar year, (2) 98.2% of our capital gains in excess of capital losses for the one-year period ending on October 31 of the calendar year and (3) 100% of any ordinary income and net

capital gains for preceding years that were not distributed during such years and on which we paid no corporate tax. If this requirement is not met, we will be required to pay a nondeductible excise tax equal to 4% of the amount by which the required distribution amount exceeds the actual distribution for the year. The taxable income on which an excise tax is paid is generally carried forward and distributed to stockholders in the next tax year. 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 tax year and pay a 4% excise tax on such income, to the extent required.

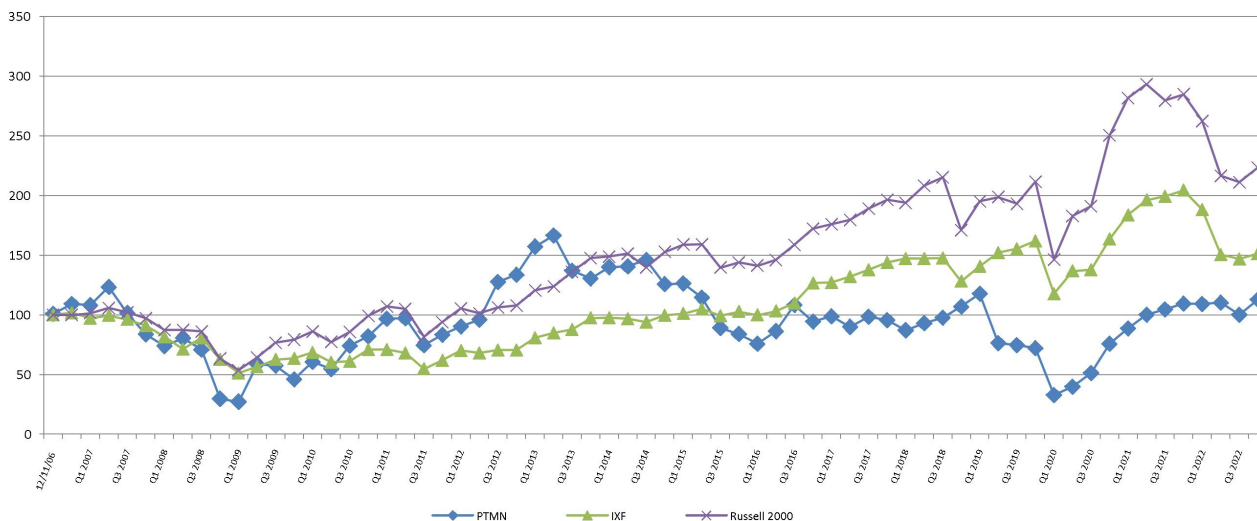
We cannot assure you that we will achieve results that will permit the payment of any cash distributions and, because we issued public senior securities, we are prohibited from making distributions if doing so causes us to fail to maintain the asset coverage ratio stipulated by the 1940 Act. Similarly, we may be prohibited from making distributions by the terms of any of our other borrowings.

We maintain an "opt out" dividend reinvestment plan for our common stockholders. As a result, if we declare distributions, then stockholders' cash distributions will be automatically reinvested in additional shares of our common stock, unless they specifically "opt out" of the dividend reinvestment plan so as to receive cash.

Performance Graph

The following graph compares the return on our common stock with that of the Russell 2000 Index and the Nasdaq Financial 100 Index (IXF), for the period December 11, 2006 (the date of our initial public offering) to December 31, 2022. The graph assumes that, on December 11, 2006, a person invested \$100 in each of our common stock, the Russell 2000 Index, and the IXF. The graph measures total shareholder return, which takes into account both changes in stock price and dividends. It assumes that dividends are reinvested.

**Shareholder Return Performance Graph Cumulative
Total Return Since Initial Public Offering⁽¹⁾**



(1) Total return includes reinvestment of distributions through December 31, 2022. The IXF is an index of diversified financial sector stocks and, as such, the Company believes that it is representative of our industry. The Russell 2000 is a broad-based equity market index that tracks companies with a market capitalization that the Company believes are comparable to it.

ISSUER PURCHASES OF EQUITY SECURITIES

The following table sets forth information regarding repurchases of shares of our common stock during the year ended December 31, 2022 and December 31, 2021:

	Total Number of Shares Purchased ⁽²⁾	Average Price Per Share ⁽²⁾	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾⁽²⁾	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (Dollars in Thousands) ⁽¹⁾
March 11-March 31, 2021	-		-	\$ 10,000
April 1-June 30, 2021	15,718	\$ 24.20	15,718	\$ 9,620
July 1-September 30, 2021	59,659	\$ 24.24	59,659	\$ 8,174
October 1-December 31, 2021	-		-	\$ 8,174
Total, December 31, 2021	75,377		75,377	
March 17-March 31, 2022	22,990	\$ 23.72	22,990	\$ 9,455
April 1-April 30, 2022	39,014	\$ 23.75	39,014	\$ 8,528
May 1-May 31, 2022	42,426	\$ 22.73	42,426	\$ 7,564
June 1-June 30, 2022	25,187	\$ 22.53	25,187	\$ 6,996
July 1-September 30, 2022	-		-	\$ 6,996
October 1-November 30, 2022	-		-	\$ 6,996
December 1-December 31, 2022	37,400	\$ 22.11	37,400	\$ 6,169
Total, December 31, 2022	167,017		167,017	
Total	242,394		242,394	

(1) On March 11, 2021, the Board of Directors of the Company approved a \$10 million stock repurchase program for an approximately one-year period, effective March 11, 2021 and terminating on March 31, 2022. Under this repurchase program, shares could be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise subject to any law or agreement to which we were party including any restrictions under the 1940 Act and in the indentures for our debt securities. On March 8, 2022, the Board of Directors of the Company authorized a renewed stock repurchase program of up to \$10 million (the "Renewed Stock Repurchase Program") for an approximately one-year period, effective March 8, 2022 and terminating on March 31, 2023. Under this repurchase program, shares may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise subject to any law or agreement to which we are party including any restrictions in the 1940 Act or the indenture for our 4.875% Notes Due 2026. The timing and actual number of shares repurchased will depend on a variety of factors, including legal requirements, price, and economic and market conditions. This Renewed Stock Repurchase Program may be suspended or discontinued at any time. Subject to these restrictions, we will selectively pursue opportunities to repurchase shares which are accretive to net asset value per share.

(2) The Company completed a Reverse Stock Split of 10 to 1 effective August 26, 2021, amounts have been adjusted retroactively to reflect the split.

SALES OF UNREGISTERED SECURITIES

During the fiscal year ended December 31, 2022, we issued 48,858 shares of common stock pursuant to a dividend reinvestment plan. This issuance was not subject to the registration requirements of the Securities Act. See Note 9 "Stockholders' Equity," of our Notes to the Consolidated Financial Statements included herein.

Item 6. [Reserved]

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

The following discussion should be read in conjunction with our financial statements and related notes and other financial information appearing elsewhere in this annual report. In addition to historical information, the following discussion and other parts of this annual report contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by such forward-looking information due to the factors discussed under "Item 1.A. Risk Factors" and "Cautionary Statement Considering Forward-Looking Statements" appearing elsewhere in this annual report. Except as otherwise indicated, the terms "we," "us," "our" and the "Company" refer to Portman Ridge Finance Corporation.

GENERAL

Since April 1, 2019, we have been an externally managed, non-diversified closed-end investment company that has elected to be regulated as a BDC under the 1940 Act. The Adviser is an affiliate of BC Partners. Subject to the overall supervision of the Board, the Adviser is responsible for managing our business and activities, including sourcing investment opportunities, conducting research, performing diligence on potential investments, structuring our investments, and monitoring our portfolio companies on an ongoing basis through a team of investment professionals.

We originate, structure, and invest in secured term loans, bonds or notes and mezzanine debt primarily in privately-held middle market companies but may also invest in other investments such as loans to publicly-traded companies, high-yield bonds, and distressed debt securities (collectively the "Debt Securities Portfolio"). We also invest in joint ventures and debt and subordinated securities issued by collateralized loan obligation funds ("CLO Fund Securities"). In addition, from time to time we may invest in the equity securities of privately held middle market companies and may also receive warrants or options to purchase common stock in connection with our debt investments.

In our Debt Securities Portfolio, our investment objective is to generate current income and, to a lesser extent, capital appreciation from the investments in senior secured term loans, mezzanine debt and selected equity investments in privately-held middle market companies. We define the middle market as comprising companies with EBITDA of \$10 million to \$50 million and/or total debt of \$25 million to \$150 million. We primarily invest in first and second lien term loans which, because of their priority in a company's capital structure, we expect will have lower default rates and higher rates of recovery of principal if there is a default and which we expect will create a stable stream of interest income. The investments in our Debt Securities Portfolio are all or predominantly below investment grade, and have speculative characteristics with respect to the issuer's capacity to pay interest and repay principal.

From time-to-time we have made investments in CLO Fund Securities managed by other asset managers. The CLO Funds typically invest in broadly syndicated loans, high-yield bonds and other credit instruments. The majority of our investments in CLO Fund Securities are anticipated to provide us with recurring cash distributions.

Subject to market conditions, we intend to grow our portfolio of assets by raising additional capital, including through the prudent use of leverage available to us. As a BDC, we are limited in the amount of leverage we can incur under the 1940 Act. We are allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 150% after such borrowing. See Note 6 - "Borrowings" to our consolidated financial statements.

We have elected to be treated for U.S. federal income tax purposes as a RIC under the Code and intend to operate in a manner to maintain our RIC status. As a RIC, we intend to distribute to our stockholders substantially all of our net ordinary taxable income and the excess of realized net short-term capital gains over realized net long-term capital losses, if any, for each year. To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements. Pursuant to this election, we generally will not have to pay corporate-level U.S. federal income taxes on any income that we timely distribute to our stockholders.

From time to time, we may seek to retire, repurchase, or exchange debt securities in open market purchases or by other means dependent on market conditions, liquidity, contractual obligations, and other matters. In addition, we evaluate strategic opportunities available to us, including mergers with unaffiliated funds and affiliated funds, divestitures, spin-offs, joint ventures and other similar transactions from time to time. An example of an opportunity we are currently in the initial stages of evaluating is a potential merger with one or more of our affiliated 1940 Act funds, which may result in the use of an exchange ratio other than NAV-for-NAV (including but not limited to relative market price) in connection therewith.

During the fourth quarter of 2020, LibreMax sold its minority stake in the Adviser to a wholly-owned subsidiary of Mount Logan. An affiliate of BC Partners serves as administrator to Mount Logan.

THE EXTERNALIZATION

On December 14, 2018, we entered into the Externalization Agreement with BCP, an affiliate of BC Partners, through which the Adviser agreed to become our investment adviser, subject to our stockholders' approval of the Advisory Agreement between us and the Adviser. At a special meeting of our stockholders held on February 19, 2019, our stockholders approved the Advisory Agreement. The Externalization closed on April 1, 2019 (the "Closing"), and the Company commenced operations as an externally managed BDC managed by the Adviser.

Pursuant to the Externalization Agreement with BCP, the Adviser became our investment adviser in exchange for a cash payment from BCP, or its affiliate, of \$25 million, or \$0.669672 per share of our common stock, directly to our stockholders. In addition, the Adviser (or its affiliate) will use up to \$10 million of the incentive fee actually paid to the Adviser prior to the second anniversary of the Closing to buy newly issued shares of our common stock at the most recently determined net asset value per share of our common stock at the time of such purchase. From inception, the Adviser has purchased approximately \$4.6 million newly issued shares of our common stock in connection with this agreement. For the period of one year from the first day of the first quarter following the quarter in which the Closing occurred, the Adviser agreed to permanently forego up to the full amount of the incentive fees earned by the Adviser without recourse against or reimbursement by us, to the extent necessary in order to achieve aggregate net investment income per share of our common stock for such one-year period to be at least equal to \$0.40 per share, subject to certain adjustments.

GARS TRANSACTION

On October 28, 2020 we completed the GARS Acquisition. To effect the acquisition, our wholly owned merger subsidiary merged with and into GARS, with GARS surviving the merger as our wholly owned subsidiary. Immediately thereafter and as a single integrated transaction, GARS consummated a second merger, whereby GARS merged with and into us, with the Company surviving the merger. In accordance with the terms of the GARS Merger Agreement, each share of GARS Common Stock issued and outstanding was converted into the right to receive (i) an amount in cash, without interest, equal to approximately \$1.19 and (ii) approximately 1.917 shares of common stock, par value \$0.01 per share, of the Company (plus any applicable cash in lieu of fractional shares). Each share of GARS Common Stock issued and outstanding received, as additional consideration funded by the Adviser, an amount in cash, without interest, equal to approximately \$0.31. In connection with the closing of the GARS Acquisition, our Board approved an increase in the size of the Board from seven members to nine members, and appointed two former GARS directors to the Board. Shares of common stock issued and market price have not been adjusted to reflect the Reverse Stock Split.

The merger was accounted for in accordance with the asset acquisition method of accounting as detailed in ASC Topic 805-50. The fair value of the consideration paid, and transaction costs incurred to complete the merger by the Company, including \$5.0 million of cash payment (deemed capital contribution) paid at closing directly to shareholders of GARS from the Adviser, was allocated to the GARS investments acquired, based on their relative fair values as of the date of acquisition. The fair value of the purchase consideration paid by the Company below the fair value of net assets acquired is considered the purchase discount. Immediately following the acquisition of GARS, we recorded GARS net assets at their respective fair values and, as a result, the purchase discount was allocated to the cost basis of the GARS investments acquired and was immediately recognized as unrealized gain on our Consolidated Statement of Operations. The purchase discount was allocated to the acquired investments on a relative fair value basis and, for performing debt investments, will amortize over the life of the investments through interest income with a corresponding reversal of the unrealized appreciation on the GARS investments acquired through their maturity. Upon the sale of any of the GARS acquired investments, we will recognize a realized gain or a reduction in realized losses with a corresponding reversal of the unrealized losses.

(\$ in thousands)	
Common stock issued by the Company ⁽¹⁾	\$ 38,765
Cash consideration to GARS shareholders	24,100
Transaction costs (excluding offering costs \$432)	1,168
Total purchase consideration	\$ 64,033
Assets acquired:	
Investments, at fair value (amortized cost of \$277,380)	\$ 317,803
Cash	35,361
Interest receivable	1,871
Other assets	2,088
Total assets acquired	\$ 357,123
Liabilities assumed:	
Debt	\$ 251,213
Other liabilities	1,455
Total liabilities assumed	\$ 252,668
Net assets acquired	\$ 104,455
Total purchase discount	\$ (40,422)

(1) Based on the market price at closing of \$1.26 as of October 28, 2020 and the 30,765,640 shares of common stock issued by the Company in conjunction with the merger.

HCAP ACQUISITION AND ASSUMPTION AND REDEMPTION OF HCAP NOTES

On June 9, 2021, we completed the HCAP Acquisition, pursuant to the terms and conditions of the HCAP Merger Agreement. To effect the acquisition, the Acquisition Sub merged with and into HCAP, with HCAP surviving the merger as the Company's wholly owned subsidiary. Immediately thereafter and as a single integrated transaction, HCAP consummated a second merger, whereby HCAP merged with and into the Company, with the Company surviving the merger. As a result of, and as of the effective time of, the second merger, HCAP's separate corporate existence ceased.

Under the terms of the HCAP Merger Agreement, HCAP stockholders as of immediately prior to the effective time of the first merger (other than shares held by a subsidiary of HCAP or held, directly or indirectly, by the Company or Acquisition Sub, and all treasury shares (collectively, "Cancelled Shares")) received a combination of (i) \$18,537,512.65 in cash payable by Company, (ii) 15,252,453 validly issued, fully paid and non-assessable shares of the Company's common stock, par value \$0.01 per share, and (iii) an additional cash payment from the Adviser of \$2.15 million in the aggregate. Shares of common stock issued and market price have not been adjusted to reflect the Reverse Stock Split.

With respect to the merger consideration from the Company, HCAP stockholders as of immediately prior to the effective time of the first merger (other than Cancelled Shares) were entitled, with respect to all or any portion of the shares of HCAP common stock they held as of the effective time of the first merger, to elect to receive the merger consideration in the form of cash (an "Election") or in the form of our common stock, subject to certain conditions and limitations in the merger agreement. Any HCAP stockholder who did not validly make an Election was deemed to have elected to receive shares of the Company's common stock with respect to the merger consideration as payment for their shares of HCAP common stock. Each share of HCAP common stock (other than Cancelled Shares) with respect to which an Election was made was treated as an "Electing Share" and each share of HCAP Common Stock (other than Cancelled Shares) with respect to which an Election was not made or that was transferred after the election deadline on June 2, 2021 was treated as a "Non-Electing Share."

Pursuant to the conditions of and adjustment mechanisms in the HCAP Merger Agreement, 475,806 Electing Shares were converted to Non-Electing Shares for purposes of calculating the total mix of consideration to be paid to each Electing Share in order to ensure that the value of the aggregate cash consideration paid to holders of the Electing Shares equaled the aggregate cash consideration that HCAP received from the Company under the terms of the HCAP Merger Agreement. Accordingly, as a result of the Elections received from HCAP stockholders and any resulting adjustment under the terms of the HCAP Merger Agreement, each Electing Share received, in aggregate, approximately \$7.43 in cash and 0.74 shares of the Company's common stock, while each Non-Electing Share received, in aggregate, approximately 3.86 shares of the Company's common stock.

The HCAP Acquisition was accounted for in accordance with the asset acquisition method of accounting as detailed in ASC Topic 805-50. The fair value of the consideration paid, and transaction costs incurred to complete the merger by the Company, including \$2.15 million of cash payment (deemed capital contribution) paid at closing directly to shareholders of HCAP from the Adviser, was allocated to the HCAP investments acquired, based on their relative fair values as of the date of acquisition. The fair value of the purchase consideration paid by the Company below the fair value of net assets acquired is considered the purchase discount. Immediately following the acquisition of HCAP, the Company recorded HCAP net assets at their respective fair values and, as a result, the purchase discount was allocated to the cost basis of the HCAP investments acquired and was immediately recognized as unrealized gain on the Company's Consolidated Statement of Operations. The purchase discount was allocated to the acquired investments on a relative fair value basis and, for performing debt investments, will amortize over the life of the investments through interest income with a corresponding reversal of the unrealized appreciation on the HCAP investments acquired through their maturity.

Upon the sale of any of the HCAP acquired investments, the Company will recognize a realized gain or a reduction in realized losses with a corresponding reversal of the unrealized losses.

(\$ in thousands)	
Common stock issued by the Company ⁽¹⁾	\$ 37,063
Cash consideration to HCAP shareholders ⁽²⁾	20,688
Transaction costs (excluding offering costs \$519)	881
Total purchase consideration	\$ 58,632
Assets acquired:	
Investments, at fair value (amortized cost of \$53,812)	\$ 57,621
Cash	32,119
Interest receivable	431
Other assets	2,665
Total assets acquired	\$ 92,836
Liabilities assumed:	
Debt	\$ 28,750
Other liabilities	1,645
Total liabilities assumed	\$ 30,395
Net assets acquired	\$ 62,441
Total purchase discount	\$ (3,809)

(1) Based on the market price at closing of \$2.43 as of June 9, 2021 and the 15,252,453 shares of common stock issued by the Company in conjunction with the merger.

(2) Approximately \$18.5 million cash consideration paid by the Company plus \$2.15 million cash payment paid at closing directly to shareholders of HCAP from the Adviser.

On June 9, 2021, the Company entered into a third supplemental indenture (the "HCAP Third Supplemental Indenture") by and between the Company and U.S. Bank National Association, as trustee (the "Trustee"), effective as of the closing of the HCAP Acquisition. The HCAP Third Supplemental Indenture relates to the Company's assumption of \$28.75 million in aggregate principal amount of HCAP's 6.125% Notes due September 15, 2022 (the "HCAP Notes").

Pursuant to the HCAP Third Supplemental Indenture, the Company expressly assumed the due and punctual payment of the principal of (and premium, if any) and interest, if any, on the HCAP Notes and the performance of HCAP's covenants under the base indenture, dated as of January 27, 2015, by and between HCAP and the Trustee, as supplemented by the second supplemental indenture, dated as of August 24, 2017, by and between HCAP and the Trustee. No change of control offer was required to be made in respect of the HCAP Notes in connection with the consummation of the HCAP Acquisition.

The HCAP Notes could be redeemed by the Company at any time at par value plus accrued and unpaid interest. On July 23, 2021, the Company redeemed the entire notional amount of \$28.75 million of the HCAP Notes.

PORTFOLIO AND INVESTMENT ACTIVITY

Our primary investments are lending to and investing in middle-market businesses through investments in senior secured loans, junior secured loans, subordinated/mezzanine debt investments, and other equity investments, which may include warrants, investments in joint ventures, and investments in CLO Fund Securities.

Total portfolio investment activity (excluding activity in U.S. treasury bills and money market investments) for the years ended December 31, 2022, 2021 and 2020 was as follows:

(\$ in thousands)	Debt Securities	Equity Securities	CLO Fund Securities	Joint Ventures	Derivatives	Total Portfolio
Fair Value at December 31, 2019						
2020 Activity:	\$ 186,803	\$ 9,864	\$ 31,968	\$ 45,088	\$ (33)	\$ 273,690
Purchases / originations / draws	380,766	4,938	-	14,098	-	399,802
Pay-downs / pay-offs / sales	(198,365)	(1,516)	(4,432)	(7,760)	(978)	(213,051)
Net accretion of interest	8,228	-	3,542	-	-	11,770
Net realized gains (losses)	7,617	(989)	-	-	977	7,605
Increase (decrease) in fair value	19,812	1,648	(11,495)	(2,077)	(1,075)	6,813
Fair Value at December 31, 2020						
2021 Activity:	\$ 404,861	\$ 13,945	\$ 19,583	\$ 49,349	\$ (1,109)	\$ 486,629
Purchases / originations / draws	309,363	9,002	18,077	34,358	-	370,800
Pay-downs / pay-offs / sales	(287,238)	(4,740)	(11,675)	(24,925)	(880)	(329,458)
Net accretion of interest	27,549	-	4,754	-	-	32,303
Net realized gains (losses)	2,361	(2,176)	(5,323)	-	880	(4,258)
Increase (decrease) in fair value	(21,603)	6,555	6,216	1,692	(1,303)	(8,443)
Fair Value at December 31, 2021						
2022 Activity:	\$ 435,293	\$ 22,586	\$ 31,632	\$ 60,474	\$ (2,412)	\$ 547,573
Purchases / originations / draws	205,555	10,807	-	15,412	-	231,774
Pay-downs / pay-offs / sales	(144,386)	(9,980)	(6,194)	(10,400)	2,075	(168,885)
Net accretion of interest	10,652	-	4,044	-	-	14,696
Net realized gains (losses)	(14,723)	1,341	(14,762)	(526)	(2,095)	(30,765)
Increase (decrease) in fair value	(17,226)	(2,849)	5,733	(6,005)	2,432	(17,915)
Fair Value at December 31, 2022	\$ 475,165	\$ 21,905	\$ 20,453	\$ 58,955	\$ -	\$ 576,478

The level of investment activity for investments funded and principal repayments for our investments can vary substantially from period to period depending on the number and size of investments that we invest in or divest of, and many other factors, including the amount and competition for the debt and equity securities available to middle market companies, the level of merger and acquisition activity for such companies and the general economic environment.

The following table shows the Company's portfolio by security type at December 31, 2022 and December 31, 2021:

Security Type	December 31, 2022			December 31, 2021		
	Cost/Amortized Cost	Fair Value	% ⁽¹⁾	Cost/Amortized Cost	Fair Value	% ⁽¹⁾
Senior Secured Loan	\$ 435,856	\$ 418,722	73	\$ 361,556	\$ 364,701	66
Junior Secured Loan	65,776	56,400	10	82,996	70,549	13
Senior Unsecured Bond	416	43	0	416	43	0
Equity Securities	28,848	21,905	4	26,680	22,586	4
CLO Fund Securities	34,649	20,453	3	51,561	31,632	6
Asset Manager Affiliates ⁽²⁾	17,791	-	-	17,791	-	-
Joint Ventures	68,850	58,955	10	64,365	60,474	11
Derivatives	31	-	-	31	(2,412)	-
Total	\$ 652,217	\$ 576,478	100%	\$ 605,396	\$ 547,573	100%

(1) Represents percentage of total portfolio at fair value.

(2) Represents the equity investment in the Asset Manager Affiliates.

The industry concentrations, based on the fair value of the Company's investment portfolio as of December 31, 2022 and December 31, 2021, for our investment portfolio was as follows:

Industry Classification	December 31, 2022			December 31, 2021		
	Cost/Amortized Cost	Fair Value	% ⁽¹⁾	Cost/Amortized Cost	Fair Value	% ⁽¹⁾
Aerospace and Defense	\$ 10,579	\$ 10,494	2	\$ 11,730	\$ 11,692	2
Asset Management Company ⁽²⁾	17,791	-	-	17,791	-	-
Automotive	7,329	6,947	1	11,331	11,487	2
Banking, Finance, Insurance & Real Estate	76,038	78,264	14	41,487	42,858	8
Beverage, Food and Tobacco	12,619	12,456	2	5,511	5,625	1
Capital Equipment	10,681	2,745	1	14,387	10,620	2
Chemicals, Plastics & Rubber	10,447	10,359	2	12,692	12,969	2
CLO Fund Securities	34,649	20,453	3	51,561	31,632	6
Construction & Building	9,545	9,199	2	8,966	9,501	2
Consumer goods: Durable	16,762	13,943	2	25,151	24,831	5
Consumer goods: Non-durable	-	-	-	4,162	4,197	1
Containers, Packaging and Glass	2,754	2,655	1	2,780	2,570	1
Electronics	10,866	11,129	2	10,623	11,089	2
Energy: Electricity	671	671	0	-	-	-
Energy: Oil & Gas	6,718	1,056	0	7,921	2,355	0
Environmental Industries	4,315	4,930	1	4,315	4,200	1
Finance	17,570	17,581	3	10,916	10,912	2
Forest Products & Paper	1,589	1,373	0	1,583	1,271	0
Healthcare, Education and Childcare	9,726	9,586	2	9,783	9,752	2
Healthcare & Pharmaceuticals	51,901	50,566	9	71,696	62,275	11
High Tech Industries	83,661	73,994	13	58,803	58,715	11
Hotel, Gaming & Leisure	10,245	6,798	1	4,906	4,898	1
Joint Ventures	68,850	58,955	10	64,365	60,474	11
Machinery (Non-Agrclt/Constr/Electr)	9,461	9,291	2	7,748	8,967	2
Media: Advertising, Printing & Publishing	150	549	0	150	246	0
Media: Broadcasting & Subscription	14,930	14,358	2	12,407	13,255	2
Media: Diversified & Production	6,976	6,572	1	6,272	6,365	1
Metals & Mining	15,846	14,786	3	15,342	13,647	3
Retail	10,772	10,871	2	6,144	6,775	1
Services: Business	66,807	66,207	11	76,071	77,798	14
Services: Consumer	8,569	8,128	1	990	990	0
Telecommunications	11,475	10,077	2	7,521	6,675	1
Textiles and Leather	12,689	12,808	2	12,496	11,095	2
Transportation: Cargo	11,583	11,342	2	-	-	-
Transportation: Consumer	7,653	7,335	1	7,795	7,837	1
Total	\$ 652,217	\$ 576,478	100%	\$ 605,396	\$ 547,573	100%

(1) Calculated as a percentage of total portfolio at fair value.

(2) Represents the equity investment in the Asset Manager Affiliates.

Debt Securities Portfolio

At December 31, 2022 and December 31, 2021, the weighted average contractual interest rate on our interest earning Debt Securities Portfolio, was approximately 11.1% and 8.1%, respectively.

The investment portfolio (excluding our investments in the CLO Funds, Joint Ventures and Asset Manager Affiliates) at December 31, 2022 was spread across 31 different industries and 119 different entities with an average par balance per entity of approximately \$3.3 million. As of December 31, 2022, four of our debt investments were on non-accrual status.

We may invest up to 30% of our investment portfolio in “non-qualifying” opportunistic investments such as high-yield bonds, debt and equity securities of CLO Funds, foreign investments, joint ventures, managed funds, partnerships and distressed debt or equity securities of large cap public companies. At December 31, 2022 and December 31, 2021, the total amount of non-qualifying assets was approximately 17.6% and 15.8% of total assets, respectively. The majority of non-qualifying assets were the Company’s investments in Joint Ventures, in the aggregate representing 9.5% and 9.3% of the total assets as of December 31, 2022 and December 31, 2021, respectively, and the Company’s investments in CLO Funds, which are typically domiciled outside the U.S. and represented approximately 3.3% and 4.9% of its total assets on such dates, respectively.

Asset Manager Affiliates

As of December 31, 2022, our remaining asset management affiliates (the “Asset Manager Affiliates”) have limited operations and are expected to be liquidated. As of December 31, 2022, the Asset Manager Affiliates manage CLO Funds that invest in broadly syndicated loans, high yield bonds and other credit instruments.

CLO Fund Securities

We have made minority investments in the subordinated securities or preferred shares of CLO Funds managed by the Disposed Manager Affiliates and may selectively invest in securities issued by CLO Funds managed by other asset management companies. As of December 31, 2022 and December 31, 2021, we had approximately \$20.5 million and \$31.6 million, respectively invested in CLO Fund Securities, issued primarily by CLO Funds managed by the Disposed Manager Affiliates.

The CLO Funds invest primarily in broadly syndicated non-investment grade loans, high-yield bonds and other credit instruments of corporate issuers. The underlying assets in each of the CLO Fund Securities in which we have an investment are generally diversified secured or unsecured corporate debt.

The structure of CLO Funds, which are highly levered, is extremely complicated. Since we primarily invest in securities representing the residual interests of CLO Funds, our investments are much riskier than the risk profile of the loans by which such CLO Funds are collateralized. Our investments in CLO Funds may be riskier and less transparent to us and our stockholders than direct investments in the underlying loans. For a more detailed discussion of the risks related to our investments in CLO Funds, please see “Risk Factors — Risks Related to Our Investments — Our investments may be risky, and you could lose all or part of your investment.”

Our CLO Fund Securities as of December 31, 2022 and December 31, 2021 were as follows:

			December 31, 2022		December 31, 2021	
			Amortized Cost	Fair Value	Amortized Cost	Fair Value
CLO Fund Securities	Investment	%⁽¹⁾				
Catamaran CLO 2013- 1 Ltd.	Subordinated Notes	-	\$ -	\$ -	\$ 4,198	\$ 1,779
Catamaran CLO 2014-1 Ltd.	Subordinated Notes	22	4,216	3,232	9,679	4,278
Catamaran CLO 2014-2 Ltd.	Subordinated Notes	25	6,066	-	6,066	-
Catamaran CLO 2015-1 Ltd.	Subordinated Notes	10	2,534	-	2,549	-
Catamaran CLO 2018-1 Ltd.	Subordinated Notes	25	6,338	4,753	8,694	6,314
Dryden 30 Senior Loan Fund	Subordinated Notes	7	868	868	1,147	1,258
JMP CLO IV Junior Sub Note	Subordinated Notes	57	4,020	4,020	8,530	8,105
JMP CLO V Junior Sub Note	Subordinated Notes	57	10,607	7,580	10,698	9,898
Total			\$ 34,649	\$ 20,453	\$ 51,561	\$ 31,632

(1) Represents percentage of class held as of December 31, 2022.

Investment in Joint Ventures

KCAP Freedom 3 LLC

During the third quarter of 2017, we and Freedom 3 Opportunities, an affiliate of Freedom 3 Capital LLC, entered into an agreement to create the F3C Joint Venture. We contributed approximately \$37 million and Freedom 3 Opportunities contributed approximately \$25 million, in assets to the F3C Joint Venture, which in turn used the assets to capitalize the Fund managed by KCAP Management, LLC, one of the Asset Manager Affiliates. In addition, the Fund used cash on hand and borrowings under a credit facility to purchase approximately \$184 million of primarily middle-market loans from us and we used the proceeds from such sale to redeem approximately \$147 million in debt issued by KCAP Senior Funding. The Fund invests primarily in middle-market loans and the F3C Joint Venture partners may source middle-market loans from time-to-time for the Fund.

During the fourth quarter of 2017, the Fund was refinanced through the issuance of senior and subordinated notes. The F3C Joint Venture purchased 100% of the subordinated notes issued by the Fund. In connection with the refinancing, the F3C Joint Venture made a cash distribution to us of approximately \$12.6 million. \$11.8 million of this distribution was a return of capital, reducing the cost basis of our investment in the F3C Joint Venture by that amount. The final determination of the tax attributes of distributions from the F3C Joint Venture is made on an annual (full calendar year) basis at the end of the year, therefore, any estimate of tax attributes of distributions made on an interim basis may not be representative of the actual tax attributes of distributions for the full year.

In connection with the Externalization, during the first quarter of 2019, KCAP Management agreed to waive management fees it is otherwise entitled to receive for managing the Fund. In addition, the F3C Joint Venture was restructured such that we are now entitled to receive a preferred distribution in an amount equal to the fees waived by KCAP Management. The impact of these transactions was a reduction in the fair value of the Asset Manager Affiliates (realized loss) and increase the fair value of our investment in the F3C Joint Venture (unrealized gain) during the first quarter of 2019.

We own a 62.8% economic interest in the F3C Joint Venture. The F3C Joint Venture is structured as an unconsolidated Delaware limited liability company. All portfolio and other material decisions regarding the F3C Joint Venture must be submitted to its board of managers, which is comprised of four members, two of whom were selected by us and two of whom were selected by Freedom 3 Opportunities, and must be approved by at least one member appointed by us and one appointed by Freedom 3 Opportunities. In addition, certain matters may be approved by the F3C Joint Venture's investment committee, which is comprised of one member appointed by us and one member appointed by Freedom 3 Opportunities.

We have determined that the F3C Joint Venture is an investment company under Accounting Standards Codification ("ASC"), Financial Services — Investment Companies ("ASC 946"), however, in accordance with such guidance, we will generally not consolidate our investment in a company other than a wholly owned investment company subsidiary or a controlled operating company whose business consists of providing services to us. We do not consolidate its interest in the F3C Joint Venture because we do not control the F3C Joint Venture due to allocation of the voting rights among the F3C Joint Venture partners. As of December 31, 2022, the F3C Joint Venture is not considered to be a significant subsidiary under Rule 3-09 and therefore summarized financial information for the period has not been included. Summarized financial information for the years ended December 31, 2021 and December 31, 2020 have been included for comparative purposes.

KCAP Freedom 3 LLC
Summarized Statements of Financial Condition
(in thousands)

	As of December 31, 2021	
Cash	\$	-
Investment at fair value		35,841
Total Assets	\$	35,841
Total Liabilities	\$	164
Total Equity	\$	35,677
Total Liabilities and Equity	\$	35,841

KCAP Freedom 3 LLC
Summarized Statements of Operations
(in thousands)

	For the Year Ended December 31,			
	2021		2020	
Investment income	\$	7,274	\$	5,006
Operating expenses		67		72
Net investment income		7,207		4,934
Unrealized appreciation on investments		2,577		(518)
Net income	\$	9,784	\$	4,416

KCAP Freedom 3 LLC
Schedule of Investments
December 31, 2021
(in thousands)

Portfolio Company	Investment	Percentage Ownership by Joint Venture	Amortized Cost	Fair Value
Great Lakes KCAP F3C Senior, LLC ⁽¹⁾⁽²⁾	Subordinated Securities, effective interest 21.3%, 12/29 maturity	100.0%	\$ 40,847	\$ 35,841
Total Investments			\$ 40,847	\$ 35,841

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

(2) Fair value of this investment was determined using significant unobservable inputs, including a third-party broker quote.

Series A – Great Lakes Funding II LLC

In August 2022, the Company invested in Series A – Great Lakes Funding II LLC (the "Great Lakes II Joint Venture," collectively with the F3C Joint Venture the "Joint Ventures"), a joint venture with an investment strategy to underwrite and hold senior, secured unitranche loans made to middle-market companies. The Company treats its investment in the Great Lakes II Joint Venture as a joint venture since an affiliate of the Adviser controls a 50% voting interest in the Great Lakes II Joint Venture. In connection with the launch of the Great Lakes II Joint Venture, the Company entered into a series of transactions pursuant to which the Company's prior investment in BCP Great Lakes Holdings LP, a vehicle formed as a co-investment vehicle to facilitate the participation of certain co-investors to invest, directly or indirectly, in BCP Great Lakes Funding, LLC (the "Prior Great Lakes Joint Venture"), and the corresponding assets held by the Prior Great Lakes Joint Venture in respect of the Company's investment in BCP Great Lakes Holdings LP, were transferred to the Great Lakes II Joint Venture in complete redemption of the Company's investment in BCP Great Lakes Holdings LP.

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

The fair value of the Company's investment in the Great Lakes II Joint Venture at December 31, 2022 was \$40.3 million. The fair value of the Company's investment in the Prior Great Lakes Joint Venture at December 31, 2021 was \$37.4 million. Fair value has been determined utilizing the practical expedient pursuant to ASC 820-10. Pursuant to the terms of the Great Lakes II LLC Agreement, the Company generally may not effect any direct or indirect sale, transfer, assignment, hypothecation, pledge or other disposition of or encumbrance upon its interests in the Great Lakes II Joint Venture, except that the Company may sell or otherwise transfer its interests with the consent of the managing members of the Great Lakes II Joint Venture or to an affiliate or a successor to substantially all of the assets of the Company.

As of December 31, 2022, the Company has a \$8.0 million unfunded commitment to the Great Lakes II Joint Venture. As of December 31, 2021, the Company had a \$13.0 million unfunded commitment to the Prior Great Lakes Joint Venture.

RESULTS OF OPERATIONS

The principal measure of our financial performance is the net increase (decrease) in stockholders' equity resulting from operations, which includes net investment income (loss) and net realized and unrealized appreciation (depreciation). Net investment income (loss) is the difference between our income from interest, distributions, fees, and other investment income and our operating expenses, including interest expense. Net realized gain (loss) on investments is the difference between the proceeds received from dispositions of portfolio investments and their amortized cost. Net change in unrealized appreciation (depreciation) on investments is the net change in the fair value of our investment portfolio.

Set forth below is a discussion of our results of operations for the years ended December 31, 2022, 2021 and 2020.

Revenue

(\$ in thousands)	For the Year Ended December 31,		
	2022	2021	2020
INVESTMENT INCOME			
Interest income:			
Non-controlled/non-affiliated investments	\$ 51,090	\$ 60,236	\$ 24,335
Non-controlled affiliated investments	3,150	4,775	7,416
Total interest income	\$ 54,240	\$ 65,011	\$ 31,751
Payment-in-kind income:			
Non-controlled/non-affiliated investments	\$ 4,950	\$ 3,355	\$ 3,218
Non-controlled affiliated investments	477	166	-
Controlled affiliated investments	181	-	-
Total payment-in-kind income	\$ 5,608	\$ 3,521	\$ 3,218
Dividend income:			
Non-controlled affiliated investments	\$ 4,450	\$ 4,006	\$ 2,649
Controlled affiliated investments	4,141	5,170	4,263
Total dividend income	\$ 8,591	\$ 9,176	\$ 6,912
Fees and other income:			
Non-controlled/non-affiliated investments	\$ 1,135	\$ 2,378	\$ 868
Non-controlled affiliated investments	40	-	-
Total fees and other income	\$ 1,175	\$ 2,378	\$ 868
Interest from cash and time deposits	\$ -	\$ -	\$ 15
Total investment income	\$ 69,614	\$ 80,086	\$ 42,764

Revenues consist primarily of investment income from interest and dividends on our investment portfolio and various ancillary fees related to our investment holdings. Investment income for the years ended December 31, 2022, 2021 and 2020, was approximately \$69.6 million, \$80.1 million and \$42.8 million respectively.

Interest from Investments in Debt Securities. We generate interest income from our investments in debt securities that consist primarily of senior and junior secured loans. Our Debt Securities Portfolio is spread across multiple industries and geographic locations and, as such, we are broadly exposed to market conditions and business environments. As a result, although our investments are exposed to market risks, we continuously seek to limit concentration of exposure in any particular sector or issuer.

The majority of investment income is attributable to interest income on our Debt Securities Portfolio. For the years ended December 31, 2022, 2021 and 2020 approximately \$55.8 million, \$63.8 million and \$31.4 million, respectively, investment income was attributable to interest income on our Debt Securities Portfolio. The increase in interest income is primarily driven by additions to the Debt Securities Portfolio through merger transactions, as well as an increase in the contractual interest rates on our loans.

At December 31, 2022 and December 31, 2021, the weighted average contractual interest rate on our interest earning Debt Securities Portfolio was approximately 11.1% and 8.1%, respectively.

Investment income is primarily dependent on the composition and credit quality of our investment portfolio. Generally, our Debt Securities Portfolio is expected to generate predictable, recurring interest income in accordance with the contractual terms of each loan. Corporate equity securities may pay a dividend and may increase in value for which a gain may be recognized; generally, such dividend payments and gains are less predictable than interest income on our loan portfolio.

Investment income is comprised of coupon interest, accretion of discount and accelerated accretion resulting from paydowns and other revenue earned from operations. Recent acquisitions of GARS (October 2020) and HCAP (June 2021) have had a significant positive impact on earnings as a result of amortization of purchase discount established at the time of the merger. The table below illustrates that impact.

(\$ in thousands)	For the Year Ended December 31,			
	2022		2021	
Interest from investments in debt excluding accretion	\$	44,771	\$	42,787
Purchase discount accounting		5,425		16,644
PIK Investment Income		5,608		4,345
CLO Income		4,044		4,754
JV Income		8,591		9,178
Service Fees		1,175		2,378
Investment Income	\$	69,614	\$	80,086
Less : Purchase discount accounting	\$	(5,425)	\$	(16,644)
Core Investment Income	\$	64,189	\$	63,442

Core investment income excludes the impact of purchase discount amortization in connection with the GARS and HCAP mergers which is investment income as determined in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP"), excluding the impact of purchase discount amortization associated with the GARS and HCAP mergers. We believe presenting investment income excluding the impact of the GARS and HCAP merger-related purchase discount amortization and the related per share amount is useful and appropriate supplemental disclosure for analyzing our financial performance due to the unique circumstance giving rise to the purchase accounting adjustment. However, this measure is a non-U.S. GAAP measure and should not be considered as a replacement for net investment income and other earnings measures presented in accordance with U.S. GAAP. Instead, this measure should be reviewed only in connection with such U.S. GAAP measures in analyzing Portman Ridge's financial performance. A reconciliation of net investment income in accordance with U.S. GAAP to net investment income excluding the impact of purchase accounting is detailed in the table above.

In addition to the amortization of purchase discount in the amount of \$5.4 million and \$16.6 million illustrated above, the Company recognized additional purchase discount of approximately \$280 thousand and \$3.4 million in net realized gains (losses) from investment transactions, for the years ended December 31, 2022 and December 31, 2021, respectively.

Investment Income on Investments in CLO Fund Securities. For the years ended December 31, 2022, 2021 and 2020, approximately \$4.0 million, \$4.8 million and \$3.5 million, respectively, of investment income was attributable to investments in CLO Fund Securities. During the year ended December 31, 2021, we acquired two additional investments in CLO Fund Securities. We generate investment income from our investments in the securities (typically preferred shares or subordinated securities) of CLO Funds. CLO Funds invest primarily in broadly syndicated non-investment grade loans, high-yield bonds and other credit instruments of corporate issuers. The underlying assets in each of the CLO Funds in which we have an investment are generally diversified secured or unsecured corporate debt. Our CLO Fund Securities that are subordinated securities or preferred shares ("junior securities") are subordinated to senior note holders who typically receive a return on their investment at a fixed spread relative to the LIBOR index. The CLO Funds are leveraged funds and any excess cash flow or "excess spread" (interest earned by the underlying securities in the fund less payments made to senior bond holders and less fund expenses and management fees) is paid to the holders of the CLO Fund's subordinated securities or preferred shares. The level of excess spread from CLO Fund Securities can be impacted by the timing and level of the resetting of the benchmark interest rate for the underlying assets (which reset at various times throughout the quarter) in the CLO Fund and the related CLO Fund note liabilities (which reset at each quarterly distribution date); in periods of short-term and volatile changes in the benchmark interest rate, the levels of excess spread and resulting cash distributions to us can vary significantly.

Interest income on investments in CLO equity investments is recorded using the effective interest method in accordance with the provisions of ASC 325-40, Beneficial Interests in Securitized Financial Assets ("ASC 325-40"), based on the anticipated yield and the estimated cash flows over the projected life of the investment. Yields are revised when there are changes in actual or estimated projected future cash flows due to changes in prepayments and/or re-investments, credit losses or asset pricing. Changes in estimated yield are recognized as an adjustment to the estimated yield prospectively over the remaining life of the investment from the date the estimated yield was changed. Accordingly, investment income recognized on CLO equity securities in our U.S. generally accepted accounting principles ("GAAP") statement of operations differs from both the tax-basis investment income and from the cash distributions actually received by us during the period. As a RIC, we anticipate a timely distribution of our tax-basis taxable income.

Investments in Joint Ventures. For the years ended December 31, 2022, 2021 and 2020, we recognized \$8.6 million, \$9.2 million and \$6.9 million, respectively, in investment income from our investments in Joint Ventures. As of December 31, 2022 and December 31, 2021, the fair value of our investments in Joint Ventures was approximately \$59.0 million and \$60.5 million, respectively. The final determination of the tax attributes of distributions from Joint Ventures is made on an annual (full calendar year) basis at the end of the year based upon taxable income and distributions for the full year. Therefore, any estimate of tax attributes of distributions made on an interim basis may not be representative of the actual tax attributes of distributions for the full year.

Capital Structuring Service Fees. We may earn ancillary structuring and other fees related to the origination, investment, disposition or liquidation of debt and investment securities. For the years ended December 31, 2022, 2021 and 2020, approximately \$1.2 million, \$2.4 million and \$0.9 million of investment income was attributable to Capital Structuring Fees. The decrease in Capital Structuring Fees over prior year was primarily due to decreased amendment and portfolio activity.

Expenses

(\$ in thousands)	For the Year Ended December 31,		
	2022	2021	2020
EXPENSES			
Management fees	\$ 8,349	\$ 7,916	\$ 4,579
Performance-based incentive fees	6,126	7,075	4,858
Interest and amortization of debt issuance costs	17,701	13,644	10,284
Professional fees	3,400	3,660	2,836
Administrative services expense	3,364	3,219	1,941
Other general and administrative expenses	1,784	2,568	1,823
Total expenses	\$ 40,724	\$ 38,082	\$ 26,321
Management and performance-based incentive fees waived	\$ -	\$ -	\$ (557)
Net Expenses	\$ 40,724	\$ 38,082	\$ 25,764

In connection with the Advisory Agreement, we pay the Adviser certain investment advisory fees and reimburse the Adviser and Administrator for certain expenses incurred in connection with the services they provide. We bear our allocable portion of the compensation paid by the Adviser (or its affiliates) to our chief compliance officer and chief financial officer and their respective staffs (based on a percentage of time such individuals devote, on an estimated basis, to our business affairs). We also bear all other costs and expenses of our operations, administration and transactions, including, but not limited to (i) investment advisory fees, including management fees and incentive fees, to the Adviser, pursuant to the Advisory Agreement; (ii) our allocable portion of overhead and other expenses incurred by the Adviser (or its affiliates) in performing its administrative obligations under the Advisory Agreement, and (iii) all other expenses of our operations and transactions including, without limitation, those relating to:

- the cost of calculating our net asset value, including the cost of any third-party valuation services;
- the cost of effecting any sales and repurchases of our common stock and other securities;
- fees and expenses payable under any dealer manager or placement agent agreements, if any;
- administration fees payable under the Administration Agreement and any sub-administration agreements, including related expenses;
- debt service and other costs of borrowings or other financing arrangements;
- costs of hedging;
- expenses, including travel expense, incurred by the Adviser, or members of the investment team, or payable to third parties, performing due diligence on prospective portfolio companies and, if necessary, enforcing our rights;
- transfer agent and custodial fees;
- fees and expenses associated with marketing efforts;
- federal and state registration fees, any stock exchange listing fees and fees payable to rating agencies;
- federal, state and local taxes;
- independent directors' fees and expenses including certain travel expenses;
- costs of preparing financial statements and maintaining books and records and filing reports or other documents with the SEC (or other regulatory bodies) and other reporting and compliance costs, including registration and listing fees, and the compensation of professionals responsible for the preparation of the foregoing;
- the costs of any reports, proxy statements or other notices to stockholders (including printing and mailing costs), the costs of any stockholder or director meetings and the compensation of personnel responsible for the preparation of the foregoing and related matters;
- commissions and other compensation payable to brokers or dealers;
- research and market data;
- fidelity bond, directors and officers errors and omissions liability insurance and other insurance premiums;
- direct costs and expenses of administration, including printing, mailing, long distance telephone and staff;
- fees and expenses associated with independent audits, outside legal and consulting costs;
- costs of winding up our affairs;
- costs incurred by either the Administrator or us in connection with administering our business, including payments under the Administration Agreement;
- extraordinary expenses (such as litigation or indemnification); and
- costs associated with reporting and compliance obligations under the 1940 Act and applicable federal and state securities laws.

Management Fees and Incentive Fees. Management fees for the years ended December 31, 2022, 2021 and 2020 were approximately \$8.3 million, \$7.9 million and \$4.6 million, respectively. The Company incurred incentive fees of \$6.1 million for the year ended December 31, 2022, \$7.1 million for the year ended December 31, 2021, and \$4.9 million for the year ended December 31, 2020, of which approximately \$557 thousand were waived. See "The Externalization" above.

Interest and Amortization of Debt Issuance Costs. Interest expense is dependent on the average outstanding balance on our borrowings and the base index rate for the period. Debt issuance costs represent fees and other direct costs incurred in connection with our borrowings. These amounts are capitalized and amortized over the expected term of the borrowing.

Professional Fees and General and Administrative Expenses. The balance of our expenses includes professional fees (primarily legal, accounting, director fees, valuation and other professional services), insurance costs, Administrative services expense under the Administration Agreement and general administrative and other costs.

Total expenses for the years ended December 31, 2022, 2021 and 2020 were approximately \$40.7 million, \$38.1 million and \$26.3 million, respectively. For the years ended December 31, 2022, 2021 and 2020, interest expense and amortization on debt issuance costs and discount for the period was approximately \$17.7 million, \$13.6 million and \$10.3 million, respectively, on average debt outstanding of \$363 million, \$350 million, and \$203 million, respectively.

For the years ended December 31, 2022, 2021 and 2020, professional fees totaled approximately \$3.4 million, \$3.7 million and \$2.8 million, respectively.

For the years ended December 31, 2022, 2021 and 2020, administrative services expense was approximately \$3.4 million, \$3.2 million, and \$1.9 million, respectively. The increase in administrative services expense for the year ended December 31, 2022 in comparison to the prior year was primarily driven by the increase in assets under management.

Other general and administrative expenses, which includes technology and other office and administrative expenses, totaled approximately \$1.8 million, \$2.6 million and \$1.8 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Net Investment Income and Net Realized Gains (Losses)

Net investment income and net realized gains (losses) represents the change in stockholder's equity before net unrealized appreciation or depreciation on investments. For the year ended December 31, 2022, net investment income and net realized losses were approximately (\$2.3) million, or (\$0.24) per share. For the year ended December 31, 2021, net investment income and net realized gains were approximately \$37.7 million, or \$4.42 per share. For the year ended December 31, 2020, net investment income and net realized gains were approximately \$24.6 million, or \$4.92 per share. Net investment income represents the income earned on our investments less operating and interest expense before net realized gains or losses and unrealized appreciation or depreciation on investments.

Investments are carried at fair value, with changes in fair value recorded as unrealized appreciation (depreciation) in the statement of operations. When an investment is sold or liquidated, any previously recognized unrealized appreciation/depreciation is reversed and a corresponding amount is recognized as realized gain (loss). For the year ended December 31, 2022, GAAP-basis net investment income was approximately \$28.9 million or \$3.00 per share, while tax-basis distributable income was approximately \$29.6 million or \$3.07 per share. For the year ended December 31, 2021, GAAP-basis net investment income was approximately \$42.0 million or \$4.92 per basic share, while tax-basis distributable income was approximately \$22.7 million or \$2.66 per share. For the year ended December 31, 2020, GAAP-basis net investment income was approximately \$17.0 million or \$0.34 per basic share, while tax-basis distributable income was approximately \$10.8 million or \$0.22 per share.

Net Unrealized (Depreciation) Appreciation on Investments

(\$ in thousands)	For the Year Ended December 31,		
	2022	2021	2020
Unrealized Gains (Losses) On Investments:			
Net change in unrealized appreciation (depreciation) on:			
Non-controlled/non-affiliated investments	\$ (8,298)	\$ (8,047)	\$ 21,366
Non-controlled affiliated investments	(1,428)	282	(11,723)
Controlled affiliated investments	(10,601)	625	(1,755)
Derivatives	2,412	(1,303)	(1,075)
Total net unrealized gain (loss) from investment transactions	\$ (17,915)	\$ (8,443)	\$ 6,813

During the year ended December 31, 2022, our total investments had net change in unrealized depreciation of approximately \$17.9 million. Included in the net change in unrealized depreciation for the year ended December 31, 2022, are change in unrealized appreciation on CLO Fund Securities of approximately \$5.7 million, change in unrealized depreciation on equity securities of approximately \$2.8 million, as well as change in unrealized depreciation of \$6.0 million on our Joint Venture investments. Change in unrealized depreciation on our debt securities was approximately \$17.2 million.

During the year ended December 31, 2021, our total investments had net change in unrealized depreciation of approximately \$8.4 million. Included in the net change in unrealized depreciation for the year ended December 31, 2021 are change in unrealized appreciation on CLO Fund Securities of approximately \$6.2 million, change in unrealized appreciation on equity securities of approximately \$6.6 million, as well as change in unrealized appreciation of \$1.7 million on our Joint Ventures investment and change in unrealized depreciation on our debt securities of \$21.6 million, including approximately \$3.8 million of purchase discount related to assets acquired in the HCAP transaction.

During the year ended December 31, 2020, our total investments had net change in unrealized appreciation of approximately \$6.8 million. Included in the net change in unrealized appreciation for the year ended December 31, 2020 are change in unrealized depreciation on CLO Fund Securities of approximately \$11.5 million, change in unrealized depreciation on equity securities of approximately \$1.6 million, change in unrealized depreciation of \$2.1 million on our Joint Ventures investment and change in unrealized appreciation on our debt securities of \$19.8 million, including approximately \$40.4 million of purchase discount related to assets acquired in the GARS transaction.

Net Change in Stockholder's Equity Resulting from Operations

The net decrease in stockholders' equity resulting from operations for the year ended December 31, 2022 was approximately \$21.0 million, or \$2.18 per basic share. Net increase in stockholders' equity resulting from operations for the year ended December 31, 2021 was approximately \$26.0 million, or \$3.05 per basic share. Net increase in stockholders' equity resulting from operations for the year ended December 31, 2020 was approximately \$31.6 million, or \$6.32 per basic share.

FINANCIAL CONDITION, LIQUIDITY, AND CAPITAL RESOURCES

Liquidity is a measure of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain investments, pay distributions to our stockholders and other general business needs. We recognize the need to have funds available for operating our business and to make investments. We seek to have adequate liquidity at all times to cover normal cyclical swings in funding availability and to allow us to meet irregular and unexpected funding requirements. We plan to satisfy our liquidity needs through normal operations with the goal of avoiding unplanned sales of assets or emergency borrowing of funds.

As of December 31, 2022 and December 31, 2021 the fair value of investments and cash were as follows:

(\$ in thousands)		
Security Type	December 31, 2022	December 31, 2021
Cash and cash equivalents	\$ 5,148	\$ 28,919
Restricted Cash	27,983	39,421
Senior Secured Loan	418,722	364,701
Junior Secured Loan	56,400	70,549
Senior Unsecured Bond	43	43
Equity Securities	21,905	22,586
CLO Fund Securities	20,453	31,632
Asset Manager Affiliates	-	-
Joint Ventures	58,955	60,474
Derivatives	-	(2,412)
Total	\$ 609,609	\$ 615,913

Subject to prevailing market conditions, we intend to grow our portfolio of assets by raising additional capital, including through the prudent use of leverage available to us. However, we may face difficulty in obtaining a new debt and equity financing as a result of current market conditions. In this regard, because our common stock has traded at a price below our current net asset value per share and we are limited in our ability to sell our common stock at a price below net asset value per share without stockholder approval (which we currently do not have), we have been and may continue to be limited in our ability to raise equity capital. See “Business – Regulation – Common Stock”. From time to time, we may seek to retire, repurchase, or exchange debt securities in open market purchases or by other means dependent on market conditions, liquidity, contractual obligations, and other matters. We also may repurchase our common stock and our Board has provided authorization to do so. See “Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities – Issuer Purchases of Equity Securities.” In addition, we evaluate strategic opportunities available to us, including mergers, divestitures, spin-offs, joint ventures and other similar transactions from time to time.

Borrowings

We use borrowed funds, known as “leverage,” to make investments and to attempt to increase returns to our shareholders by reducing our overall cost of capital. As a BDC, we are limited in the amount of leverage we can incur under the 1940 Act. We are only allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 150% after such borrowing. As of December 31, 2022, we had approximately \$378.2 million of par value of outstanding borrowings and our asset coverage ratio of total assets to total borrowings was 160%, compliant with the minimum asset coverage level of 150% generally required for a BDC by the 1940 Act. We may also borrow amounts of up to 5% of the value of our total assets for temporary purposes.

The Small Business Credit Availability Act (the “SBCA”) has modified the 1940 Act by allowing a BDC to increase the maximum amount of leverage it may incur from an asset coverage ratio of 200% to an asset coverage ratio of 150%, if certain requirements are met. On March 29, 2018, the Board, including a “required majority” (as such term is defined in Section 57(o) of the 1940 Act) of its Board, approved the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the SBCA. As a result, our asset coverage requirements for senior securities changed from 200% to 150%, effective as of March 29, 2019.

We expect to maintain adequate liquidity and compliance with regulatory and contractual asset coverage requirements.

Outstanding Notes

During the second quarter of 2021, we issued \$108.0 million aggregate principal amount of our 4.875% Notes Due 2026. The net proceeds for the 4.875% Notes Due 2026, after the payment of underwriting expenses, were approximately \$104.6 million. Interest on the 4.875% Notes Due 2026 is paid semi-annually on March 16 and September 16, at a rate of 4.875% commencing September 16, 2021. The 4.875% Notes Due 2026 mature on April 30, 2026 and are general unsecured obligations. The indenture governing the 4.875% Notes Due 2026 contains certain restrictive covenants, including compliance with certain provisions of the 1940 Act relating to borrowing and dividends. At December 31, 2022, there was approximately \$108.0 million of principal amount outstanding, and we were in compliance with all of our debt covenants on the 4.875% Notes.

Revolving Credit Facility

On December 18, 2019, Great Lakes Portman Ridge Funding LLC (“GLPRF LLC”), our wholly-owned subsidiary, entered into a senior secured revolving credit facility (the “Revolving Credit Facility”) with JPMorgan Chase Bank, National Association (“JPM”). JPM serves as administrative agent, U.S. Bank National Association serves as collateral agent, securities intermediary and collateral administrator, and we serve as portfolio manager under the Revolving Credit Facility.

Advances under the Revolving Credit Facility bear interest at a per annum rate equal to the three-month LIBOR in effect, plus the applicable margin of 2.85% per annum. GLPRF LLC is required to utilize a minimum of 80% of the commitments under the Revolving Credit Facility, after an initial six-month ramp-up period during which a lesser minimum utilization requirement applies. Unused amounts below such minimum utilization amount accrue interest as if such amounts are outstanding as borrowings under the Revolving Credit Facility. In addition, GLPRF LLC will pay a non-usage fee during the first three years after the closing date in an amount not to exceed 0.50% per annum on the average daily unborrowed portion of the financing commitments in excess of such minimum utilization amount.

The initial principal amount of the Revolving Credit Facility is \$115 million. The Revolving Credit Facility has an accordion feature, subject to the satisfaction of various conditions, which could bring total commitments under the Revolving Credit Facility to up to \$215 million. Proceeds from borrowings under the Revolving Credit Facility may be used to fund portfolio investments by GLPRF LLC and to make advances under delayed draw term loans where GLPRF LLC is a lender. All amounts outstanding under the Revolving Credit Facility must be repaid by the maturity date of December 18, 2023.

GLPRF LLC’s obligations to the lenders under the Revolving Credit Facility are secured by a first priority security interest in all of GLPRF LLC’s portfolio of investments and cash. The obligations of GLPRF LLC under the Revolving Credit Facility are non-recourse to us, and our exposure under the Revolving Credit Facility is limited to the value of our investment in GLPRF LLC.

In connection with the Revolving Credit Facility, GLPRF LLC has made certain customary representations and warranties and is required to comply with various covenants, reporting requirements and other customary requirements for similar facilities. The Revolving Credit Facility contains customary events of default for similar financing transactions, including if a change of control of GLPRF LLC occurs or if the Company is no longer the portfolio manager of GLPRF LLC. Upon the occurrence and during the continuation of an event of default, JPM may declare the outstanding advances and all other obligations under the Revolving Credit Facility immediately due and payable.

The occurrence of an event of default (as described above) or a market value event (as defined in the Revolving Credit Facility) triggers a requirement that GLPRF LLC obtain the consent of JPM prior to entering into certain sales or dispositions with respect to portfolio assets, and the occurrence of a market value event triggers the right of JPM to direct GLPRF LLC to enter into sales or dispositions with respect to any portfolio assets, in each case in JPM's sole discretion.

At December 31, 2022, GLPRF LLC was in compliance with all of its debt covenants and there was approximately \$92.0 million principal amount of borrowings was outstanding under the Revolving Credit Facility.

2018-2 Secured Notes

On October 28, 2020 the Company completed the GARS Acquisition, pursuant to the terms and conditions of the GARS Merger Agreement. In connection therewith, the Company now consolidates the financial statements the 2018-2 CLO a \$420.0 million par value CLO facility. On the date of the transaction the debt assumed was recognized at fair value, resulting in a \$2.4 million discount which is amortized over the remaining term of the borrowings.

The CLO was executed by GF 2018-2 (the "Issuer") and Portman Ridge Funding 2018-2 LLC (formerly known as Garrison Funding 2018-2 LLC, together with the Issuer, the "Co-Issuers") who issued \$312.0 million of senior secured notes (collectively referred to as the "2018-2 Secured Notes") and \$108.0 million of subordinated notes (the "2018-2 Subordinated Notes" and, together with the 2018-2 Secured Notes, the "2018-2 Notes") backed by a diversified portfolio of primarily senior secured loans. The Company owns all \$108.0 million of the par value of the 2018-2 Subordinated Notes and \$18.3 million of the par value of the Class B-R Notes and serves as collateral manager for the Co-Issuers. The Company is entitled to receive interest from the Class B-R Notes, distributions from the 2018-2 Subordinated Notes and fees for serving as collateral manager in accordance with the CLO's governing documents and to the extent funds are available for such purposes. However, as a result of retaining all of the 2018-2 Subordinated Notes, the Company consolidates the accounts of the Co-Issuers into its financial statements and all transactions between the Company and the Co-Issuers are eliminated on consolidation. As a result of this consolidation, the 2018-2 Secured Notes issued by the CLO is treated as the Company's indebtedness, except any 2018-2 Secured Notes owned by the Company, which are eliminated in consolidation. The 2018-2 Notes are scheduled to mature on November 20, 2029, however the Co-Issuers may redeem the 2018-2 Notes on any business day after November 20, 2020. The indenture governing the 2018-2 Notes provides that, to the extent cash is available from cash collections, the holders of the 2018-2 Notes are to receive quarterly interest payments on the 20th day or, if not a business day, the next succeeding business day of February, May, August and November of each year until the stated maturity or earlier redemption. On July 18, 2019, \$25.0 million outstanding of the aggregate \$50.0 million Class A-1R-R Notes available under the CLO converted to Class A-1T-R Notes. On November 18, 2022, the Company drew \$14.3 million of the \$25 million unfunded Class A-1R-R Notes. The Reinvestment Period ended on November 20, 2022, and the remaining amount of the unfunded Class A-1 R-R Notes terminated.

During the first quarter of 2021, we redeemed approximately \$88 million of the par value of the 2018-2 Secured Notes. In connection therewith, we recognized a realized loss on extinguishment of debt of approximately \$0.9 million.

Stockholder Distributions

We intend to continue to make quarterly distributions to our stockholders. To avoid certain excise taxes imposed on RICs, we generally endeavor to distribute during each calendar year an amount at least equal to the sum of:

- 98% of our ordinary net taxable income for the calendar year;
- 98.2% of our capital gains, if any, in excess of capital losses for the one-year period ending on October 31 of the calendar year; and
- 100% any net ordinary income and net capital gains for the preceding year that were not distributed during such year and on which we paid no corporate tax.

We may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income, to the extent required.

The amount of our declared distributions, as evaluated by management and approved by our Board, is based primarily on our evaluation of our net investment income and distributable taxable income.

We are also prohibited by the indentures governing our Notes from making distributions on our common stock if, at the time of declaration, our asset coverage, as defined in the 1940 Act, is below 150%. In any such event, we would be prohibited from making distributions required in order to maintain our status as a RIC.

The following table sets forth the quarterly distributions paid by us since 2020.

	Distribution ¹	Declaration Date	Record Date	Pay Date
2022:				
Fourth quarter	\$ 0.67	11/8/2022	11/24/2022	12/13/2022
Third quarter	0.63	8/9/2022	8/16/2022	9/2/2022
Second quarter	0.63	5/10/2022	5/24/2022	6/7/2022
First quarter	0.63	3/10/2022	3/21/2022	3/30/2022
Total declared in 2022	<u>\$ 2.56</u>			
2021:				
Fourth quarter	\$ 0.62	11/3/2021	11/15/2021	11/30/2021
Third quarter	0.60	8/4/2021	8/17/2021	8/31/2021
Second quarter	0.60	5/6/2021	5/19/2021	6/1/2021
First quarter	0.60	2/12/2021	2/22/2021	3/2/2021
Total declared in 2021	<u>\$ 2.42</u>			
2020:				
Fourth quarter	\$ 0.60	10/16/2020	10/26/2020	11/27/2020
Third quarter	0.60	8/5/2020	8/17/2020	8/28/2020
Second quarter	0.60	3/17/2020	5/7/2020	5/27/2020
First quarter	0.60	2/5/2020	2/18/2020	2/28/2020
Total declared in 2020	<u>\$ 2.40</u>			

(1) The Company completed a Reverse Stock Split of 10 to 1 effective August 26, 2021, amounts have been adjusted retroactively to reflect the split.

OFF-BALANCE SHEET ARRANGEMENTS

From time-to-time we are a party to financial instruments with off-balance sheet risk in the normal course of business in order to meet the needs of our investment in portfolio companies. Such instruments include commitments to extend credit and may involve, in varying degrees, elements of credit risk in excess of amounts recognized on our balance sheet. Prior to extending such credit, we attempt to limit our credit risk by conducting extensive due diligence, obtaining collateral where necessary and negotiating appropriate financial covenants. As of December 31, 2022 and December 31, 2021, the Company had approximately \$35.0 million and \$47.9 million in commitments to fund investments, respectively. As of December 31, 2022, included in such amount was \$8.0 million in unfunded commitments to the Great Lakes II Joint Venture. We may also enter into derivative contracts with off-balance sheet risk in connection with our investing activities.

CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual cash obligations and other commercial commitments as of December 31, 2022:

Contractual Obligations	Payments Due by Period				
	Total	Less than one year	2 - 3 years	4 - 5 years	More than 5 years
Long-term debt obligations	\$ 378,163	\$ -	\$ -	\$ 200,000	\$ 178,163

CRITICAL ACCOUNTING POLICIES

The consolidated financial statements are based on the selection and application of critical accounting policies, which require management to make significant estimates and assumptions. Critical accounting policies are those that are both important to the presentation of our financial condition and results of operations and require management's most difficult, complex, or subjective judgments. Our critical accounting policies are those applicable to the basis of presentation, valuation of investments, and certain revenue recognition matters as discussed below. See Note 2 to our consolidated financial statements, "Significant Accounting Policies — Investments", contained elsewhere herein.

Valuation of Portfolio Investments

The most significant estimate inherent in the preparation of our consolidated financial statements is the valuation of investments and the related amounts of unrealized appreciation and depreciation of investments recorded.

Value, as defined in Section 2(a)(41) of 1940 Act, is (1) the market price for those securities for which a market quotation is readily available and (2) for all other securities and assets, fair value as determined in good faith by our Adviser pursuant to procedures approved by our Board. In December 2020, the SEC adopted Rule 2a-5 under the 1940 Act, which permits a BDC's board of directors to designate its investment adviser as a valuation designee to determine the fair value for its investment portfolio, subject to the active oversight of the board. Our Board has designated our Adviser as its "valuation designee" pursuant to Rule 2a-5 under the 1940 Act, and in that role our Adviser is responsible for performing fair value determinations relating to all of the Company's investments, including periodically assessing and managing any material valuation risks and establishing and applying fair value methodologies, in accordance with valuation policies and procedures that have been approved by the Board. Our Board remains ultimately responsible for making fair value determinations under the 1940 Act and satisfies its responsibility through oversight of the valuation designee in accordance with Rule 2a-5. Our valuation policy is intended to provide a consistent basis for determining the fair value of the portfolio based on the nature of the security, the market for the security and other considerations including the financial performance and enterprise value of the portfolio company. Because of the inherent uncertainty of valuation, the Adviser determined values may differ significantly from the values that would have been used had a ready market existed for the investments, and the differences could be material.

Pursuant to ASC 946: Financial Services — Investment Companies ("ASC 946"), we reflect our investments on our balance sheet at their determined fair value with unrealized gains and losses resulting from changes in fair value reflected as a component of unrealized gains or losses on our statements of operations. Fair value is the amount that would be received to sell the investments in an orderly transaction between market participants at the measurement date (i.e., the exit price).

See Note 4 to the consolidated financial statements for the additional information about the level of market observability associated with investments carried at fair value.

We follow the provisions of ASC 820: Fair Value Measurements and Disclosures ("ASC 820: Fair Value"), which among other matters, requires enhanced disclosures about investments that are measured and reported at fair value. This standard defines fair value and establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value and expands disclosures about assets and liabilities measured at fair value. ASC 820: Fair Value defines "fair value" as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This fair value definition focuses on an exit price in the principle, or most advantageous market, and prioritizes, within a measurement of fair value, the use of market-based inputs (which may be weighted or adjusted for relevance, reliability and specific attributes relative to the subject investment) over entity-specific inputs. Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. Subsequent to the adoption of ASC 820: Fair Value, the FASB has issued various staff positions clarifying the initial standard (see Note 2 to the consolidated financial statements: "Significant Accounting Policies — Investments").

ASC 820: Fair Value establishes the following three-level hierarchy, based upon the transparency of inputs to the fair value measurement of an asset or liability as of the measurement date:

Level I — Unadjusted quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include listed equities and listed securities. As required by ASC 820: Fair Value, we do not adjust the quoted price for these investments, even in situations where the Company holds a large position and a sale could reasonably affect the quoted price.

Level II — Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date. Such inputs may be quoted prices for similar assets or liabilities, quoted markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full character of the financial instrument, or inputs that are derived principally from, or corroborated by, observable market information. Investments which are generally included in this category include illiquid debt securities and less liquid, privately held or restricted equity securities, for which some level of recent trading activity has been observed.

Level III — Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs may be based on our own assumptions about how market participants would price the asset or liability or may use Level II inputs, as adjusted, to reflect specific investment attributes relative to a broader market assumption. These inputs into the determination of fair value may require significant management judgment or estimation. Even if observable market data for comparable performance or valuation measures (earnings multiples, discount rates, other financial/valuation ratios, etc.)

are available, such investments are grouped as Level III if any significant data point that is not also market observable (private company earnings, cash flows, etc.) is used in the valuation methodology.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. We assess of the significance of a particular input to the fair value measurement in its entirety requires judgment, and we consider factors specific to the investment. The majority of our investments are classified as Level III. We evaluate the source of inputs, including any markets in which its investments are trading, in determining fair value. Inputs that are backed by actual transactions, those that are highly correlated to the specific investment being valued and those derived from reliable or knowledgeable sources will tend to have a higher weighting in determining fair value. Our fair value determinations may include factors such as an assessment of each underlying investment, its current and prospective operating and financial performance, consideration of financing and sale transactions with third parties, expected cash flows and market-based information, including comparable transactions, performance factors, and other investment or industry specific market data, among other factors.

We have valued our investments, in the absence of observable market prices, using the valuation methodologies described below applied on a consistent basis. For some investments little market activity may exist; management's determination of fair value is then based on the best information available in the circumstances, and may incorporate management's own assumptions and involves a significant degree of management's judgment.

Our investments in CLO Fund Securities are carried at fair value, which is based either on (i) the present value of the net expected cash inflows for interest income and principal repayments from underlying assets and the cash outflows for interest expense, debt paydown and other fund costs for the CLO Funds which are approaching or past the end of their reinvestment period and therefore are selling assets and/or using principal repayments to pay-down CLO Fund debt, and for which there continue to be net cash distributions to the class of securities we own, or (ii) a discounted cash flow model that utilizes prepayment and loss assumptions based on historical experience and projected performance, economic factors, the characteristics of the underlying cash flow and comparable yields for similar securities or preferred shares to those in which we have invested, or (iii) indicative prices provided by the underwriters or brokers who arrange CLO Funds. We recognize unrealized appreciation or depreciation on our investments in CLO Fund Securities as comparable yields in the market change and/or based on changes in net asset values or estimated cash flows resulting from changes in prepayment or loss assumptions in the underlying collateral pool. As each investment in CLO Fund Securities ages, the expected amount of losses and the expected timing of recognition of such losses in the underlying collateral pool are updated and the revised cash flows are used in determining the fair value of the CLO Fund Securities. We determine the fair value of our investments in CLO Fund Securities on a security-by-security basis.

Our investments in its wholly-owned Asset Manager Affiliates are carried at fair value, which is primarily determined utilizing a discounted cash flow model which incorporates different levels of discount rates depending on the hierarchy of fees earned (including the likelihood of realization of senior, subordinate and incentive fees) and prospective modeled performance ("Discounted Cash Flow"). Such valuation takes into consideration an analysis of comparable asset management companies and a percentage of assets under management. The Asset Manager Affiliates are classified as a Level III investment (as described above). Any change in value from period to period is recognized as net change in unrealized appreciation or depreciation.

We carry investments in joint ventures at fair value based upon the fair value of the investments held by the joint venture.

Fair values of other investments for which market prices are not observable are determined by reference to public market or private transactions or valuations for comparable companies or assets in the relevant asset class and/or industry when such amounts are available. Generally, these valuations are derived by multiplying a key performance metric of the investee company or asset (e.g., EBITDA) by the relevant valuation multiple observed for comparable companies or transactions, adjusted by management for differences between the investment and the referenced comparable. Such investments may also be valued at cost for a period of time after an acquisition as the best indicator of fair value. If the fair value of such investments cannot be valued by reference to observable valuation measures for comparable companies, then the primary analytical method used to estimate the fair value is a discounted cash flow method and/or cap rate analysis. A sensitivity analysis is applied to the estimated future cash flows using various factors depending on the investment, including assumed growth rates (in cash flows), capitalization rates (for determining terminal values) and appropriate discount rates to determine a range of reasonable values or to compute projected return on investment.

For bond rated note tranches of CLO Fund securities (those above the junior class) without transactions to support a fair value for the specific CLO Fund and tranche, fair value is based on discounting estimated bond payments at current market yields, which may reflect the adjusted yield on the leveraged loan index for similarly rated tranches, as well as prices for similar tranches for other CLO Funds and also other factors such as indicative prices provided by underwriters or brokers who arrange CLO Funds, and the default and recovery rates of underlying assets in the CLO Fund, as may be applicable. Such model assumptions may vary and incorporate adjustments for risk premiums and CLO Fund specific attributes.

We derive fair value for our illiquid loan investments that do not have indicative fair values based upon active trades primarily by using the Income Approach, and also consider recent loan amendments or other activity specific to the subject asset as described above. Other significant assumptions, such as coupon and maturity, are asset-specific and are noted for each investment in the Schedules of Investments.

The determination of fair value using this methodology takes into consideration a range of factors, including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment. This valuation methodology involves a significant degree of our judgment.

Our Adviser may consider other methods of valuation to determine the fair value of investments as appropriate in conformity with GAAP.

Interest Income

Interest income, including amortization of premium and accretion of discount and accrual of payment-in-kind ("PIK") interest, is recorded on the accrual basis to the extent that such amounts are expected to be collected. We generally place a loan on non-accrual status and cease recognizing interest income on such loan or security when a loan or security becomes 90 days or more past due or if we otherwise do not expect the debtor to be able to service its debt obligations. For investments with 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 (i.e. via a partial or full non-accrual). Loans which are on partial or full non-accrual remain in such status until the borrower has demonstrated the ability and intent to pay contractual amounts due or such loans become current. As of December 31, 2022, four of our debt investments were on non-accrual status.

Investment Income on CLO Fund Securities

We receive distributions from our investments in the most junior class of securities of CLO Funds (typically preferred shares or subordinated securities). Our CLO Fund junior class securities are subordinated to senior note holders who typically receive a return on their investment at a fixed spread relative to the LIBOR index. The CLO Funds are leveraged funds and any excess cash flow or "excess spread" (interest earned by the underlying securities in the fund less payments made to senior note holders and less fund expenses and management fees) is paid to the holders of the CLO Fund's subordinated securities or preferred shares. The level of excess spread from CLO Fund Securities can be impacted from the timing and level of the resetting of the benchmark interest rate for the underlying assets (which reset at various times throughout the quarter) in the CLO Fund and the related CLO Fund note liabilities (which reset at each quarterly distribution date); in periods of short-term and

volatile changes in the benchmark interest rate, the levels of excess spread and distributions to us can vary significantly. In addition, the failure of CLO Funds in which we invest to comply with certain financial covenants may lead to the temporary suspension or deferral of cash distributions to us.

GAAP-basis investment income on CLO equity investments is recorded using the effective interest method in accordance with the provisions of ASC 325-40, based on the anticipated yield and the estimated cash flows over the projected life of the investment. Yields are revised when there are changes in actual or estimated projected future cash flows due to changes in prepayments and/or re-investments, credit losses or asset pricing. Changes in estimated yield are recognized as an adjustment to the estimated yield prospectively over the remaining life of the investment from the date the estimated yield was changed. Accordingly, investment income recognized on CLO equity securities in the GAAP statement of operations differs from both the tax-basis investment income and from the cash distributions actually received by us during the period.

For non-junior class CLO Fund Securities interest is earned at a fixed spread relative to the LIBOR index.

Payment in Kind Interest

We may have loans in our portfolio that contain a payment-in-kind (“PIK”) provision. PIK interest, computed at the contractual rate specified in each loan agreement, is added to the principal balance of the loan and recorded as interest income. To maintain our RIC status, this non-cash source of income must be distributed to stockholders in the form of cash dividends, even though we have not yet collected any cash.

Fee Income

Fee income includes fees, if any, for due diligence, structuring, commitment and facility fees, and fees, if any, for transaction services and management services rendered by us to portfolio companies and other third parties. Commitment and facility fees are generally recognized as income over the life of the underlying loan, whereas due diligence, structuring, transaction service and management service fees are generally recognized as income when the services are rendered.

United States Federal Income Taxes

We have elected to be treated as a RIC and intend to continue to qualify for the tax treatment applicable to RICs under Subchapter M of the Code and, among other things, intend to make the required distributions to our stockholders as specified therein. In order to qualify for tax treatment as a RIC, the Company is required to timely distribute to its stockholders at least 90% of investment company taxable income, as defined by the Code, for each year. 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 tax year and pay a 4% excise tax on such income, to the extent required.

Distributions to Shareholders

The amount of our declared distributions, as evaluated by management and approved by our Board, is based primarily on our evaluation of net investment income and distributable taxable income.

Recent Accounting Pronouncements

See Note 2 to the financial statements included in this annual report, for a description of recent accounting pronouncements.

Recent Developments

On March 9, 2023 our Board declared a distribution to shareholders of \$0.68 per share for a total of \$6.5 million. The distribution is payable on March 31, 2023 to stockholders of record at the close of business as of March 20, 2023.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Our business activities contain elements of market risks. We consider our principal market risks to be fluctuations in interest rates and the valuations of our investment portfolio. Managing these risks is essential to our business. Accordingly, we have systems and procedures designed to identify and analyze our risks, to establish appropriate policies and thresholds and to continually monitor these risks and thresholds by means of administrative and information technology systems and other policies and processes.

Interest Rate Risk

Interest rate risk is defined as the sensitivity of our current and future earnings to interest rate volatility, variability of spread relationships, the difference in re-pricing intervals between our assets and liabilities and the effect that interest rates may have on our cash flows. Changes in the general level of interest rates can affect our net interest income, which is the difference between the interest income earned on interest earning assets and our interest expense incurred in connection with our interest bearing debt and liabilities. Changes in interest rates can also affect, among other things, our ability to acquire and originate loans and securities and the value of our investment portfolio.

Our investment income is affected by fluctuations in various interest rates, including LIBOR and prime rates. As of December 31, 2022, approximately 90.0% of our Debt Securities Portfolio at par value were either floating rate with a spread to an interest rate index such as LIBOR or the prime rate. 78.8% of these floating rate loans contain LIBOR floors ranging between 0.50% and 2.00%. We generally expect that future portfolio investments will predominately be floating rate investments. As of December 31, 2022, we had approximately \$378.2 million (par value) of borrowings outstanding at a current weighted average rate of 6.1%, of which \$108.0 million par value had a fixed rate and \$270.2 million par value has a floating rate.

Because we borrow money to make investments, our net investment income is dependent upon the difference between our borrowing rate and the rate we earn on the invested proceeds borrowed. In periods of rising or lowering interest rates, the cost of the portion of our debt associated with our 4.875% Notes Due 2026 would remain the same, given that this debt is at a fixed rate, while the interest rate on borrowings under the Revolving Credit Facility would fluctuate with changes in interest rates.

Generally we would expect that an increase in the base rate index for our floating rate investment assets would increase our gross investment income and that a decrease in the base rate index for such assets would decrease our gross investment income (in either case, such increase/decrease may be limited by interest rate floors/minimums for certain investment assets).

We have analyzed the potential impact of changes in interest rates on interest income net of interest expense. Assuming that our balance sheet at December 31, 2022 was to remain constant and no actions were taken to alter the existing interest rate sensitivity, the table below illustrates the impact on net investment income on our Debt Securities Portfolio for various hypothetical increases in interest rates:

(\$ in thousands)	Impact on net investment income from a change in interest rates at:		
	1%	2%	3%
Increase in interest rate	\$ 1,963	\$ 3,927	\$ 5,890
Decrease in interest rate	\$ (1,963)	\$ (3,927)	\$ (5,625)

As shown above, net investment income assuming a 1% increase in interest rates would increase by approximately \$2.0 million on an annualized basis. If the increase in rates was more significant, such as 2% or 3%, the net effect on net investment income would be an increase of approximately \$3.9 million and an increase of \$5.9 million, respectively.

On an annualized basis, a decrease in interest rates of 1%, 2% or 3% would result in a decrease in net investment income of approximately (\$2.0) million, (\$3.9) million and (\$5.6) million. The effect on net investment income from declines in interest rates is impacted by interest rate floors on certain of our floating rate investments. There is no floor on our floating rate debt facility and the 2018-2 Secured Notes.

Although management believes that this measure is indicative of sensitivity to interest rate changes on our Debt Securities Portfolio, it does not adjust for potential changes in credit quality, size and composition of the assets on the balance sheet and other business developments that could affect a net change in assets resulting from operations or net income. Accordingly, no assurances can be given that actual results would not materially differ from the potential outcome simulated by this estimate.

Portfolio Valuation

We carry our investments at fair value, as determined pursuant to a valuation policy approved by our Board of Directors. Our Board has designated the Adviser as its "valuation designee" pursuant to Rule 2a-5 under the 1940 Act, and in that role our Adviser is responsible for performing fair value determinations relating to all of the Company's investments in accordance with valuation policies and procedures that have been approved by the Board. Our Board remains ultimately responsible for making fair value determinations under the 1940 Act and satisfies its responsibility through oversight of the valuation designee in accordance with Rule 2a-5. Investments for which market quotations are generally readily available are generally valued at such market quotations. Investments for which there is not a readily available market value are valued at fair value as determined in good faith by our Adviser (subject to the oversight of our Board of Directors) under a valuation policy and consistently applied valuation process. However, due to the inherent uncertainty of determining the fair value of investments that cannot be marked to market, the fair value of our investments may differ materially from the values that would have been used had a ready market existed for such investments. In addition, changes in the market environment and other events that may occur over the life of the investments may cause the value realized on these investments to be different than the valuations that are assigned. The types of factors that we may take into account in fair value pricing of our investments include, as relevant, the nature and realizable value of any collateral, third party valuations, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, comparison to publicly-traded securities, recent sales of or offers to buy comparable companies, and other relevant factors.

The Company has engaged independent valuation firms to provide third party valuation consulting services to the Adviser and the Board. Each quarter, the independent valuation firms perform third party valuations on the Company's material investments in illiquid securities such that they are reviewed at least once during a trailing 12-month period. These third party valuation estimates were considered as one of the relevant data inputs in the Adviser's determination of fair value. The Company intends to continue to engage independent valuation firms in the future to provide certain valuation services, including the review of certain portfolio assets, as part of the quarterly and annual year-end valuation process.

Item 8. Financial Statements and Supplementary Data

Our financial statements are annexed to this Annual Report beginning on page F-1.

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

None

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures.

The Company's management, under the supervision and with the participation of various members of management, including its Chief Executive Officer ("CEO") and its Chief Financial Officer ("CFO"), has evaluated the effectiveness of its disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based upon that evaluation, the Company's CEO and CFO have concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act are recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosures as of the end of the period covered by this report.

Management's Report on Internal Control Over Financial Reporting.

General. The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) of the Exchange Act. The Company's internal control over financial reporting is designed 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.

Scope of Management's Report on Internal Control Over Financial Reporting. The Company's internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in accordance with generally accepted accounting principles, and that the Company's receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

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

Conclusion. Management, including the Company's CEO and CFO, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2022. In making this assessment, management used the criteria established in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on management's assessment, management concluded, subject to the limitations described under "Scope of Management's Report on Internal Control Over Financial Reporting" above, that the Company maintained effective internal control over financial reporting as of December 31, 2022.

Attestation Report of the Independent Registered Public Accounting Firm.

This annual report on Form 10-K does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. We were not required to have, nor have we, engaged our independent registered public accounting firm to perform an audit of the Company's internal control over financial reporting as of December 31, 2022 pursuant to the rules of the SEC that permit us to provide only management's report in this annual report on Form 10-K.

Changes in Internal Control Over Financial Reporting.

There have been no changes in our internal control over financial reporting during the fourth quarter of 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

FEES AND EXPENSES

The information in the following table is being provided to assist you in understanding the costs and expenses that an investor in our common stock will bear directly or indirectly. We caution you that some of the percentages indicated in the table below are estimates and may vary. Except where the context suggests otherwise, whenever this prospectus contains a reference to fees or expenses paid by "you," "us" or "the Company," or that "we" will pay fees or expenses, stockholders will indirectly bear such fees or expenses as investors in us.

Stockholder Transaction Expenses

Sales load (as a percentage of offering price)	— % ⁽¹⁾
Offering expenses (as a percentage of offering price)	— % ⁽²⁾
Dividend reinvestment plan expenses	\$ 15.00 ⁽³⁾
Total Stockholder Transaction Expenses (as a percentage of offering price)	— %

Annual Expenses (as percentage of net assets attributable to common stock):

Base management fee payable under the Investment Advisory Agreement	3.60 % ⁽⁴⁾
Incentive fee payable under the Investment Advisory Agreement (17.50% of net investment income and realized capital gains)	2.64 % ⁽⁵⁾
Interest payments on borrowed funds	7.63 % ⁽⁶⁾
Other expenses	3.68 % ⁽⁷⁾
Acquired fund fees and expenses	0.48 % ⁽⁸⁾
Total annual expenses	18.03 %

- (1) In the event that the securities are sold to or through underwriters or agents, a corresponding prospectus or prospectus supplement will disclose the applicable sales load and other offering expenses to be borne by us and our stockholders.
- (2) The prospectus supplement corresponding to each offering will disclose the applicable estimated amount of offering expenses, the offering price and the offering expenses borne by us as a percentage of the offering price.
- (3) If a participant elects by written notice to the plan administrator to have the plan administrator sell part or all of the shares held by the plan administrator in the participant's account and remit the proceeds to the participant, the plan administrator is authorized to deduct a transaction fee of \$15.00 plus a \$0.10 per share brokerage commission from the proceeds. The expenses of the dividend reinvestment plan are included in "other expenses." The plan administrator's fees will be paid by us. There will be no brokerage charges or other charges to stockholders who participate in the plan.
- (4) Our base management fee, payable quarterly in arrears, is calculated at an annual rate of 1.50% of our average adjusted gross assets, excluding cash and cash equivalents but including assets purchase with borrowed amounts.
- (5) Our incentive fee consists of two parts: (1) a portion based on our pre-incentive fee net investment income, or the Income-Based Fee, and (2) a portion based on the capital gains received on our portfolio of securities on a cumulative basis for each calendar year, net of all realized capital losses and all unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gains fee, or the Capital Gains Fee. The Income-Based Fee is 17.50% of pre-incentive fee net investment income with a 7.00% hurdle rate. The Capital Gains Fee is 17.50% of capital gains computed net of all realized capital losses and gross unrealized capital depreciation.
- (6) "Interest payments on borrowed funds" represent our annual interest payment, fees and credit facility expenses based on results of operations for the year ended December 31, 2022, including with respect to our revolving credit facility and outstanding unsecured notes. The costs associated with any outstanding indebtedness are indirectly borne by our common stockholders. The amount of leverage we employ at any particular time will depend on, among other things, the Board's and our Adviser's assessment of the market and other factors at the time at any proposed borrowing. We may also issue preferred stock, subject to our compliance with applicable requirements under the 1940 Act.
- (7) "Other expenses" represent amounts which are based upon the annualized results of our operations for the year ended December 31, 2022, including payments under the Administration Agreement based on our allocable portion of overhead and other expenses incurred by our Administrator.
- (8) "Acquired fund fees and expenses" are the indirect costs of investing in the Company's Joint Ventures. The operating expenses in this fee table will not correlate to the expense ratio in the Company's Financial Highlights because the financial statements include only the direct operating expenses incurred by the Company. Therefore, amounts may not agree with the Financial Highlights due to the inclusions in this table of Acquired Fund Fees and Expenses and certain other adjustments.

Example

The following example demonstrates the projected dollar amount of total cumulative expenses over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed we would have no additional leverage and that our annual operating expenses would remain at the levels set forth in the table above.

	<u>1 Years</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return ⁽¹⁾	\$ 149	\$ 404	\$ 612	\$ 975
You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return entirely from realized gains	\$ 158	\$ 424	\$ 636	\$ 996

(1) Assumes we will not realize any capital gains computed net of all realized capital losses and gross unrealized capital depreciation in any of the periods indicated.

While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. Assuming a 5% annual return, the income incentive fee under the Investment Advisory Agreement may not be earned or payable and is not included in the example. If we achieve sufficient returns on our investments to trigger an income incentive fee of a material amount, our expenses, and returns to our investors, would be higher.

Further, while the example assumes reinvestment of all distributions at net asset value, participants in our dividend reinvestment plan will receive a number of shares of our common stock determined by dividing the total dollar amount of the distribution payable to a participant by (a) the market price per share of our common stock at the close of trading on the payment date fixed by the Board in the event that newly issued shares of our common stock are used to implement the dividend reinvestment plan or (b) the average purchase price of all shares of common stock purchased by the plan administrator in the event that shares are purchased in the open market to implement the requirements of the dividend reinvestment plan, which may be at, above or below net asset value.

This example and the expenses in the table above should not be considered a representation of our future expenses, and actual expenses (including the cost of debt, if any, and other expenses) may be greater or less than those shown.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required by Item 10 is hereby incorporated by reference from our definitive Proxy Statement relating to our 2023 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of our fiscal year.

Item 11. *Executive Compensation*

The information required by Item 11 is hereby incorporated by reference from our definitive Proxy Statement relating to our 2023 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of our fiscal year.

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

The information required by Item 12 is hereby incorporated by reference from our definitive Proxy Statement relating to our 2023 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of our fiscal year.

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

The information required by Item 13 is hereby incorporated by reference from our definitive Proxy Statement relating to our 2023 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of our fiscal year.

Item 14. *Principal Accountant Fees and Services*

The information required by Item 14 is hereby incorporated by reference from our definitive Proxy Statement relating to our 2023 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of our fiscal year.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this report:

1. For a list of the consolidated financial information included herein, see Index to the Consolidated Financial Statements on page F-1.
2. For a list of other exhibits included herein, see Exhibit List on page E-1.

(b) Exhibits required by Item 601 of Regulation S-K. Reference is made to the Exhibit List filed as a part of this report beginning on page E-1. Each of such exhibits is incorporated by reference herein.

(c) Other financial statements and financial statement schedules. Reference is made to the Index to Other Financial Statements and Financial Statement Schedules on page S-1. Each of such documents is incorporated by reference herein.

Item 16. Form 10-K Summary

None.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Portman Ridge Finance Corporation

Opinion on the Financial Statements and Financial Highlights

We have audited the accompanying consolidated balance sheets of Portman Ridge Finance Corporation and subsidiaries (the "Company"), including the consolidated schedules of investments, as of December 31, 2022 and 2021, the related consolidated statements of operations, cash flows, changes in net assets, the financial highlights for years ended December 31, 2022 and 2021, and the related notes. In our opinion, the financial statements and financial highlights present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations, changes in net assets, cash flows and financial highlights for each of the two years in the period ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by the Company, as well as evaluating the overall presentation of the financial statements and financial highlights. Our procedures included confirmation of investments owned as of December 31, 2022 and 2021, by correspondence with the custodian, loan agents, and borrowers; when replies were not received, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

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

Fair Value of Level 3 Investments — Refer to Notes 2 and 4 to the financial statements

Critical Audit Matter Description

The Company held investments classified as Level 3 investments under accounting principles generally accepted in the United States of America. These investments included debt and equity securities with unique contract terms and conditions and/or complexity that considers a combination of multiple levels of market and asset specific inputs. The valuation techniques used in estimating the fair value of these investments vary and certain significant inputs used were unobservable. The fair value of the Company's Level 3 investments was \$471.2 million as of December 31, 2022.

We identified the valuation of Level 3 investments as a critical audit matter because of the judgments necessary for management to select valuation techniques and to use significant unobservable inputs to estimate the fair value, including discount rates utilized. This required a high degree of auditor judgement and extensive audit effort, including in many instances, the need to involve fair value specialists who possess significant valuation experience, to evaluate the appropriateness of the valuation techniques and the significant unobservable inputs, when performing procedures to audit management's estimate of fair value of Level 3 investments.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the valuation of certain Level 3 investments included the following, among other factors:

1. We evaluated the design and implementation of controls over the Company's valuation of Level 3 investments, including those related to valuation techniques and significant unobservable inputs.
2. We evaluated the appropriateness of the valuation techniques used for Level 3 investments and tested the related significant unobservable inputs by comparing these inputs to external sources.
3. For a selected sample of Level 3 investments, we performed procedures with the assistance of our fair value specialists to evaluate the valuation techniques and significant unobservable inputs and assumptions used, including discount rates.
4. We evaluated management's ability to estimate fair value by comparing management's historical estimates to subsequent transactions, taking into account changes in market or investment specific conditions, where applicable.

/s/ Deloitte & Touche LLP
New York, New York
March 9, 2023

We have served as the Company's auditor since 2021.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Portman Ridge Finance Corporation:

Opinion on the Consolidated Financial Statements

We have audited, before the effects of the adjustments to retrospectively apply the reverse stock split described in Note 1, the related consolidated statements of operations, changes in net assets, and cash flows for the year ended December 31, 2020, and the related notes, and the consolidated financial highlights for each of the years in the two-year period ended December 31, 2020 as listed in the accompanying index. The 2020 consolidated financial statements and the 2020 and 2019 consolidated financial highlights before the effects of the adjustments to retrospectively apply the reverse stock split described in Note 1 are not presented herein. In our opinion, the consolidated financial statements and consolidated financial highlights, before the effects of the adjustments to retrospectively apply the reverse stock split described in Note 1, present fairly, in all material respects, the results of its operations, changes in net assets and its cash flows for the year ended December 31, 2020, and the financial highlights for each of the years in the two-year period ended December 31, 2020 in conformity with U.S. generally accepted accounting principles.

We were not engaged to audit, review, or apply any procedures to the adjustments to retrospectively apply the reverse stock split described in Note 1 and, accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by other auditors.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and consolidated financial highlights are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements and consolidated financial highlights, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements and consolidated financial highlights. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and consolidated financial highlights. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We served as the Company's auditor from 2019 to 2021.

New York, New York
March 11, 2021

PORTMAN RIDGE FINANCE CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	December 31, 2022	December 31, 2021
ASSETS		
Investments at fair value:		
Non-controlled/non-affiliated investments (amortized cost: 2022 - \$518,699; 2021 - \$479,153)	\$ 483,698	\$ 452,482
Non-controlled affiliated investments (amortized cost: 2022 - \$75,196; 2021 - \$74,082)	73,827	74,142
Controlled affiliated investments (cost: 2022 - \$58,322; 2021 - \$52,130)	18,953	23,361
Total Investments at Fair Value (cost: 2022 - \$652,217; 2021 - \$605,365)	\$ 576,478	\$ 549,985
Cash and cash equivalents	5,148	28,919
Restricted cash	27,983	39,421
Interest receivable	4,828	5,514
Receivable for unsettled trades	1,395	20,193
Due from affiliates	930	507
Other assets	2,724	3,762
Total Assets	\$ 619,486	\$ 648,301
LIABILITIES		
2018-2 Secured Notes (net of discount of: 2022 - \$1,226; 2021 - \$1,403)	\$ 176,937	\$ 162,460
4.875% Notes Due 2026 (net of discount of: 2022 - \$1,704; 2021 - \$2,157; net of deferred financing costs of: 2022 - \$818; 2021 - \$951)	105,478	104,892
Great Lakes Portman Ridge Funding LLC Revolving Credit Facility (net of deferred financing costs of: 2022 - \$1,107; 2021 - \$732)	90,893	79,839
Derivative liabilities (cost: 2021 - \$31)	-	2,412
Payable for unsettled trades	1,276	5,397
Accounts payable, accrued expenses and other liabilities	4,614	4,819
Accrued interest payable	3,722	2,020
Due to affiliates	900	1,799
Management and incentive fees payable	3,543	4,541
Total Liabilities	\$ 387,363	\$ 368,179
COMMITMENTS AND CONTINGENCIES (NOTE 8)		
NET ASSETS		
Common stock, par value \$0.01 per share, 20,000,000 common shares authorized; 9,916,856 issued, and 9,581,536 outstanding at December 31, 2022, and 9,867,998 issued, and 9,699,695 outstanding at December 31, 2021	\$ 96	\$ 97
Capital in excess of par value	736,784	733,095
Total distributable (loss) earnings	(504,757)	(453,070)
Total Net Assets	\$ 232,123	\$ 280,122
Total Liabilities and Net Assets	\$ 619,486	\$ 648,301
Net Asset Value Per Common Share ⁽¹⁾	\$ 24.23	\$ 28.88

(1) The Company completed a Reverse Stock Split of 10 to 1 effective August 26, 2021, the common shares and net asset value per common share have been adjusted retroactively to reflect the split for all periods presented.

See accompanying notes to consolidated financial statements.

PORTMAN RIDGE FINANCE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)

	For the Year Ended December 31,		
	2022	2021	2020
INVESTMENT INCOME			
Interest income:			
Non-controlled/non-affiliated investments	\$ 51,090	\$ 60,236	\$ 24,335
Non-controlled affiliated investments	3,150	4,775	7,416
Total interest income	<u>\$ 54,240</u>	<u>\$ 65,011</u>	<u>\$ 31,751</u>
Payment-in-kind income:			
Non-controlled/non-affiliated investments	\$ 4,950	\$ 3,355	\$ 3,218
Non-controlled affiliated investments	477	166	-
Controlled affiliated investments	181	-	-
Total payment-in-kind income	<u>\$ 5,608</u>	<u>\$ 3,521</u>	<u>\$ 3,218</u>
Dividend income:			
Non-controlled affiliated investments	\$ 4,450	\$ 4,006	\$ 2,649
Controlled affiliated investments	4,141	5,170	4,263
Total dividend income	<u>\$ 8,591</u>	<u>\$ 9,176</u>	<u>\$ 6,912</u>
Fees and other income:			
Non-controlled/non-affiliated investments	\$ 1,135	\$ 2,378	\$ 868
Non-controlled affiliated investments	40	-	-
Total fees and other income	<u>\$ 1,175</u>	<u>\$ 2,378</u>	<u>\$ 868</u>
Interest from cash and time deposits	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15</u>
Total investment income	<u>\$ 69,614</u>	<u>\$ 80,086</u>	<u>\$ 42,764</u>
EXPENSES			
Management fees	\$ 8,349	\$ 7,916	\$ 4,579
Performance-based incentive fees	6,126	7,075	4,858
Interest and amortization of debt issuance costs	17,701	13,644	10,284
Professional fees	3,400	3,660	2,836
Administrative services expense	3,364	3,219	1,941
Other general and administrative expenses	1,784	2,568	1,823
Total expenses	<u>\$ 40,724</u>	<u>\$ 38,082</u>	<u>\$ 26,321</u>
Management and performance-based incentive fees waived	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (557)</u>
Net expenses	<u>\$ 40,724</u>	<u>\$ 38,082</u>	<u>\$ 25,764</u>
NET INVESTMENT INCOME	<u>\$ 28,890</u>	<u>\$ 42,004</u>	<u>\$ 17,000</u>
REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS:			
Net realized gains (losses) from investment transactions			
Non-controlled/non-affiliated investments	\$ (28,893)	\$ (4,397)	\$ 7,120
Non-controlled affiliated investments	(197)	139	485
Derivatives	(2,095)	-	-
Net realized gain (loss) on investments	<u>\$ (31,185)</u>	<u>\$ (4,258)</u>	<u>\$ 7,605</u>
Net change in unrealized appreciation (depreciation) on:			
Non-controlled/non-affiliated investments	\$ (8,298)	\$ (8,047)	\$ 21,366
Non-controlled affiliated investments	(1,428)	282	(11,723)
Controlled affiliated investments	(10,601)	625	(1,755)
Derivatives	2,412	(1,303)	(1,075)
Net unrealized gain (loss) on investments	<u>\$ (17,915)</u>	<u>\$ (8,443)</u>	<u>\$ 6,813</u>
Tax (provision) benefit on realized and unrealized (gains) losses on investments	<u>\$ (786)</u>	<u>\$ (1,442)</u>	<u>\$ -</u>
Net realized and unrealized appreciation (depreciation) on investments, net of taxes	<u>\$ (49,886)</u>	<u>\$ (14,143)</u>	<u>\$ 14,418</u>
Realized gains (losses) on extinguishments of debt	<u>\$ -</u>	<u>\$ (1,835)</u>	<u>\$ 155</u>
NET INCREASE (DECREASE) IN NETASSETS RESULTING FROM OPERATIONS	<u>\$ (20,996)</u>	<u>\$ 26,026</u>	<u>\$ 31,573</u>
Net Increase (Decrease) In Net Assets Resulting from Operations per Common Share ⁽¹⁾ :			
Basic and Diluted:	\$ (2.18)	\$ 3.05	\$ 6.32
Net Investment Income Per Common Share ⁽¹⁾ :			
Basic and Diluted:	\$ 3.00	\$ 4.92	\$ 3.40
Weighted Average Shares of Common Stock Outstanding—Basic and Diluted ⁽¹⁾	9,634,468	8,536,079	4,998,759

(1) The Company completed a Reverse Stock Split of 10 to 1 effective August 26, 2021, the weighted average shares outstanding and per share values have been adjusted retroactively to reflect the split for all periods presented.

See accompanying notes to consolidated financial statements.

PORTMAN RIDGE FINANCE CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
(in thousands, except share and per share amounts)

	For the Year Ended December 31,		
	2022	2021	2020
Operations:			
Net investment income	\$ 28,890	\$ 42,004	\$ 17,000
Net realized gains (losses) from investment transactions	(31,185)	(4,258)	7,605
Realized gains (losses) from extinguishments of debt	-	(1,835)	155
Net change in unrealized appreciation (depreciation) on investments	(17,915)	(8,443)	6,813
Tax (provision) benefit on realized and unrealized gains (losses) on investments	(786)	(1,442)	-
Net increase (decrease) in net assets resulting from operations	<u>\$ (20,996)</u>	<u>\$ 26,026</u>	<u>\$ 31,573</u>
Stockholder distributions:			
Distributions of ordinary income	\$ (24,661)	\$ (20,575)	\$ (10,694)
Net decrease in net assets resulting from stockholder distributions	<u>\$ (24,661)</u>	<u>\$ (20,575)</u>	<u>\$ (10,694)</u>
Capital share transactions:			
Issuance of common stock for:			
Distribution reinvestment plan	\$ 1,111	\$ 927	\$ 145
Stock repurchases	(3,831)	(1,827)	(863)
Private placement and other	378	59,307	43,904
Net increase (decrease) in net assets resulting from capital share transactions	<u>\$ (2,342)</u>	<u>\$ 58,407</u>	<u>\$ 43,186</u>
Net assets at beginning of period	\$ 280,122	\$ 216,264	\$ 152,199
Net assets at end of period	<u>\$ 232,123</u>	<u>\$ 280,122</u>	<u>\$ 216,264</u>
Net asset value per common share ⁽¹⁾	\$ 24.23	\$ 28.88	\$ 28.77
Common shares outstanding at end of period ⁽¹⁾	9,581,536	9,699,695	7,516,423

(1) The Company completed a Reverse Stock Split of 10 to 1 effective August 26, 2021, the common shares outstanding and net asset value per common share values have been adjusted retroactively to reflect the split for all periods presented.

See accompanying notes to consolidated financial statements.

PORTMAN RIDGE FINANCE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, except share and per share amounts)

	For the Year Ended December 31,		
	2022	2021	2020
OPERATING ACTIVITIES:			
Net increase (decrease) in net assets resulting from operations	\$ (20,996)	\$ 26,026	\$ 31,573
Adjustments to reconcile net increase (decrease) in stockholders' equity resulting from operations to net cash (used in) provided by in operations:			
Net realized (gains) losses on investment transactions	31,185	4,258	(7,605)
Net change in unrealized (appreciation) depreciation from investments	17,915	8,443	(6,813)
Purchases of investments	(222,202)	(297,149)	(115,989)
Proceeds from sales and redemptions of investments	160,964	329,458	213,050
Net accretion of investments	(10,648)	(32,303)	(11,770)
Amortization of debt issuance costs	1,223	1,022	992
Realized (gains) losses on extinguishments of debt	-	1,835	(155)
Net payment-in-kind interest income	(5,608)	(3,247)	(2,225)
Cash consideration net of cash acquired from mergers	-	13,549	16,261
Change in operating assets and liabilities:			
(Increase) decrease in receivable for unsettled trades	18,798	4,914	(688)
(Increase) decrease in interest and dividends receivable	686	(2,541)	(612)
(Increase) decrease in due from affiliates	(423)	(150)	116
(Increase) decrease in other assets	528	(227)	12
Increase (decrease) in payable for unsettled trades	(4,121)	5,397	-
Increase (decrease) in accrued interest payable	1,702	931	953
Increase (decrease) in management and incentive fees payable	(998)	(703)	4,167
Increase (decrease) in due to affiliates	(899)	424	(337)
Increase (decrease) in accounts payable and accrued expenses	(205)	1,212	746
Net cash (used in) provided by operating activities	\$ (33,099)	\$ 61,149	\$ 121,677
FINANCING ACTIVITIES:			
Debt issuance costs	\$ (836)	\$ (1,055)	\$ (1)
Equity issuance costs	-	(547)	(432)
Private placement	378	4,020	572
Stock repurchase program	(3,831)	(1,827)	(863)
Distributions to stockholders	(23,550)	(19,647)	(10,549)
Repurchase of 6.125% Notes Due 2022	-	(76,726)	(513)
Issuance of 2018-2 Secured Notes	14,300	-	-
Repayment of 2018-2 Secured Notes	-	(88,000)	(1,841)
Repayment of 6.125% Notes from HCAP acquisition	-	(28,750)	-
Issuance of 4.875% Notes Due 2026	-	105,570	-
Borrowings from Revolving Credit Facilities	16,500	31,250	47,250
Repayment of Revolving Credit Facilities	(5,071)	-	(77,500)
Net cash (used in) provided by financing activities	\$ (2,110)	\$ (75,712)	\$ (43,878)
CHANGE IN CASH AND RESTRICTED CASH	\$ (35,209)	\$ (14,563)	\$ 77,799
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	68,340	82,903	5,104
CASH AND RESTRICTED CASH, END OF YEAR	\$ 33,131	\$ 68,340	\$ 82,903
Amounts per balance sheet:			
Cash and cash equivalents	\$ 5,148	\$ 28,919	\$ 6,990
Restricted cash	27,983	39,421	75,913
Total Cash and Restricted cash	\$ 33,131	\$ 68,340	\$ 82,903
Supplemental Information and non-cash activities:			
Cash paid for interest during the period	\$ 14,776	\$ 11,692	\$ 8,339
Reinvestment of distributions	\$ 1,111	\$ 927	\$ 145
Non-cash purchase of investments	\$ -	\$ 16,592	\$ -
Acquisitions:			
Non-cash assets acquired			
Investments, at cost	\$ -	\$ 53,812	\$ 277,380
Interest receivable	-	431	1,871
Other assets	-	2,665	2,088
Total non-cash assets purchased	\$ -	\$ 56,908	\$ 281,339
Liabilities assumed			
Debt	\$ -	\$ 28,750	\$ 251,213
Accounts payable and accrued expenses	-	1,645	1,454
Total liabilities assumed	\$ -	\$ 30,395	\$ 252,668
Issuance of common stock	\$ -	\$ 37,063	\$ 38,765
Deemed capital contribution from affiliates	\$ -	\$ 2,150	\$ 5,000
Transaction costs	\$ -	\$ 881	\$ 1,168

See accompanying notes to consolidated financial statements.

PORTMAN RIDGE FINANCE CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS
As of December 31, 2022
(in thousands, except share and per share amounts)

Debt Securities Portfolio

Portfolio Company ¹⁴	Investment	Industry	Interest Rate	Reference Rate and Spread ¹	Floor	Maturity	Initial Acquisition Date	Par/Shares	Cost	Fair Value ²	Footnote Refs
Senior Secured Loans											
Accordian Partners LLC	Term Loan	Finance	10.8% Cash	SOFR+6.25%	0.75%	8/29/29	8/31/22	7,988	\$ 7,817	\$ 7,839	(7)(12)(13)
Accordian Partners LLC	Revolver	Finance	0.5% Cash		0.75%	8/31/28	8/31/22	-	(33)	(29)	(7)(12)(20)
Accordian Partners LLC	Delayed Draw Term Loan	Finance	1.0% Cash		0.75%	8/29/29	8/31/22	-	(7)	(13)	(7)(12)(13)(20)
Accordian Partners LLC	Delayed Draw Term Loan	Finance	1.0% Cash		0.75%	8/29/29	8/31/22	-	(9)	(16)	(7)(12)(13)(20)
Accurate Background, LLC	Term Loan	Services: Business	9.7% Cash	L+6.00%	1.00%	3/26/27	10/20/21	2,962	2,748	2,858	(7)(12)(13)
Accurate Background, LLC	First Lien Term Loan	Services: Business	10.7% Cash	L+6.00%	1.00%	3/26/27	9/7/22	1,496	1,378	1,444	(7)(12)(13)
Advantage Capital Holdings LLC	Term Loan	Banking, Finance, Insurance & Real Estate	12.0% Cash			4/14/27	4/14/22	13,347	13,347	12,964	(7)(12)(13)
AIDC IntermediateCo 2, LLC	First Lien Term Loan	Services: Business	10.4% Cash	SOFR+6.40%	1.00%	7/22/27	9/9/22	1,000	984	971	(7)(12)(13)
AIS Holdco, LLC	First Lien Term Loan A	Banking, Finance, Insurance & Real Estate	9.4% Cash	L+5.00%		8/15/25	10/28/20	2,339	2,076	2,313	(7)(12)(13)
AMCP Pet Holdings, Inc.	First Lien Term Loan	Beverage, Food and Tobacco	11.0% Cash	L+6.25%	1.00%	10/6/26	12/9/20	4,900	4,836	4,741	(7)(12)(13)
AMCP Pet Holdings, Inc.	Revolving Loan	Beverage, Food and Tobacco	10.9% Cash	L+6.25%	1.00%	10/6/26	12/9/20	1,000	987	968	(7)(12)
American Academy Holdings, LLC	First Lien Term Loan	Services: Consumer	9.1% Cash + 6.3% PIK	L+4.75%	1.00%	1/1/25	3/1/22	2,990	2,969	2,934	(7)(12)(13)
American Academy Holdings, LLC	Term Loan Second Lien	Services: Consumer	14.5% PIK			3/1/28	3/1/22	5,124	5,007	4,164	(7)(12)
American Academy Holdings, LLC	Delayed Draw Term Loan	Services: Consumer	9.1% Cash + 6.3% PIK	L+4.75%	1.00%	1/1/25	3/1/22	593	589	582	(7)(12)(13)
Analogic Corporation	First Lien Term Loan A	Electronics	9.7% Cash	L+5.25%	1.00%	6/22/24	10/28/20	3,484	3,295	3,353	(7)(12)(13)
Analogic Corporation	Revolver	Electronics	9.7% Cash	L+5.25%	1.00%	6/22/23	10/28/20	179	179	172	(7)(12)(13)(20)
Ancile Solutions, Inc.	First Lien Term Loan	High Tech Industries	11.8% Cash + 3.0% PIK	L+7.00%	1.00%	6/11/26	6/11/21	6,701	6,569	6,567	(7)(12)(13)
Anthem Sports & Entertainment Inc.	Term Loan	Media: Broadcasting & Subscription	11.5% Cash + 2.8% PIK	L+6.75%	1.00%	11/15/26	11/15/21	11,815	11,593	10,974	(7)(12)(13)
Anthem Sports & Entertainment Inc.	Revolver	Media: Broadcasting & Subscription	14.2% Cash	L+9.50%	1.00%	11/15/26	11/15/21	500	490	461	(7)(12)(20)
Anthem Sports & Entertainment Inc.	Revolver	Media: Broadcasting & Subscription	16.0% Cash	PRIME+8.50%	1.00%	11/15/26	11/15/21	500	490	461	(7)(12)
Anthem Sports & Entertainment Inc.	Revolver	Media: Broadcasting & Subscription	14.2% Cash	L+9.50%	1.00%	6/30/23	8/9/22	500	500	464	(7)(12)
AP Core Holdings II, LLC	First Lien Term Loan	Media: Diversified & Production	9.9% Cash	L+5.50%	0.75%	7/21/27	7/21/21	3,093	3,064	2,813	(7)(13)
AP Core Holdings II, LLC	First Lien Term Loan	Media: Diversified & Production	9.9% Cash	L+5.50%	0.75%	7/21/27	7/21/21	2,000	1,977	1,809	(7)(13)
Appfire Technologies, LLC	Term Loan	High Tech Industries	9.5% Cash	SOFR+5.50%	1.00%	3/9/27	12/20/21	5,954	5,946	5,861	(7)(12)(13)
Beta Plus Technologies, Inc.	First Lien Term Loan	Banking, Finance, Insurance & Real Estate	8.9% Cash	SOFR+4.75%		7/1/29	7/1/22	15,960	15,664	15,564	(7)(12)(13)
Beta Plus Technologies, Inc.	Revolver	Banking, Finance, Insurance & Real Estate	0.4% Cash			7/1/27	7/1/22	-	-	(96)	(7)(12)(20)
Bradshaw International Parent Corp.	Term Loan	Consumer goods: Durable	10.2% Cash	L+5.75%	1.00%	10/21/27	10/29/21	501	491	462	(7)(12)(13)
Bradshaw International Parent Corp.	Revolver	Consumer goods: Durable	0.5% Cash		1.00%	10/21/26	10/29/21	-	(23)	(71)	(7)(12)(20)
Bristol Hospice	Unitranche	Healthcare & Pharmaceuticals	10.1% Cash	L+5.75%	1.00%	12/22/26	12/22/20	2,135	2,106	2,070	(7)(12)(13)
Bristol Hospice	Delayed Draw Term Loan	Healthcare & Pharmaceuticals	10.1% Cash	L+5.75%	1.00%	12/22/26	12/22/20	760	755	735	(7)(12)(13)(20)
BW NHHH Holdco Inc.	First Lien Term Loan	Healthcare & Pharmaceuticals	12.0% Cash	SOFR+7.50%	2.00%	1/15/26	12/21/22	952	942	942	(7)(12)
C.P. Converters, Inc.	Seventh Amendment Acquisition Loan	Chemicals, Plastics and Rubber	10.2% Cash	L+6.50%	1.00%	6/18/23	6/26/20	2,813	2,802	2,787	(7)(12)(13)
C.P. Converters, Inc.	Term Loan	Chemicals, Plastics and Rubber	9.7% Cash	L+6.00%	1.00%	6/18/23	7/29/21	1,086	1,082	1,072	(7)(12)(13)
C.P. Converters, Inc.	Term Loan	Chemicals, Plastics and Rubber	9.7% Cash	L+6.00%	1.00%	6/18/23	11/17/21	6,583	6,564	6,501	(7)(12)(13)
CB Midco, LLC	Term Loan	Consumer goods: Durable	10.5% Cash	L+5.75%	1.00%	9/27/27	10/8/21	3,950	3,918	3,685	(7)(12)(13)
Cenexel Clinical Research, Inc.	Term Loan	Healthcare & Pharmaceuticals	10.9% Cash	SOFR+6.50%	1.00%	11/8/25	6/15/22	6,904	6,846	6,870	(7)(12)(13)
Centric Brands Inc.	Revolver	Machinery (Non-Agrclt/Constr/Electr)	9.7% Cash	SOFR+5.75%	1.00%	10/9/24	10/28/20	642	609	642	(7)(12)(13)(20)
Centric Brands Inc.	Term Loan	Machinery (Non-Agrclt/Constr/Electr)	6.8% Cash + 6.5% PIK	SOFR+2.50%		10/9/25	10/28/20	9,810	8,815	8,610	(7)(12)(13)
Centric Brands Inc.	Revolver	Machinery (Non-Agrclt/Constr/Electr)	10.1% Cash	SOFR+5.75%	1.00%	10/9/24	8/22/22	39	37	39	(7)(12)(13)(20)

See accompanying notes to consolidated financial statements.

Portfolio Company ¹⁴	Investment	Industry	Interest Rate	Reference Rate and Spread ¹	Floor	Maturity	Initial Acquisition Date	Par/Shares	Cost	Fair Value ²	Footnote Refs
Circustrix Holdings, LLC	Term Loan	Banking, Finance, Insurance & Real Estate	9.9% Cash	L+5.50%	1.00%	7/16/23	1/11/21	465	\$ 465	\$ 465	(7)(12)(13)
Circustrix Holdings, LLC	Term Loan	Banking, Finance, Insurance & Real Estate	9.9% Cash	L+5.50%	1.00%	1/26/24	10/1/21	6,655	6,117	6,508	(7)(12)(13)
Circustrix Holdings, LLC	Delayed Draw Term Loan	Banking, Finance, Insurance & Real Estate	9.9% Cash	L+5.50%	1.00%	7/16/23	1/11/21	461	461	461	(7)(12)(13)
Coastal Screen and Rail, LLC	Term Loan	Construction & Building	13.0% Cash			12/31/22	6/9/21	850	850	850	(7)(12)
Critical Nurse Staffing, LLC	Term Loan	Healthcare & Pharmaceuticals	10.5% Cash	L+6.00%	1.00%	10/30/26	11/1/21	8,165	8,056	8,063	(7)(12)(13)
Critical Nurse Staffing, LLC	Revolver	Healthcare & Pharmaceuticals	10.7% Cash	L+6.00%	1.00%	10/30/26	11/1/21	600	565	575	(7)(12)(20)
Critical Nurse Staffing, LLC	Delayed Draw Term Loan	Healthcare & Pharmaceuticals	10.7% Cash	L+6.00%	1.00%	10/30/26	11/1/21	631	598	584	(7)(12)(13)(20)
Datalink, LLC	First Lien Term Loan	Healthcare & Pharmaceuticals	11.5% Cash	L+6.75%	1.00%	11/23/26	12/8/20	2,744	2,695	2,724	(7)(12)(13)
Dentive, LLC	First Lien Term Loan	Healthcare & Pharmaceuticals	11.5% Cash	SOFR+7.00%	0.75%	12/26/28	12/23/22	1,519	1,473	1,473	(7)(12)(13)
Dentive, LLC	Delayed Draw Term Loan - First Lien	Healthcare & Pharmaceuticals	1.0% Cash		0.75%	12/26/28	12/23/22	-	(11)	(11)	(7)(12)(13)(20)
Dentive, LLC	Revolver	Healthcare & Pharmaceuticals	0.5% Cash		0.75%	12/23/28	12/23/22	-	(7)	(7)	(7)(12)(20)
Dodge Data & Analytics LLC	Term Loan	Construction & Building	9.8% Cash	SOFR+4.75%	0.50%	2/10/29	2/10/22	1,493	1,473	1,183	(7)(13)
Drilling Info Holdings, Inc.	Initial Term Loan (First Lien)	High Tech Industries	8.6% Cash	L+4.25%		7/30/25	12/23/19	814	814	785	(7)(13)
Drilling Info Holdings, Inc.	2020 Term Loan (First Lien)	High Tech Industries	8.9% Cash	L+4.50%		7/30/25	2/13/20	973	970	965	(7)(12)(13)
Electro Rent Corporation	First Lien Term Loan	High Tech Industries	10.3% Cash	SOFR+5.50%	1.00%	11/1/24	11/16/22	997	980	982	(7)(12)(13)
ELO Touch Solutions, Inc.	First Lien Term Loan	High Tech Industries	10.9% Cash	L+6.50%		12/14/25	10/28/20	2,266	2,064	2,224	(7)(12)(13)
Florida Food Products, LLC	First Lien Term Loan	Beverage, Food and Tobacco	9.4% Cash	L+5.00%	0.75%	10/6/28	3/22/22	4,963	4,908	4,820	(7)(12)(13)
Florida Food Products, LLC	First Lein Term Loan	Beverage, Food and Tobacco	9.3% Cash	SOFR+5.00%	0.75%	10/18/28	6/9/22	2,000	1,888	1,928	(7)(12)(13)
Franchise Group, Inc.	First Out Term Loan	Retail	8.7% Cash	L+4.75%	0.75%	2/25/26	3/18/22	4,900	4,874	4,727	(13)
Global Integrated Flooring Systems Inc.	First Lien Term Loan	Consumer goods: Durable	12.0% Cash	L+8.25%	1.25%	2/15/23	10/28/20	6,990	6,147	3,539	(7)(12)
Global Integrated Flooring Systems Inc.	Revolver	Consumer goods: Durable	12.5% Cash	L+8.25%	1.25%	2/15/23	10/28/20	50	44	25	(7)(12)(20)
Grindr Capital LLC	Term Loan	Telecommunications	12.8% Cash	L+8.00%	1.50%	11/14/27	6/10/20	3,073	3,045	3,054	(12)(13)
Grindr Capital LLC	Delayed Draw Term Loan - First Lien	Telecommunications	12.5% Cash	SOFR+8.00%	1.50%	11/14/27	11/14/22	2,000	1,981	1,988	(12)(13)
H.W. Lochner, Inc.	Term Loan	Services: Business	9.5% Cash	L+5.75%	1.00%	7/2/27	7/2/21	14,813	14,589	14,146	(7)(12)(13)
H.W. Lochner, Inc.	Revolver	Services: Business	10.4% Cash	SOFR+5.75%	1.00%	7/2/27	7/2/21	1,200	1,177	1,130	(7)(12)(20)
H.W. Lochner, Inc.	Revolver	Services: Business	9.6% Cash	L+5.75%	1.00%	7/2/27	7/2/21	5,001	4,904	4,710	(7)(12)
H-CA II, LLC	Term Loan	Banking, Finance, Insurance & Real Estate	19.0% Cash			2/16/24	2/16/21	2,000	2,000	2,000	(7)(12)
HDC/HW Intermediate Holdings, LLC	First Lien Term Loan A	High Tech Industries	12.3% Cash + 5.8% PIK	SOFR+7.50%	1.00%	12/21/23	10/28/20	7,525	6,629	5,926	(7)(12)(13)
HDC/HW Intermediate Holdings, LLC	Revolver	High Tech Industries	12.3% Cash + 2.0% PIK	SOFR+7.50%	1.00%	12/21/23	10/28/20	773	681	609	(7)(12)(13)
Help Systems Holdings, Inc.	First Lien Term Loan	High Tech Industries	8.2% Cash	SOFR+4.00%	0.75%	11/19/26	11/17/22	1,995	1,824	1,804	(7)(13)
Hollander Intermediate LLC	First Lien Term Loan	Consumer goods: Durable	13.2% Cash	SOFR+8.75%	2.00%	9/19/26	9/19/22	5,709	5,561	5,502	(7)(12)(13)
Intermedia Holdings, Inc.	First Lien Term Loan B	High Tech Industries	10.4% Cash	L+6.00%	1.00%	7/21/25	10/28/20	2,640	2,450	2,040	(7)(13)
Ivanti Software, Inc.	First Lien Term Loan	High Tech Industries	9.0% Cash	L+4.25%	0.75%	12/1/27	10/12/22	997	776	794	(7)(13)
JO ET Holdings Limited	Term Loan	Telecommunications	10.5% Cash + 7.0% PIK	SOFR+6.00%	1.00%	12/15/26	12/15/21	2,125	2,094	2,098	(3)(12)
Keg Logistics LLC	Term Loan	Services: Business	10.7% Cash	L+6.00%	1.00%	11/23/27	11/23/21	12,122	11,973	11,697	(7)(12)(13)
Keg Logistics LLC	Revolver	Services: Business	10.3% Cash	EURIBOR+6.00%	1.00%	11/23/27	11/23/21	436	423	406	(7)(12)(20)
Lifescan Global Corporation	First Lien Term Loan A	Healthcare & Pharmaceuticals	9.7% Cash	L+6.00%		10/1/24	10/28/20	2,707	2,489	1,969	(7)(13)
Lucky Bucks Holdings LLC	Term Loan	Hotel, Gaming & Leisure	12.5% PIK			5/29/28	1/14/22	5,653	5,568	4,000	(7)(12)
Lucky Bucks, LLC	Term Loan	Hotel, Gaming & Leisure	10.4% Cash	L+5.50%	0.75%	7/21/27	7/20/21	4,750	4,677	2,799	(7)(13)
Lumini LLC	First Lien Term Loan B	Construction & Building	10.0% Cash	L+6.25%	1.00%	4/11/23	10/28/20	6,990	6,884	6,835	(7)(12)(13)
Lumini LLC	Revolver	Construction & Building	10.0% Cash	L+6.25%	1.00%	4/11/23	10/28/20	343	338	332	(7)(12)(13)(20)
MAG DS Corp.	First Lien Term Loan	Aerospace and Defense	10.2% Cash	L+5.50%	1.00%	4/1/27	10/28/20	3,704	3,285	3,361	(7)(12)(13)

See accompanying notes to consolidated financial statements.

Portfolio Company ¹⁴	Investment	Industry	Interest Rate	Reference Rate and Spread ¹	Floor	Maturity	Initial Acquisition Date	Par/Shares	Cost	Fair Value ²	Footnote Refs	
Marble Point Credit Management LLC	Term Loan	Banking, Finance, Insurance & Real Estate	10.8% Cash	L+6.00%	1.00%	8/11/28	8/11/21	5,504	\$ 5,382	\$ 5,504	(12)(13)	
Marble Point Credit Management LLC	Revolver	Banking, Finance, Insurance & Real Estate	0.5% Cash		1.00%	8/11/28	8/11/21	-	(25)	-	(12)(20)	
Maxor National Pharmacy Services, LLC	Revolver	Healthcare & Pharmaceuticals	0.5% Cash		1.00%	12/6/26	10/28/20	-	-	(2)	(7)(12)(13)(20)	
Maxor National Pharmacy Services, LLC	Term Loan	Healthcare & Pharmaceuticals	10.0% Cash	L+5.25%	1.00%	12/6/27	10/28/20	8,008	7,436	7,987	(7)(12)(13)	
Mobex Global U.S., Inc.	First Lien Term Loan	Automotive	7.0% Cash + 3.6% PIK	L+3.25%	1.00%	9/28/24	2/4/22	6,267	5,936	5,609	(7)(12)(13)	
Mobex Global U.S., Inc.	First Lien Term Loan	Automotive	8.0% Cash + 3.3% PIK	L+3.25%	1.00%	9/28/24	2/4/22	417	377	373	(7)(12)(13)	
Mobex Global U.S., Inc.	First Lien Term Loan A	Automotive	7.7% Cash + 3.3% PIK	L+3.25%	1.00%	9/28/24	2/4/22	182	182	163	(7)(12)(13)	
Mobex Global U.S., Inc.	First Lien Term Loan B	Automotive	8.0% Cash + 3.3% PIK	L+3.25%	1.00%	9/28/24	1/20/22	180	180	161	(7)(12)(13)	
Money Transfer Acquisition, Inc.	First Lien Term Loan	Finance	12.7% Cash	SOFR+8.25%	1.00%	12/14/27	12/14/22	10,000	0	9,802	9,800	(7)(12)(13)
Mother's Market & Kitchen, Inc.	First Lien Term Loan	Healthcare & Pharmaceuticals	9.9% Cash	L+5.50%	1.25%	7/26/23	10/28/20	5,326	5,177	5,202	(7)(12)(13)	
MSM Acquisitions, Inc.	First Lien Term Loan	Services: Business	10.8% Cash	L+6.00%	1.00%	12/9/26	12/31/20	6,918	6,861	6,737	(7)(12)(13)	
MSM Acquisitions, Inc.	Delayed Draw Term Loan	Services: Business	10.8% Cash	L+6.00%	1.00%	6/9/26	1/1/22	2,886	2,888	2,810	(7)(12)(13)	
Naviga Inc.	First Lien Term Loan	Services: Business	11.7% Cash	SOFR+7.00%	1.00%	12/29/23	10/28/20	4,949	4,889	4,820	(7)(12)(13)	
Naviga Inc.	Term Loan	Services: Business	11.7% Cash	SOFR+7.00%	1.00%	12/29/23	3/2/22	404	403	394	(7)(12)(13)	
Naviga Inc.	Revolver	Services: Business	11.4% Cash	SOFR+7.00%	1.00%	12/29/23	10/28/20	384	378	372	(7)(12)(13)(20)	
Naviga Inc.	Revolver	Services: Business	13.5% Cash	PRIME+6.00%	1.00%	12/29/23	10/28/20	225	222	218	(7)(12)(13)	
Naviga Inc.	Delayed Draw Term Loan	Services: Business	11.7% Cash	SOFR+7.00%	1.00%	12/29/23	10/28/20	453	447	441	(7)(12)(13)	
Naviga Inc.	Term Loan	Services: Business	11.7% Cash	SOFR+7.00%	1.00%	12/29/23	3/1/21	705	703	686	(7)(12)	
Naviga Inc.	Delayed Draw Term Loan	Services: Business	11.7% Cash	SOFR+7.00%	1.00%	12/29/23	3/1/21	748	747	728	(7)(12)	
Neptune BidCo US Inc.	First Lien Term Loan	Media: Broadcasting & Subscription	8.8% Cash	SOFR+5.00%	0.50%	4/11/29	11/22/22	2,000	1,782	1,793	(7)(13)	
Netwrix Corporation	First Lien Term Loan	High Tech Industries	9.7% Cash	SOFR+5.00%	0.75%	6/9/29	6/9/22	3,335	3,312	3,264	(7)(12)(13)	
Netwrix Corporation	Revolver	High Tech Industries	0.5% Cash		0.75%	6/9/29	6/9/22	-	(11)	(24)	(7)(12)(20)	
Netwrix Corporation	Delayed Draw Term Loan - First Lien	High Tech Industries	0.1% Cash			6/9/29	6/9/22	-	(2)	(22)	(7)(12)(13)(20)	
Northeast Metal Works LLC	Term Loan	Metals & Mining	8.0% Cash + 2.0% PIK			4/28/23	1/27/22	14,551	14,551	13,445	(7)(12)(17)	
One Stop Mailing LLC	First Lien Term Loan	Transportation: Consumer	10.6% Cash	L+6.25%	1.00%	4/29/27	5/7/21	7,766	7,653	7,335	(7)(12)(13)	
Orbit Purchaser LLC	Delayed Draw Term Loan	Banking, Finance, Insurance & Real Estate	9.2% Cash	L+4.50%	1.00%	10/21/24	10/28/20	730	685	724	(7)(12)(13)	
Orbit Purchaser LLC	First Lien Term Loan	Banking, Finance, Insurance & Real Estate	9.2% Cash	L+4.50%	1.00%	10/19/24	10/28/20	2,496	2,340	2,477	(7)(12)(13)	
Orbit Purchaser LLC	Incremental First Lien Term Loan	Banking, Finance, Insurance & Real Estate	9.2% Cash	L+4.50%	1.00%	10/21/24	10/28/20	1,509	1,416	1,497	(7)(12)(13)	
Pomeroy Technologies, LLC	Senior Term Loan A	High Tech Industries	5.0% PIK			4/4/26	5/29/20	1,623	1,394	1,051	(7)(12)	
Pomeroy Technologies, LLC	Senior Term Loan B	High Tech Industries	7.0% PIK			4/4/26	5/29/20	1,485	1,287	193	(5)(7)(12)	
Pomeroy Technologies, LLC	Super Senior Term Loan B	High Tech Industries	9.0% PIK			4/4/26	5/29/20	1,152	1,142	1,078	(7)(12)	
Pomeroy Technologies, LLC	Term Loan	High Tech Industries	10.0% PIK			4/4/26	4/4/22	55	54	35	(7)(12)	
Pomeroy Technologies, LLC	Term Loan	High Tech Industries	10.0% PIK			4/4/26	5/3/22	382	379	363	(7)(12)	
Premier Imaging, LLC	Term Loan	Healthcare & Pharmaceuticals	10.1% Cash	L+5.75%	1.00%	1/2/25	12/30/21	2,043	2,029	2,012	(7)(12)(13)	
Premier Imaging, LLC	Delayed Draw Term Loan	Healthcare & Pharmaceuticals	10.1% Cash	L+5.75%	1.00%	1/2/25	12/30/21	554	534	525	(7)(12)(13)(20)	
Priority Holdings, LLC	First Lien Term Loan	High Tech Industries	10.5% Cash	L+5.75%	1.00%	4/22/27	4/21/21	7,504	7,474	7,421	(7)(12)(13)	
Project Castle, Inc.	First Lien Term Loan	Transportation: Cargo	10.1% Cash	SOFR+5.50%	0.50%	6/8/29	6/9/22	7,980	7,201	6,943	(7)(12)(13)	
Project Leopard Holdings, Inc.	First Lien Term Loan	High Tech Industries	9.8% Cash	SOFR+5.25%	1.00%	6/15/29	6/15/22	8,000	7,476	7,326	(7)(13)	
PVHC Holding Corp	Initial Term Loan	Containers, Packaging and Glass	9.5% Cash	L+4.75%	1.00%	8/3/24	12/23/19	2,758	2,754	2,655	(7)(12)(13)	
Qualtek USA, LLC	First Lien Term Loan	High Tech Industries	10.7% Cash	L+6.25%	1.00%	7/18/25	10/28/20	5,360	4,749	3,551	(13)	
Radiology Partners, Inc	Term B Loan (First Lien)	Healthcare & Pharmaceuticals	8.6% Cash	L+4.25%		7/9/25	1/26/21	7,000	6,347	5,908	(7)(13)	
Radius Aerospace, Inc.	Initial Term Loan	Aerospace and Defense	10.5% Cash	SOFR+5.75%	1.00%	3/29/25	12/23/19	6,148	6,112	6,033	(7)(12)(13)	
Reception Purchaser, LLC	First Lien Term Loan	Transportation: Cargo	10.3% Cash	SOFR+6.00%	0.75%	3/24/28	4/28/22	4,484	4,382	4,400	(7)(12)(13)	

See accompanying notes to consolidated financial statements.

Portfolio Company ¹⁴	Investment	Industry	Interest Rate	Reference Rate and Spread ¹	Floor	Maturity	Initial Acquisition Date	Par/ Shares	Cost	Fair Value ²	Footnote Refs
Securus Technologies Holdings, Inc	Term Loan	Telecommunications	9.2% Cash	L+4.50%	1.00%	11/1/24	3/21/22	990	\$ 952	\$ 747	
South Street Securities Holdings, Inc	Senior Notes	Banking, Finance, Insurance & Real Estate	9.0% Cash			9/20/27	9/20/22	3,150	2,655	2,603	(7)(12)
Sundance Holdings Group, LLC	Term Loan	Retail	10.7% Cash	L+6.00%	1.00%	5/1/24	10/1/21	6,237	5,897	6,144	(7)(12)(13)
Surge Hippodrome Holdings LLC	Last Out Term Loan	Services: Business	15.4% Cash	SOFR+11.04%	2.00%	8/1/24	6/9/21	5,460	5,132	5,165	(7)(12)(17)
Symplr Software, Inc.	Term Loan	Healthcare & Pharmaceuticals	8.7% Cash	SOFR+4.50%	0.75%	12/22/27	2/2/22	1,687	1,684	1,417	(7)(13)
TA/WEG Holdings, LLC	Delayed Draw Term Loan	Banking, Finance, Insurance & Real Estate	10.0% Cash	SOFR+6.00%	1.00%	10/2/27	10/1/21	7,953	7,937	7,883	(7)(12)(13)
TA/WEG Holdings, LLC	Delayed Draw Term Loan	Banking, Finance, Insurance & Real Estate	10.4% Cash	SOFR+6.00%	1.00%	10/2/27	5/2/22	2,366	2,356	2,322	(7)(12)(13)(20)
TA/WEG Holdings, LLC	Revolver	Banking, Finance, Insurance & Real Estate	0.5% Cash		1.00%	10/2/27	5/2/22	-	(3)	(7)	(7)(12)(20)
TLE Holdings, LLC	Initial Term Loan	Healthcare, Education and Childcare	9.9% Cash	L+5.50%	1.00%	6/28/24	12/8/20	5,516	5,508	5,474	(7)(12)(13)
TLE Holdings, LLC	Delayed Draw Term Loan	Healthcare, Education and Childcare	9.9% Cash	L+5.50%	1.00%	6/28/24	12/23/19	728	727	722	(7)(12)(13)(20)
TronAir Parent Inc.	Initial Term Loan (First Lien)	Aerospace and Defense	10.8% Cash	L+6.25%	1.00%	9/8/23	12/23/19	903	901	858	(7)(12)(13)
Wework Companies LLC	First Lien Term Loan - Last Out Lender	Banking, Finance, Insurance & Real Estate	9.6% Cash	SOFR+6.50%	0.75%	11/30/23	6/30/22	7,000	6,978	6,928	(12)(13)
Wonder Love, Inc.	Term Loan	Media: Diversified & Production	9.7% Cash	L+5.00%	1.00%	11/18/24	12/18/19	1,950	1,935	1,950	(7)(12)(13)
Total Senior Secured Loans (180% of net asset value at fair value)									\$ 435,856	\$ 418,722	
Junior Secured Loans											
Confluence Technologies, Inc.	Term Loan Second Lien	Services: Business	10.9% Cash	L+6.50%	0.50%	7/23/29	7/22/21	4,000	\$ 3,975	\$ 3,705	(7)(12)(13)
DCert Buyer, Inc.	Term Loan (Second Lien)	High Tech Industries	11.7% Cash	SOFR+7.00%		2/16/29	3/16/21	5,400	5,389	4,951	(7)(13)
Firstlight Holdco Inc.	Initial Term Loan (Second Lien)	Telecommunications	11.9% Cash	L+7.50%		7/23/26	12/18/19	400	376	365	(7)(13)
Global Tel*Link Corporation	Term Loan (Second Lien)	Telecommunications	14.2% Cash	SOFR+10.00%		11/29/26	12/23/19	1,500	1,487	1,155	(7)(13)
Helix Acquisition Holdings, Inc.	Initial Term Loan (Second Lien)	Metals & Mining	12.7% Cash	L+8.00%		9/29/25	12/18/19	1,400	1,295	1,341	(7)(12)(13)
Hoffmaster Group, Inc.	Initial Term Loan (Second Lien)	Forest Products & Paper	14.2% Cash	L+9.50%	1.00%	11/21/24	12/23/19	1,600	1,589	1,373	(7)(13)
Idera, Inc.	Term Loan (Second Lien)	High Tech Industries	10.5% Cash	L+6.75%	0.75%	2/4/29	4/29/21	6,000	5,953	5,610	(7)(12)(13)
Ivanti Software, Inc.	Term Loan Second Lien	High Tech Industries	12.0% Cash	L+7.25%	0.50%	12/1/28	10/26/21	6,000	5,958	3,510	(7)(13)
Navex Topco, Inc.	Initial Term Loan (Second Lien)	Electronics	11.4% Cash	L+7.00%		9/4/26	12/8/20	7,700	7,391	7,604	(7)(13)(17)
Phoenix Guarantor Inc.	Term Loan Second Lien	Healthcare & Pharmaceuticals	12.9% Cash	L+8.50%	1.00%	3/5/27	12/18/19	1,200	1,132	1,178	(7)(12)(13)
ProAir, LLC	Sub Note	Capital Equipment	17.8% PIK			1/31/23	3/8/22	1,931	1,931	-	(5)(7)(8)(12)
Project Leopard Holdings, Inc.	2nd Lien TL	High Tech Industries	12.2% Cash	SOFR+7.75%	0.50%	7/20/30	7/20/22	5,000	4,906	4,813	(7)(12)
Redstone Holdco 2 LP	Term Loan (Second Lien)	High Tech Industries	12.1% Cash	L+7.75%	0.75%	4/16/29	9/28/21	4,566	4,498	2,314	(7)(13)
Robertshaw US Holding Corp.	Initial Term Loan (Second Lien)	Capital Equipment	12.8% Cash	L+8.00%	1.00%	2/28/26	2/15/18	3,000	2,988	1,643	(7)
Safe Fleet Holdings LLC	Initial Term Loan (Second Lien)	Automotive	11.1% Cash	L+6.75%	1.00%	2/2/26	12/18/19	700	654	640	(7)(13)
Tex-Tech Industries, Inc.	Term Loan (Second Lien)	Textiles and Leather	11.9% Cash + 1.5% PIK	L+7.50%	1.00%	8/24/24	12/23/19	12,808	12,689	12,808	(7)(12)(13)
TRSO II, Inc.	Promissory Note	Energy: Oil & Gas	1.7% PIK			1/24/25	1/24/20	74	74	-	(5)(7)(12)
Zest Acquisition Corp.	Initial Term Loan (Second Lien)	Healthcare, Education and Childcare	11.4% Cash	L+7.00%	1.00%	3/13/26	12/18/19	3,500	3,491	3,390	(7)(12)(13)(17)
Total Junior Loans (24% of net asset value at fair value)									\$ 65,776	\$ 56,400	
Senior Unsecured Bond											
Tank Partners Equipment Holdings LLC	10.00% - 02/2022 - TankConvert	Energy: Oil & Gas	10.0% PIK			2/15/22	2/15/19	511	\$ 416	\$ 43	(5)(7)(8)(12)
Total Senior Unsecured Bond (0% of net asset value at fair value)									\$ 416	\$ 43	

See accompanying notes to consolidated financial statements.

Equity Securities Portfolio

Portfolio Company ¹⁴	Investment	Industry	Interest Rate	Initial Acquisition Date	Par/Shares	Cost	Fair Value ²	Footnote Refs
4L Ultimate Topco Corporation	Common	Services: Business		5/29/20	321	\$ 29	\$ 29	(7)(12)(18)
AAPC Holdings, LLC	Equity	Services: Consumer		5/18/22	-	-	280	(7)(12)(18)(23)
AAPC Holdings, LLC	Preferred Equity	Healthcare & Pharmaceuticals	18.0% Cash	5/18/22	146,214	4	168	(7)(12)(23)
Advantage Capital Holdings LLC	Class A Membership Units	Banking, Finance, Insurance & Real Estate		3/31/20	628	-	1,645	(7)(12)(18)(19)(23)
Advantage Capital Holdings LLC	Preferred Equity	Banking, Finance, Insurance & Real Estate	12.5% PIK	4/14/22	2,184,128	2,186	2,355	(7)(12)(23)
Advantage Capital Holdings LLC	Class A Membership Units	Banking, Finance, Insurance & Real Estate		4/14/22	164	500	650	(7)(12)(18)(23)
Anthem Sports & Entertainment Inc.	Warrant Class A	Media: Broadcasting & Subscription		9/9/19	263	46	106	(7)(12)(18)
Anthem Sports & Entertainment Inc.	Warrant Class B	Media: Broadcasting & Subscription		9/9/19	46	-	-	(7)(12)(18)
Anthem Sports & Entertainment Inc.	Warrant Common Stock	Media: Broadcasting & Subscription		9/9/19	859	-	-	(7)(12)(18)
Anthem Sports & Entertainment Inc.	Warrants	Media: Broadcasting & Subscription		11/15/21	42	-	-	(7)(12)(18)
Anthem Sports & Entertainment Inc.	Warrants	Media: Broadcasting & Subscription		11/15/21	247	-	99	(7)(12)(18)
Anthem Sports & Entertainment Inc.	Warrants	Media: Broadcasting & Subscription		11/15/21	785	-	-	(7)(12)(18)
Aperture Dodge 18 LLC	Equity	Banking, Finance, Insurance & Real Estate		4/22/22	3,049,871	3,050	3,050	(7)(12)(18)
ATP Oil & Gas Corporation	Limited Term Royalty Interest	Energy: Oil & Gas		12/18/19	-	-	1,013	(7)(11)(12)
BMP Slappey Holdeo, LLC	Preferred Stock	Telecommunications		6/9/21	200,000	467	464	(7)(12)(17)(18)(21)
BMP Slappey Investment II	Preferred Stock	Telecommunications		6/9/21	88,946	208	206	(7)(12)(17)(18)(21)
Brite Media LLC	Common Stock	Media: Advertising, Printing & Publishing		6/9/21	139	150	549	(7)(12)(18)
Carestream Health Holdings, Inc.	Common Stock	Healthcare & Pharmaceuticals		9/30/22	4,099	53	52	(7)(12)(18)
Centric Brands Inc.	Common	Machinery (Non-Agreit/Constr/Electr)		10/28/20	36,342	-	-	(7)(12)(13)(18)(21)
Everyware Global, Inc.	Common	Consumer goods: Durable		10/28/20	1,085,565	346	478	(7)(12)(18)
Flight Lease VII	Common Stock	Aerospace and Defense		6/9/21	1,938	280	242	(7)(12)(15)(18)(22)
FP WRCA Coinvestment Fund VII, Ltd.	Class A Shares	Capital Equipment		2/2/07	1,500,000	1,500	1,103	(3)(12)(18)
Fusion Connect, Inc.	Common	Telecommunications		1/14/20	121,871	866	-	(7)(12)(13)(18)
GreenPark Infrastructure, LLC	Preferred Equity	Energy: Electricity		6/10/22	1,000	500	500	(7)(12)(17)(18)(23)
GreenPark Infrastructure, LLC	Preferred Equity	Energy: Electricity		6/10/22	500	171	171	(7)(12)(17)(18)(20)(23)
KC Engineering & Construction Services, LLC	Common Stock	Environmental Industries		6/9/21	131,081	4,315	4,930	(7)(12)(18)(21)
Kleen-Tech Acquisition, LLC	Common Stock	Services: Business		6/9/21	250,000	1,264	1,300	(7)(12)(17)(18)(21)
Northeast Metal Works LLC	Preferred Stock	Metals & Mining		6/9/21	2,368	-	-	(7)(12)(17)(18)(21)
Ohene Holdings B.V.	Warrants	High Tech Industries		3/13/19	4	-	-	(3)(12)(18)
ProAir HoldCo, LLC	Common Stock	Capital Equipment		2/11/22	2,749,997	4,261	-	(7)(8)(12)(18)
Prosper Marketplace	Class B Preferred Units	Consumer goods: Durable		9/23/13	912,865	279	324	(6)(7)(12)(18)
Roscoe Investors, LLC	Class A Units	Healthcare & Pharmaceuticals		3/26/14	10,000	1,000	299	(7)(12)(18)
Safety Services Holdings Corporation,	Preferred Stock	Services: Business		6/9/21	100,000	43	11	(7)(12)(18)
South Street Securities Holdings, Inc	Warrant	Banking, Finance, Insurance & Real Estate		9/20/22	3,966	455	455	(7)(12)(18)
Surge Busy Bee Holdings LLC	Warrants	Services: Business		6/9/21	105	63	131	(7)(12)(18)(21)
Surge Hippodrome Holdings LLC	Warrants	Services: Business		6/9/21	10	159	484	(7)(12)(17)(18)(21)
Surge Hippodrome Partners LP	Common Stock	Services: Business		6/9/21	185	425	811	(7)(12)(17)(18)(21)
Tank Partners Equipment Holdings LLC	Class A Units	Energy: Oil & Gas		2/15/19	49,000	6,228	-	(7)(8)(12)(18)
World Business Lenders, LLC	Common Stock	Banking, Finance, Insurance & Real Estate		6/9/21	49,209	-	-	(12)(18)
Total Equities (9% of net asset value at fair value)						\$ 28,848	\$ 21,905	

CLO Fund Securities

Portfolio Company ¹⁴	Investment ¹⁰	Industry	Maturity	Percentage Ownership	Initial Acquisition Date	Cost	Fair Value ²	Footnote Refs
Catamaran CLO 2014-1 Ltd.	Subordinated Securities, effective interest 11.2%	CLO Fund Securities	4/20/30	22.2%	5/6/14	\$ 4,216	\$ 3,232	(3)(12)
Catamaran CLO 2014-2 Ltd.	Subordinated Securities, effective interest 0.0%	CLO Fund Securities	10/18/26	24.9%	8/15/14	6,066	-	(3)(12)
Catamaran CLO 2015-1 Ltd.	Subordinated Securities, effective interest 0.0%	CLO Fund Securities	4/22/27	9.9%	5/5/15	2,534	-	(3)(12)
Catamaran CLO 2018-1 Ltd	Subordinated Securities, effective interest 9.9%	CLO Fund Securities	10/27/31	24.8%	9/27/18	6,338	4,753	(3)(12)
Dryden 30 Senior Loan Fund	Subordinated Securities, effective interest 0%	CLO Fund Securities	11/1/28	6.8%	10/10/13	868	868	(3)(12)
JMP Credit Advisors CLO IV LTD	Subordinated Securities, effective interest 6.3%	CLO Fund Securities	7/17/29	57.2%	10/22/21	4,020	4,020	(3)(12)
JMP Credit Advisors CLO V LTD	Subordinated Securities, effective interest 7.1%	CLO Fund Securities	7/17/30	57.2%	10/22/21	10,607	7,580	(3)(12)
Total CLO Fund Securities (9% of net asset value at fair value)						\$ 34,649	\$ 20,453	

Asset Manager Affiliates

Portfolio Company ¹⁴	Investment	Percentage Ownership	Initial Acquisition Date	Cost	Fair Value ²	Footnote Refs
Asset Manager Affiliates	Asset Management Company	100.0%	12/11/06	\$ 17,791	\$ -	(8)(12)
Total Asset Manager Affiliates (0% of net asset value at fair value)				\$ 17,791	\$ -	

See accompanying notes to consolidated financial statements.

Joint Venture

Portfolio Company ¹⁴	Investment	Percentage Ownership	Initial Acquisition Date	Cost	Fair Value ²	Footnote Refs
KCAP Freedom 3 LLC	Joint Ventures	62.8%	12/11/18	\$ 27,415	\$ 18,668	(8)(12)
Series A-Great Lakes Funding II LLC	Joint Ventures	12.5%	8/5/22	41,435	40,287	(9)(16)(17)(20)
Total Joint Venture (25% of net asset value at fair value)				\$ 68,850	\$ 58,955	

Derivatives

Portfolio Company ¹⁴	Investment	Industry	Initial Acquisition Date	Cost	Fair Value ²	Footnote Refs
HDNet Holdco LLC (Anthem)	Derivatives	Media: Broadcasting & Subscription	9/9/19	\$ 31	\$ -	(12)(19)
Advantage Capital Holdings LLC	Derivatives	Banking, Finance, Insurance & Real Estate	4/14/22	-	-	(12)(19)
Total Derivatives (0% of net asset value at fair value)				\$ 31	\$ -	
Total Investments⁴ (247% of net asset value at fair value)				\$ 652,217	\$ 576,478	

- (1) A majority of the variable rate loans in the Company's investment portfolio bear interest at a rate that may be determined by reference to either LIBOR or an alternate Base Rate (commonly based on the Federal Funds Rate or the Prime Rate), which typically resets semi-annually, quarterly, or monthly at the borrower's option. The Borrower may also elect to have multiple interest reset periods for each December 31, 2022 loan. L loans are typically indexed to 12 month, 6 month, 3 month, 2 month, or 1 month L rates. For each such loan, the Company has provided the weighted average annual stated interest rate in effect at December 31, 2022. As noted in the table above, 78.8% (based on par) of debt securities contain floors which range between 0.50% and 2.00%.
- (2) Reflects the fair market value of all investments as of December 31, 2022 as determined by the Company's Board of Directors.
- (3) Non-U.S. company or principal place of business outside the U.S.
- (4) The aggregate cost of investments for federal income tax purposes is approximately \$656.0 million. The aggregate gross unrealized appreciation is approximately \$34.8 million, the aggregate gross unrealized depreciation is approximately \$38.3 million, and the net unrealized depreciation is approximately \$3.4 million.
- (5) Loan or debt security is on non-accrual status and therefore is considered non-income producing.
- (6) Held through Garrison Capital Equity Holdings II LLC and net of non-controlling member's interest of 17.5% pursuant to the Amended and Restated Limited Liability Company Agreement of Garrison Capital Equity Holdings II LLC.
- (7) Qualified asset for purposes of section 55(a) of the Investment Company Act of 1940, as amended (the "1940 Act"). Qualifying assets represent approximately 82.4% of the total assets at December 31, 2022.
- (8) As defined in the 1940 Act, the Company is deemed to be both an "Affiliated Person" and has "Control" of this portfolio company as the Company owns more than 25% of the portfolio company's outstanding voting securities or has the power to exercise control over management or policies of such portfolio company (including through a management agreement). Other than for purposes of the 1940 Act, the Company does not believe that it has control over this portfolio company.
- (9) Non-voting.
- (10) CLO Subordinated Investments are entitled to periodic distributions which are generally equal to the remaining cash flow of the payments made by the underlying fund's investments less contractual payments to debt holders and fund expenses. The estimated annualized effective yield indicated is based upon a current projection of the amount and timing of these distributions. Such projections are updated on a quarterly basis and the estimated effective yield is adjusted prospectively.
- (11) This investment is on non-accrual status and receives a 5% royalty interest on oil being produced on certain fields. All production payments received are being applied to the cost basis and are considered return of capital.
- (12) Fair value of this investment was determined using significant unobservable inputs.
- (13) As of December 31, 2022, this investment is pledged to secure the Company's debt obligations.
- (14) The Company's investments are generally acquired in private transactions exempt from registration under the Securities Act of 1933, as amended (the "Securities Act") and, therefore, are generally subject to limitations on resale, and may be deemed to be "restricted securities" under the Securities Act of 1933.
- (15) As defined in the 1940 Act, the Company is deemed to be both an "Affiliated Person" and has "Control" of this portfolio company as the Company owns more than 25% of the portfolio company's outstanding voting securities or has the power to exercise control over management or policies of such portfolio company.
- (16) Ownership of LP interest held through the holding company BCP Great Lakes Fund, L.P, a non-U.S. company or principal place of business outside the U.S.
- (17) Under the 1940 Act, the Company is deemed to be an "Affiliated Person" of, as defined in the 1940 Act, this portfolio company as the Company owns at least 5% of the portfolio company's outstanding voting securities or is under common control with such portfolio company.
- (18) Non-income producing.
- (19) Information related to the Company's derivatives is presented below as of December 31, 2022:

(\$ in thousands)

Description	Counterparty	Number of shares	Notional amount	Exercise price	Expiration date	Value
Call option	HDNet Holdco LLC	0.2	\$ 8	0.01	N/A	\$ -
Description	Counterparty	Number of shares	Notional amount	Exercise price	Expiration date	Value
Put option	Advantage Capital Holdings LLC	164	\$ 563	20	5/13/23	\$ -

- (20) Debt security has an unfunded commitment in addition to the amounts shown in the Consolidated Schedule of Investments. See Note 8 for additional information on the Company's commitments and contingencies.
- (21) This investment is owned by HCAP Equity Holdings, LLC, one of the Company's taxable blocker subsidiaries.
- (22) This is an equity investment that receives a cash flow stream based on lease payments received by Flight Lease VII, LLC. Flight Lease VII, LLC owns an aircraft that was leased to one lessee. The lessee had been in arrears on its lease payments and in June of 2018, Flight Lease VII, LLC terminated the lease. As a result of the cessation of cash flows, future payments on this equity investment will resume only if Flight Lease VII, LLC is successful in obtaining a new lessee or sells the aircraft.
- (23) This investment is owned by PTMN Sub Holdings LLC, one of the Company's taxable blocker subsidiaries.

See accompanying notes to consolidated financial statements.

PORTMAN RIDGE FINANCE CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS
As of December 31, 2021
(in thousands, except share and per share amounts)

Debt Securities Portfolio

Portfolio Company ¹⁴	Investment	Industry	Interest Rate	Reference Rate and Spread ¹	Floor	Maturity	Initial Acquisition Date	Par/Shares	Cost	Fair Value ²	Footnote Refs
Senior Secured Loans											
Accordian Partners LLC	Term Loan	Finance	6.5% Cash	L+5.50%	1.00%	9/24/27	9/24/21	11,172	\$ 11,012	\$ 11,019	(7)(12)(13)
Accordian Partners LLC	Delayed Draw Term Loan	Finance	1.0% Cash			9/24/27	9/24/21	-	(21)	(38)	(7)(12)(13)(20)
Accordian Partners LLC	Revolver	Finance	0.5% Cash			9/24/27	9/24/21	-	(75)	(69)	(7)(12)(20)
Accurate Background, LLC	Term Loan	Services: Business	7.0% Cash	L+6.00%	1.00%	3/26/27	10/20/21	3,000	2,741	2,760	(7)(12)
Advantage Capital Holdings LLC	Term Loan	Banking, Finance, Insurance & Real Estate	5.0% Cash + 8.0% PIK			1/29/25	2/14/20	2,623	2,623	2,665	(7)(12)(13)
Advantage Capital Holdings LLC	Delayed Draw Term Loan	Banking, Finance, Insurance & Real Estate	5.0% Cash + 8.0% PIK			1/29/25	2/14/20	2,969	2,969	3,017	(7)(12)(13)
AIS Holdco, LLC	First Lien Term Loan A	Banking, Finance, Insurance & Real Estate	5.1% Cash	L+5.00%		8/15/25	10/28/20	2,339	1,976	2,283	(7)(12)(13)
AMCP Pet Holdings, Inc.	First Lien Term Loan	Beverage, Food and Tobacco	7.3% Cash	L+6.25%	1.00%	10/6/26	12/9/20	4,950	4,869	4,950	(7)(12)(13)
AMCP Pet Holdings, Inc.	Delayed Draw Term Loan	Beverage, Food and Tobacco	1.0% Cash			10/6/26	12/9/20	-	(16)	-	(7)(12)(13)(20)
AMCP Pet Holdings, Inc.	Revolving Loan	Beverage, Food and Tobacco	7.3% Cash	L+6.25%	1.00%	10/6/26	12/9/20	675	658	675	(7)(12)(20)
Analogic Corporation	First Lien Term Loan A	Electronics	6.3% Cash	L+5.25%	1.00%	6/22/24	10/28/20	3,520	3,201	3,373	(7)(12)(13)
Analogic Corporation	Revolver	Electronics	6.3% Cash	L+5.25%	1.00%	6/22/23	10/28/20	116	116	107	(7)(12)(13)(20)
Ancile Solutions, Inc.	First Lien Term Loan	High Tech Industries	8.0% Cash + 3.0% PIK	L+7.00%	1.00%	6/11/26	6/11/21	7,021	6,836	6,873	(7)(12)(13)
Anthem Sports & Entertainment Inc.	Term Loan	Media: Broadcasting & Subscription	7.8% Cash + 2.8% PIK			11/15/26	11/15/21	12,152	11,857	11,696	(7)(12)(13)
Anthem Sports & Entertainment Inc.	Revolver	Media: Broadcasting & Subscription	10.5% Cash	L+9.50%	1.00%	11/15/26	11/15/21	500	474	459	(7)(12)(20)
AP Core Holdings II, LLC	First Lien Term Loan	Media: Diversified & Production	6.3% Cash	L+5.50%	0.75%	7/21/27	7/21/21	1,975	1,947	1,978	(7)(13)
AP Core Holdings II, LLC	First Lien Term Loan	Media: Diversified & Production	6.3% Cash	L+5.50%	0.75%	7/21/27	7/21/21	2,000	1,972	2,006	(7)(13)
Appfire Technologies, LLC	Delayed Draw Term Loan	High Tech Industries	0.5% Cash			3/9/27	7/7/21	-	(16)	(26)	(7)(12)(13)(20)
Appfire Technologies, LLC	Term Loan	High Tech Industries	6.5% Cash	L+5.50%	1.00%	3/9/27	12/20/21	1,537	1,537	1,528	(7)(12)(13)
Athos Merger Sub LLC	First Lien Term Loan	Services: Business	5.1% Cash	L+5.00%		7/31/26	10/28/20	1,316	1,164	1,316	(7)(12)(13)
BJ Services, LLC	First Out Term Loan	Energy: Oil & Gas	8.5% Cash	L+7.00%	1.50%	1/3/23	10/28/20	371	348	371	(7)(12)(13)
BMC Acquisition, Inc.	Initial Term Loan	Banking, Finance, Insurance & Real Estate	6.3% Cash	L+5.25%	1.00%	12/28/24	1/2/18	2,692	2,691	2,692	(7)(12)(13)
Bradshaw International Parent Corp.	Term Loan	Consumer goods: Durable	6.8% Cash	L+5.75%	1.00%	10/21/27	10/29/21	506	493	493	(7)(12)(13)
Bradshaw International Parent Corp.	Revolver	Consumer goods: Durable	6.8% Cash	L+5.75%	1.00%	10/21/26	10/29/21	200	177	177	(7)(12)(20)
Bristol Hospice	Unitranche	Healthcare & Pharmaceuticals	6.3% Cash	L+5.25%	1.00%	12/22/26	12/22/20	2,156	2,121	2,156	(7)(12)(13)
Bristol Hospice	Delayed Draw Term Loan	Healthcare & Pharmaceuticals	6.3% Cash	L+5.25%	1.00%	12/22/26	12/22/20	625	619	625	(7)(12)(13)(20)
C.P. Converters, Inc.	Seventh Amendment Acquisition Loan	Chemicals, Plastics and Rubber	7.5% Cash	L+6.50%	1.00%	6/18/23	6/26/20	2,888	2,852	2,880	(7)(12)(13)
C.P. Converters, Inc.	Term Loan	Chemicals, Plastics and Rubber	7.0% Cash	L+6.00%	1.00%	6/18/23	7/29/21	1,114	1,100	1,103	(7)(12)(13)
C.P. Converters, Inc.	Term Loan	Chemicals, Plastics and Rubber	7.0% Cash	L+6.00%	1.00%	6/18/23	5/8/20	6,752	6,689	6,684	(7)(12)(13)
CB Midco, LLC	Term Loan	Consumer goods: Durable	6.8% Cash	L+5.75%	1.00%	9/27/27	10/8/21	3,990	3,951	3,950	(7)(12)(13)
Centric Brands Inc.	Revolver	Machinery (Non-Agrclt/Constr/Electr)	6.5% Cash	L+5.50%	1.00%	10/9/24	10/28/20	315	264	315	(7)(12)(13)(20)
Centric Brands Inc.	Term Loan	Machinery (Non-Agrclt/Constr/Electr)	10.0% PIK			10/9/25	10/28/20	8,838	7,484	8,324	(7)(12)(13)
Circustrix Holdings, LLC	Term Loan	Banking, Finance, Insurance & Real Estate	6.5% Cash + 2.5% PIK	L+5.50%	1.00%	7/16/23	1/29/21	582	582	582	(7)(12)(13)
Circustrix Holdings, LLC	Delayed Draw Term Loan	Banking, Finance, Insurance & Real Estate	9.0% Cash	L+8.00%	1.00%	7/16/23	1/11/21	576	576	576	(7)(12)(13)
Circustrix Holdings, LLC	Term Loan	Banking, Finance, Insurance & Real Estate	6.5% Cash + 2.5% PIK	L+5.50%	1.00%	1/26/24	10/1/21	6,637	5,586	5,676	(7)(12)(13)
Coastal Screen and Rail, LLC	First Lien Term Loan	Construction & Building	12.0% Cash			1/24/23	6/9/21	1,750	1,665	1,741	(7)(12)
Critical Nurse Staffing, LLC	Delayed Draw Term Loan	Healthcare & Pharmaceuticals	7.0% Cash	L+6.00%	1.00%	11/1/26	11/1/21	637	605	605	(7)(12)(13)(20)
Critical Nurse Staffing, LLC	Term Loan	Healthcare & Pharmaceuticals	7.0% Cash	L+6.00%	1.00%	11/1/26	11/1/21	8,248	8,109	8,104	(7)(12)(13)
Critical Nurse Staffing, LLC	Revolver	Healthcare & Pharmaceuticals	0.5% Cash			11/1/26	11/1/21	-	(35)	(35)	(7)(12)(20)
Datalink, LLC	Delayed Draw Term Loan (First Lien)	Healthcare & Pharmaceuticals	1.0% Cash			11/23/26	11/23/20	-	(12)	-	(7)(12)(20)
Datalink, LLC	First Lien Term Loan	Healthcare & Pharmaceuticals	7.3% Cash	L+6.25%	1.00%	11/23/26	11/23/20	2,826	2,763	2,826	(7)(12)(13)
Digitran Innovations B.V. (Pomeroy Solutions Holding Company, Inc.)	EUR Term Loan A	High Tech Industries	5.0% PIK			5/11/22	5/11/20	261	302	256	(12)
Drilling Info Holdings, Inc.	Initial Term Loan (First Lien)	High Tech Industries	4.4% Cash	L+4.25%		7/30/25	6/27/19	822	822	817	(7)(12)(13)
Drilling Info Holdings, Inc.	2020 Term Loan (First Lien)	High Tech Industries	4.6% Cash	L+4.50%		7/30/25	2/14/20	983	979	985	(7)(12)(13)

See accompanying notes to consolidated financial statements.

Portfolio Company ¹⁴	Investment	Industry	Interest Rate	Reference Rate and Spread ¹	Floor	Maturity	Initial Acquisition Date	Par/Shares	Cost	Fair Value ²	Footnote Refs
ELO Touch Solutions, Inc.	First Lien Term Loan	High Tech Industries	6.6% Cash	L+6.50%		12/14/25	10/28/20	2,440	\$ 2,149	\$ 2,448	(7)(13)
Global Integrated Flooring Systems Inc.	First Lien Term Loan	Consumer goods: Durable	9.5% Cash	L+8.25%	1.25%	2/15/23	10/28/20	6,300	5,104	3,513	(7)(12)
Global Integrated Flooring Systems Inc.	Revolver	Consumer goods: Durable	0.8% Cash			2/15/23	10/28/20	-	-	(19)	(7)(12)(20)
Grupo HIMA San Pablo, Inc.	Term B Loan (First Lien)	Healthcare & Pharmaceuticals	10.5% Cash	L+9.00%	1.50%	8/1/21	1/30/13	2,437	2,437	360	(5)(7)(12)(13)
Grupo HIMA San Pablo, Inc.	Delayed Draw Term Loan	Healthcare & Pharmaceuticals	12.0% Cash			12/24/21	11/24/21	88	88	88	(7)(12)(20)
Grupo HIMA San Pablo, Inc.	Term Loan	Healthcare & Pharmaceuticals	10.5% Cash	L+9.00%	1.50%	12/24/21	11/24/21	265	265	265	(5)(7)(12)(13)
H.W. Lochner, Inc.	Term Loan	Services: Business	7.3% Cash	L+6.25%	1.00%	7/2/27	7/2/2021	14,963	14,688	14,795	(7)(12)(13)
H.W. Lochner, Inc.	Revolver	Services: Business	7.0% Cash	L+6.25%	1.00%	7/2/27	7/2/21	5,801	5,654	5,711	(7)(12)(20)
H-CA II, LLC	Term Loan	Banking, Finance, Insurance & Real Estate	19.0% Cash			2/16/24	2/16/21	2,000	2,000	2,000	(7)(12)
HDC/HW Intermediate Holdings, LLC	First Lien Term Loan A	High Tech Industries	8.5% Cash	L+7.50%	1.00%	12/21/23	10/28/20	6,547	5,847	5,490	(7)(12)(13)
HDC/HW Intermediate Holdings, LLC	Revolver	High Tech Industries	8.5% Cash	L+7.50%	1.00%	12/21/23	10/28/20	670	598	562	(7)(12)(13)
Infobase Holdings, Inc.	Term Loan	High Tech Industries	5.5% Cash	L+4.50%	1.00%	12/20/22	12/13/17	1,769	1,765	1,764	(7)(12)(13)
Infobase Holdings, Inc.	Term Loan (add on)	High Tech Industries	5.5% Cash	L+4.50%	1.00%	12/20/22	12/13/17	1,875	1,871	1,871	(7)(12)(13)
Intermedia Holdings, Inc.	First Lien Term Loan B	High Tech Industries	7.0% Cash	L+6.00%	1.00%	7/21/25	10/28/20	2,668	2,401	2,655	(7)(13)
JO ET Holdings Limited	Term Loan	Telecommunications	7.0% Cash + 7.0% PIK	L+6.00%	1.00%	12/15/26	12/15/21	2,000	1,960	1,960	(3)(12)
Keeco, LLC	Term Loan	Consumer goods: Durable	9.5% Cash + 0.8% PIK	L+7.75%	1.75%	3/15/24	10/1/21	5,553	4,994	5,172	(7)(12)(13)
Keg Logistics LLC	Term Loan	Services: Business	7.0% Cash	L+6.00%	1.00%	11/23/27	11/23/21	12,244	12,064	12,061	(7)(12)(13)
Keg Logistics LLC	Revolver	Services: Business	0.5% Cash			11/23/27	11/23/21	-	(13)	(13)	(7)(12)(20)
Lifescan Global Corporation	First Lien Term Loan A	Healthcare & Pharmaceuticals	6.1% Cash	L+6.00%		10/1/24	10/28/20	2,970	2,594	2,910	(7)(13)
Lucky Bucks, LLC	Term Loan	Hotel, Gaming & Leisure	6.3% Cash	L+5.50%	0.75%	7/21/27	7/20/21	5,000	4,906	4,898	(7)(12)(13)
Lumini LLC	First Lien Term Loan B	Construction & Building	7.3% Cash	L+6.25%	1.00%	4/11/23	10/28/20	7,062	6,564	7,020	(7)(12)(13)
Lumini LLC	Revolver	Construction & Building	7.3% Cash	L+6.25%	1.00%	4/11/23	10/28/20	343	319	340	(7)(12)(13)(20)
MAG DS Corp.	First Lien Term Loan	Aerospace and Defense	6.5% Cash	L+5.50%	1.00%	4/1/27	10/28/20	3,812	3,280	3,600	(7)(12)(13)
Marble Point Credit Management LLC	Term Loan	Banking, Finance, Insurance & Real Estate	7.0% Cash	L+6.00%	1.00%	8/11/28	8/11/21	5,801	5,651	5,656	(12)(13)
Marble Point Credit Management LLC	Revolver	Banking, Finance, Insurance & Real Estate	0.5% Cash			8/11/28	8/11/21	-	(25)	(63)	(12)(20)
Maxor National Pharmacy Services, LLC	Revolver	Healthcare & Pharmaceuticals	0.5% Cash			11/22/22	10/28/20	-	-	-	(7)(12)(13)(20)
Maxor National Pharmacy Services, LLC	Term Loan	Healthcare & Pharmaceuticals	6.5% Cash	L+5.50%	1.00%	12/6/27	12/6/21	8,098	7,402	8,098	(7)(12)(13)
Mother's Market & Kitchen, Inc.	First Lien Term Loan	Healthcare & Pharmaceuticals	6.8% Cash	L+5.50%	1.00%	7/26/23	10/28/20	6,491	5,987	6,491	(7)(12)(13)
MSM Acquisitions, Inc.	Delayed Draw Term Loan (First Lien)	Services: Business	7.0% Cash	L+6.00%	1.00%	6/9/22	12/31/20	2,915	2,918	2,915	(7)(12)(13)
MSM Acquisitions, Inc.	First Lien Term Loan	Services: Business	7.0% Cash	L+6.00%	1.00%	12/9/26	12/31/20	6,988	6,916	6,988	(7)(12)(13)
Nasco Healthcare Inc.	Term Loan	Consumer goods: Non-durable	6.5% Cash	L+5.50%	1.00%	6/30/23	5/22/20	4,264	4,162	4,197	(7)(12)(13)
Naviga Inc.	First Lien Term Loan	Services: Business	8.0% Cash	L+7.00%	1.00%	12/29/22	10/28/20	5,000	4,674	4,923	(7)(12)(13)
Naviga Inc.	Delayed Draw Term Loan	Services: Business	8.0% Cash	L+7.00%	1.00%	12/29/22	10/28/20	457	427	450	(7)(12)(13)
Naviga Inc.	Revolver	Services: Business	8.0% Cash	L+7.00%	1.00%	12/29/22	10/28/20	384	339	373	(7)(12)(13)(20)
Naviga Inc.	Term Loan	Services: Business	8.0% Cash	L+7.00%	1.00%	12/29/22	3/1/21	712	702	701	(7)(12)
Naviga Inc.	Delayed Draw Term Loan	Services: Business	8.0% Cash	L+7.00%	1.00%	12/29/22	3/1/21	756	751	744	(7)(12)
Northeast Metal Works LLC	Term Loan	Metals & Mining	8.0% Cash + 2.0% PIK			12/31/21	10/1/21	14,074	14,085	12,280	(7)(12)(17)
One Stop Mailing LLC	First Lien Term Loan	Transportation: Consumer	7.3% Cash	L+6.25%	1.00%	4/29/27	5/7/21	7,937	7,795	7,837	(7)(12)(13)
Orbit Purchaser LLC	Delayed Draw Term Loan	Banking, Finance, Insurance & Real Estate	5.5% Cash	L+4.50%	1.00%	10/21/24	10/28/20	738	667	731	(7)(12)(13)
Orbit Purchaser LLC	First Lien Term Loan	Banking, Finance, Insurance & Real Estate	5.5% Cash	L+4.50%	1.00%	10/19/24	10/28/20	2,522	2,277	2,500	(7)(12)(13)
Orbit Purchaser LLC	Incremental First Lien Term Loan	Banking, Finance, Insurance & Real Estate	5.5% Cash	L+4.50%	1.00%	10/21/24	10/28/20	1,524	1,378	1,511	(7)(12)(13)
Pomeroy Technologies, LLC	Senior Term Loan A	High Tech Industries	5.0% PIK			5/29/25	5/29/20	1,543	1,240	1,207	(7)(12)
Pomeroy Technologies, LLC	Senior Term Loan B	High Tech Industries	7.0% PIK			5/29/25	5/29/20	1,593	1,290	499	(5)(7)(12)
Pomeroy Technologies, LLC	Super Senior Term Loan B	High Tech Industries	2.0% Cash + 7.0% PIK			5/29/25	5/29/20	1,030	1,017	994	(7)(12)
Pomeroy Technologies, LLC	Term Loan	High Tech Industries	2.0% Cash + 8.0% PIK			5/29/25	9/10/21	48	48	48	(7)(12)
Premier Imaging, LLC	Term Loan	Healthcare & Pharmaceuticals	7.0% Cash	L+6.00%	1.00%	1/2/25	12/30/21	2,063	2,043	2,043	(7)(12)(13)
Premier Imaging, LLC	Delayed Draw Term Loan	Healthcare & Pharmaceuticals	1.0% Cash			1/2/25	12/30/21	-	(19)	(19)	(7)(12)(13)(20)
Priority Holdings, LLC	First Lien Term Loan	High Tech Industries	6.8% Cash	L+5.75%	1.00%	4/22/27	4/21/21	7,742	7,671	7,665	(7)(12)(13)
PVHC Holding Corp	Initial Term Loan	Containers, Packaging and Glass	5.8% Cash	L+4.75%	1.00%	8/3/24	8/10/18	2,786	2,780	2,571	(7)(12)(13)
Q Holding Company (fka Lex Precision Corp)	First Lien Term Loan	Chemicals, Plastics and Rubber	6.0% Cash	L+5.00%	1.00%	12/29/23	10/28/20	2,355	2,050	2,302	(7)(12)(13)

See accompanying notes to consolidated financial statements.

Portfolio Company ¹⁴	Investment	Industry	Interest Rate	Reference Rate and Spread ¹	Floor	Maturity	Initial Acquisition Date	Par/Shares	Cost	Fair Value ²	Footnote Refs
Qualtek USA, LLC	First Lien Term Loan	High Tech Industries	7.3% Cash	L+6.25%	1.00%	7/18/25	10/28/20	5,510	\$ 4,635	\$ 5,449	(7)(13)
Radiology Partners, Inc	Term B Loan (First Lien)	Healthcare & Pharmaceuticals	4.4% Cash	L+4.25%		7/9/25	3/24/20	7,000	6,089	6,912	(7)(13)
Radius Aerospace, Inc.	Initial Term Loan	Aerospace and Defense	6.8% Cash	L+5.75%	1.00%	3/29/25	6/27/19	6,576	6,520	6,257	(7)(12)(13)
Ritedose Holdings I, INC	First Lien Term Loan	Healthcare & Pharmaceuticals	7.5% Cash	L+6.50%	1.00%	9/13/23	10/28/20	6,496	5,975	6,496	(7)(12)(13)
Ritedose Holdings I, INC	Revolver	Healthcare & Pharmaceuticals	0.5% Cash			9/13/23	10/28/20	-	-	-	(7)(12)(13)(20)
Rotolo Consultants, INC.	Term Loan	Services: Consumer	9.0% Cash	L+8.00%	1.00%	12/20/26	12/20/21	1,000	990	990	(7)(12)
San Vicente Capital LLC	Term Loan	Telecommunications	9.5% Cash	L+8.00%	1.50%	6/10/25	6/10/20	2,190	2,167	2,198	(7)(12)(13)
Shipston Group, U.S., Inc.	First Lien Term Loan	Automotive	7.0% Cash + 2.0% PIK	L+5.75%	1.25%	9/28/23	10/28/20	404	347	373	(7)(12)(13)
Shipston Group, U.S., Inc.	Term Loan	Automotive	7.5% Cash + 2.3% PIK	L+5.75%	1.25%	9/28/23	10/1/21	6,052	5,519	5,588	(7)(12)(13)
South Street Securities Holdings, Initial Term Loan Inc	Initial Term Loan	Banking, Finance, Insurance & Real Estate	9.0% Cash	L+8.00%	1.00%	3/24/26	3/24/21	7,000	6,852	6,870	(7)(12)(13)
Sundance Holdings Group, LLC	Term Loan	Retail	7.0% Cash	L+6.00%	1.00%	5/1/24	10/1/21	6,792	6,144	6,775	(7)(12)(13)
Surge Busy Bee Holdings LLC	First Lien Term Loan A	Services: Business	10.1% Cash	L+10.00%		11/16/22	6/9/21	3,331	3,147	3,305	(7)(12)
Surge Busy Bee Holdings LLC	First Lien Term Loan B	Services: Business	12.0% Cash + 2.0% PIK			11/16/22	6/9/21	3,540	3,278	3,438	(7)(12)
Surge Hippodrome Holdings LLC	Last Out Term Loan	Services: Business	13.5% Cash	L+11.50%	2.00%	8/1/24	6/9/21	5,460	4,925	5,160	(7)(12)(17)
TA/WEG Holdings, LLC	Revolver	Banking, Finance, Insurance & Real Estate	6.8% Cash	L+5.75%	1.00%	10/2/27	10/1/21	193	190	187	(7)(12)(20)
TA/WEG Holdings, LLC	Delayed Draw Term Loan	Banking, Finance, Insurance & Real Estate	6.8% Cash	L+5.75%	1.00%	10/2/2027	10/1/21	4,257	4,238	4,169	(7)(12)(20)
Tailwind Randys, LLC	Initial Term Loan	Automotive	6.5% Cash	L+5.50%	1.00%	5/16/25	6/27/19	4,875	4,826	4,828	(7)(12)(13)
TLE Holdings, LLC	Initial Term Loan	Healthcare, Education and Childcare	6.5% Cash	L+5.50%	1.00%	6/28/24	6/27/19	5,573	5,560	5,541	(7)(12)(13)
TLE Holdings, LLC	Delayed Draw Term Loan	Healthcare, Education and Childcare	6.5% Cash	L+5.50%	1.00%	6/28/24	6/27/19	735	734	731	(7)(12)(13)(20)
Triangle Home Fashions LLC	First Lien Term Loan	Consumer goods: Durable	6.8% Cash	L+5.75%	1.00%	3/9/23	10/28/20	10,500	9,808	10,500	(7)(12)(13)
TronAir Parent Inc.	Initial Term Loan (First Lien)	Aerospace and Defense	6.8% Cash + 0.5% PIK	L+5.75%	1.00%	9/8/23	9/30/16	921	919	856	(7)(12)(13)
VTK Acquisition, Inc.	Revolver	Capital Equipment	6.8% Cash	L+6.50%		3/31/22	6/9/21	1,536	1,504	1,531	(7)(12)(17)
VTK Acquisition, Inc.	First Lien Term Loan	Capital Equipment	8.3% Cash	L+8.00%		3/31/22	6/9/21	2,625	2,519	2,598	(7)(12)(17)
Wonder Love, Inc.	Term Loan	Media: Diversified & Production	6.0% Cash	L+5.00%	1.00%	11/18/24	11/18/19	2,381	2,354	2,381	(7)(12)(13)
Total Senior Secured Loans (130% of net asset value at fair value)									\$ 361,556	\$ 364,701	
Senior Unsecured Bond											
Tank Partners Equipment Holdings LLC	10.00% - 02/2022 - TankConvert	Energy: Oil & Gas				2/15/22	2/15/19	511	\$ 416	\$ 43	(5)(7)(8)(12)
Total Senior Unsecured Bond (0% of net asset value at fair value)									\$ 416	\$ 43	
Junior Secured Loans											
Carestream Health, Inc.	2023 Extended Term Loan (Second Lien)	Healthcare & Pharmaceuticals	5.5% Cash + 8.0% PIK	L+4.50%	1.00%	8/8/23	5/8/20	1,766	\$ 1,658	\$ 1,752	(7)(12)(13)
Confluence Technologies, Inc.	Term Loan Second Lien	Services: Business	7.0% Cash	L+6.50%	0.50%	7/23/29	7/22/21	4,000	3,971	3,980	(7)(12)
DCert Buyer, Inc.	Term Loan (Second Lien)	High Tech Industries	7.1% Cash	L+7.00%		2/16/29	3/16/21	5,400	5,388	5,422	(7)(13)
Firstlight Holdeo Inc.	Initial Term Loan (Second Lien)	Telecommunications	7.6% Cash	L+7.50%		7/23/26	12/18/19	400	369	400	(7)(12)(13)
Global Tel*Link Corporation	Term Loan (Second Lien)	Telecommunications	8.4% Cash	L+8.25%		11/29/26	5/21/13	1,500	1,484	1,405	(7)(13)
Grupo HIMA San Pablo, Inc.	Term Loan (Second Lien)	Healthcare & Pharmaceuticals	13.8% Cash			7/31/18	1/30/13	7,192	7,192	-	(5)(7)(12)
Helix Acquisition Holdings, Inc.	Initial Term Loan (Second Lien)	Metals & Mining	8.2% Cash	L+8.00%		9/29/25	12/18/19	1,400	1,257	1,367	(7)(13)
Hoffmaster Group, Inc.	Initial Term Loan (Second Lien)	Forest Products & Paper	10.5% Cash	L+9.50%	1.00%	11/21/24	5/6/14	1,600	1,583	1,271	(7)(12)(13)
Idera, Inc.	Term Loan (Second Lien)	High Tech Industries	7.5% Cash	L+6.75%	0.75%	2/4/29	4/29/21	6,000	5,945	5,970	(7)(12)(13)
Ivanti Software, Inc.	Term Loan Second Lien	High Tech Industries	7.8% Cash	L+7.25%	0.50%	12/1/28	10/26/21	2,000	1,990	2,005	(7)(13)
Ministry Brands, LLC	April 2018 Incremental Term Loan (Second Lien)	Services: Business	9.0% Cash	L+8.00%	1.00%	6/2/23	12/18/19	6,000	5,739	5,913	(7)(12)(13)
Navex Topco, Inc.	Initial Term Loan (Second Lien)	Electronics	7.1% Cash	L+7.00%		9/4/26	12/4/18	7,700	7,307	7,609	(7)(13)(17)
Phoenix Guarantor Inc.	Term Loan Second Lien	Healthcare & Pharmaceuticals	9.5% Cash	L+8.50%	1.00%	3/5/27	12/18/19	1,200	1,116	1,200	(7)(12)(13)
ProAir Holdings Corporation	Term Loan Second Lien	Capital Equipment	13.5% Cash + 2.0% PIK			12/26/22	10/1/21	7,856	5,058	1,733	(5)(7)(12)
ProAir Holdings Corporation	Term Loan Second Lien	Capital Equipment	13.5% Cash	L+11.50%	2.00%	9/25/22	12/21/21	357	357	357	(7)(12)

See accompanying notes to consolidated financial statements.

Portfolio Company ¹⁴	Investment	Industry	Interest Rate	Reference Rate and Spread ¹	Floor	Maturity	Initial Acquisition Date	Par/Shares	Cost	Fair Value ²	Footnote Refs
ProAir Holdings Corporation	Term Loan Second Lien	Capital Equipment	13.5% Cash	L+11.50%	2.00%	9/25/22	12/30/21	214	\$ 214	\$ 214	(7)(12)
Redstone Holdco 2 LP	Term Loan (Second Lien)	High Tech Industries	8.5% Cash	L+7.75%	0.75%	4/16/29	4/16/21	4,566	4,488	4,235	(7)(12)(13)
Robertshaw US Holding Corp.	Initial Term Loan (Second Lien)	Capital Equipment	9.0% Cash	L+8.00%	1.00%	2/28/26	2/15/18	3,000	2,984	2,549	(7)(12)
Roscoe Medical, Inc.	Term Loan (Second Lien)	Healthcare & Pharmaceuticals	11.3% Cash			3/28/22	3/26/14	8,202	8,200	7,894	(7)(12)
Safe Fleet Holdings LLC	Initial Term Loan (Second Lien)	Automotive	7.8% Cash	L+6.75%	1.00%	2/2/26	12/18/19	700	639	698	(7)(13)
Tex-Tech Industries, Inc.	Term Loan (Second Lien)	Textiles and Leather	12.5% Cash + 1.5% PIK	L+11.50%	1.00%	8/24/24	8/24/17	12,615	12,496	11,095	(7)(12)(13)
TRSO II, Inc.	Promissory Note	Energy: Oil & Gas	1.7% PIK			1/24/25	1/24/20	73	73	-	(5)(7)(12)
Zest Acquisition Corp.	Initial Term Loan (Second Lien)	Healthcare, Education and Childcare	8.0% Cash	L+7.00%	1.00%	3/13/26	3/8/18	3,500	3,488	3,480	(7)(12)(13)(17)
Total Junior Loans (25% of net asset value at fair value)									\$ 82,996	\$ 70,549	

Equity Securities Portfolio

Portfolio Company ¹⁴	Investment	Industry	Initial Acquisition Date	Par/Shares	Cost	Fair Value	Footnote Refs				
4L Ultimate Topco Corporation	Common	Services: Business	5/29/20	321	\$ 29	\$ 29	(7)(12)(18)				
AAPC Holdings, LLC	Class A Preferred Units	Healthcare & Pharmaceuticals	6/27/19	5,500,000	5,500	5,500	(7)(12)(19)				
Advantage Capital Holdings LLC	Class A Membership Units	Banking, Finance, Insurance & Real Estate	2/14/20	628	-	209	(7)(12)(18)(19)				
Anthem Sports & Entertainment Inc.	Warrant Class A	Media: Broadcasting & Subscription	9/9/19	263	46	338	(7)(12)(18)				
Anthem Sports & Entertainment Inc.	Warrant Class B	Media: Broadcasting & Subscription	9/9/19	46	-	57	(7)(12)(18)				
Anthem Sports & Entertainment Inc.	Warrant Common Stock	Media: Broadcasting & Subscription	9/9/19	859	-	171	(7)(12)(18)				
Anthem Sports & Entertainment Inc.	Warrants	Media: Broadcasting & Subscription	11/15/21	42	-	52	(7)(12)(18)				
Anthem Sports & Entertainment Inc.	Warrants	Media: Broadcasting & Subscription	11/15/21	247	-	316	(7)(12)(18)				
Anthem Sports & Entertainment Inc.	Warrants	Media: Broadcasting & Subscription	11/15/21	785	-	156	(7)(12)(18)				
ATP Oil & Gas Corporation	Limited Term Royalty Interest	Energy: Oil & Gas	12/18/19	856,119	856	1,941	(7)(11)(12)				
BMP Slappey Holdco, LLC	Preferred Stock	Telecommunications	6/9/21	200,000	467	492	(7)(12)(17)(18)(21)				
BMP Slappey Investment II	Preferred Stock	Telecommunications	6/9/21	88,946	208	219	(7)(12)(17)(18)(21)				
Brite Media LLC	Common Stock	Media: Advertising, Printing & Publishing	6/9/21	139	150	246	(7)(12)(18)				
Carestream Health, Inc.	Warrant	Healthcare & Pharmaceuticals	5/8/20	33	-	-	(7)(12)(18)				
Centric Brands Inc.	Common	Machinery (Non-Agrelt/Constr/Electr)	10/28/20	36,342	-	328	(7)(12)(13)(18)				
Coastal Screen and Rail, LLC	Preferred Stock	Construction & Building	6/9/21	150,000	418	400	(7)(12)(18)(21)				
EJF Investments Ltd.	Preferred Equity	Banking, Finance, Insurance & Real Estate	6/17/20	1,000,000	1,256	1,596	(3)(18)				
Everyware Global, Inc.	Common	Consumer goods: Durable	10/28/20	1,085,565	346	706	(7)(12)(18)				
Flight Lease VII	Common Stock	Aerospace and Defense	6/9/21	1,938	280	256	(7)(12)(15)(18)(22)				
Flight Lease XII	Common Stock	Aerospace and Defense	6/9/21	1,000	530	677	(7)(12)(17)(18)(21)				
FP WRCA Coinvestment Fund VII, Ltd.	Class A Shares	Capital Equipment	2/2/07	1,500,000	1,500	1,102	(3)(12)(18)				
Fusion Connect, Inc.	Common	Telecommunications	10/28/20	121,871	866	-	(7)(12)(13)(18)				
KC Engineering & Construction Services, LLC	Common Stock	Environmental Industries	6/9/21	131,081	4,315	4,200	(7)(12)(18)(21)				
Kleen-Tech Acquisition, LLC	Common Stock	Services: Business	6/9/21	250,000	1,265	1,612	(7)(12)(17)(18)(21)				
Northeast Metal Works LLC	Preferred Stock	Metals & Mining	6/9/21	2,368	-	-	(7)(12)(17)(18)(21)				
Ohene Holdings B.V.	Warrants	High Tech Industries	3/31/19	4	-	-	(3)(12)(18)				
Prosper Marketplace	Class B Preferred Units	Consumer goods: Durable	10/28/20	912,865	279	339	(6)(7)(12)(18)				
Ravn Air Liquidation Trust	Equity	Aerospace and Defense	10/1/21	1,049	200	46	(7)(12)(18)				
Roscoe Investors, LLC	Class A Units	Healthcare & Pharmaceuticals	3/26/14	10,000	1,000	426	(7)(12)(18)				
Safety Services Holdings Corporation,	Preferred Stock	Services: Business	6/9/21	100,000	43	60	(7)(12)(18)				
Surge Busy Bee Holdings LLC	Warrants	Services: Business	6/9/21	105	63	40	(7)(12)(18)(21)				
Surge Hippodrome Holdings LLC	Warrants	Services: Business	6/9/21	10	159	201	(7)(12)(17)(18)(21)				
Surge Hippodrome Partners LP	Common Stock	Services: Business	6/9/21	185	425	336	(7)(12)(17)(18)(21)				
Tank Partners Equipment Holdings LLC	Class A Units	Energy: Oil & Gas	8/28/14	49,000	6,228	-	(7)(8)(12)(18)				
VTK Acquisition, Inc.	Common Stock	Common Stock	6/9/21	90	251	535	(7)(12)(17)(18)(21)				
World Business Lenders, LLC	Common Stock	Common Stock	6/9/21	49,209	-	-	(12)(18)				
Total Equities (8% of net asset value at fair value)									\$ 26,680	\$ 22,586	

See accompanying notes to consolidated financial statements.

CLO Subordinated Investments

Portfolio Company ¹⁴	Investment ¹⁰	Industry	Maturity	Percentage Ownership	Initial Acquisition Date	Cost	Fair Value	Footnote Refs
Catamaran CLO 2013- 1 Ltd.	Subordinated Securities, effective interest 21.4%	CLO Fund Securities	1/27/28	23.3%	6/4/13	\$ 4,198	\$ 1,779	(3)(12)
Catamaran CLO 2014- 1 Ltd.	Subordinated Securities, effective interest 13.2%	CLO Fund Securities	4/20/30	22.2%	5/6/14	9,679	4,278	(3)(12)
Catamaran CLO 2014-2 Ltd.	Subordinated Securities, effective interest 0.0%	CLO Fund Securities	10/18/26	24.9%	8/15/14	6,066	-	(3)(12)
Catamaran CLO 2015-1 Ltd.	Subordinated Securities, effective interest 0.0%	CLO Fund Securities	4/22/27	9.9%	5/5/15	2,549	-	(3)(12)
Catamaran CLO 2018-1 Ltd	Subordinated Securities, effective interest 12.7%	CLO Fund Securities	10/27/31	24.8%	9/27/18	8,694	6,314	(3)(12)
Dryden 30 Senior Loan Fund	Subordinated Securities, effective interest 53.4%	CLO Fund Securities	11/1/28	6.8%	10/10/13	1,147	1,258	(3)(12)
JMP Credit Advisors CLO IV Ltd.	Subordinated Securities, effective interest 27.5%	CLO Fund Securities	7/17/29	57.2%	10/22/21	8,530	8,105	(3)(12)
JMP Credit Advisors CLO V Ltd.	Subordinated Securities, effective interest 37.9%	CLO Fund Securities	7/17/30	57.2%	10/22/21	10,698	9,898	(3)(12)
Total CLO Fund Securities (11% of net asset value at fair value)						\$ 51,561	\$ 31,632	

Asset Manager Affiliates

Portfolio Company ¹⁴	Investment	Percentage Ownership	Initial Acquisition Date	Cost	Fair Value	Footnote Refs
Asset Manager Affiliates	Asset Management Company	100.0%	12/11/06	\$ 17,791	\$ -	(8)(12)
Total Asset Manager Affiliates (0% of net asset value at fair value)				\$ 17,791	\$ -	

Derivatives

Portfolio Company ¹⁴	Investment	Industry	Initial Acquisition Date	Cost	Fair Value	Footnote Refs
AAPC Holdings, LLC	Derivatives	Healthcare & Pharmaceuticals	6/27/19	\$ -	\$ (2,422)	(12)(19)
Coastal Screen and Rail, LLC	Derivatives	Construction & Building	6/9/21	-	-	(12)(19)
HDNet Holdco LLC (Anthem)	Derivatives	Media: Broadcasting & Subscription	9/9/19	31	10	(12)(19)
Total Derivatives (-1% of net asset value at fair value)				\$ 31	\$ (2,412)	

Joint Venture

Portfolio Company ¹⁴	Investment	Percentage Ownership	Initial Acquisition Date	Cost	Fair Value	Footnote Refs
KCAP Freedom 3 LLC	Joint Ventures	62.8%	12/11/18	\$ 27,415	\$ 23,062	(8)(12)
BCP Great Lakes Holdings LP	Joint Ventures	24.0%	12/11/18	\$ 36,950	\$ 37,412	(9)(16)(17)(20)
Total Joint Venture (22% of net asset value at fair value)				\$ 64,365	\$ 60,474	
Total Investments⁴ (194% of net asset value at fair value)				\$ 605,396	\$ 547,573	

- A majority of the variable rate loans in the Company's investment portfolio bear interest at a rate that may be determined by reference to either LIBOR or an alternate Base Rate (commonly based on the Federal Funds Rate or the Prime Rate), which typically resets semi-annually, quarterly, or monthly at the borrower's option. The Borrower may also elect to have multiple interest reset periods for each December 31, 2021 loan. L loans are typically indexed to 12 month, 6 month, 3 month, 2 month, or 1 month L rates. For each such loan, the Company has provided the weighted average annual stated interest rate in effect at December 31, 2021. As noted in the table above, 74.8% (based on par) of debt securities contain floors which range between 0.50% and 2.00%.
- Reflects the fair market value of all investments as of December 31, 2021 as determined by the Company's Board of Directors.
- Non-U.S. company or principal place of business outside the U.S.
- The aggregate cost of investments for federal income tax purposes is approximately \$628.6 million. The aggregate gross unrealized appreciation is approximately \$29.3 million, the aggregate gross unrealized depreciation is approximately \$41.3 million, and the net unrealized depreciation is approximately \$12.0 million.
- Loan or debt security is on non-accrual status and therefore is considered non-income producing.
- Held through Garrison Capital Equity Holdings II LLC and net of non-controlling member's interest of 17.5% pursuant to the Amended and Restated Limited Liability Company Agreement of Garrison Capital Equity Holdings II LLC.
- Qualified asset for purposes of section 55(a) of the Investment Company Act of 1940, as amended (the "1940 Act"). Qualifying assets represent approximately 84.2% of the total assets at December 31, 2021.
- As defined in the 1940 Act, the Company is deemed to be both an "Affiliated Person" and has "Control" of this portfolio company as the Company owns more than 25% of the portfolio company's outstanding voting securities or has the power to exercise control over management or policies of such portfolio company (including through a management agreement). Other than for purposes of the 1940 Act, the Company does not believe that it has control over this portfolio company.
- Non-voting.

See accompanying notes to consolidated financial statements.

- (10) CLO Subordinated Investments are entitled to periodic distributions which are generally equal to the remaining cash flow of the payments made by the underlying fund's investments less contractual payments to debt holders and fund expenses. The estimated annualized effective yield indicated is based upon a current projection of the amount and timing of these distributions. Such projections are updated on a quarterly basis and the estimated effective yield is adjusted prospectively.
- (11) This investment is on non-accrual status and receives a 5% royalty interest on oil being produced on certain fields. All production payments received are being applied to the cost basis and are considered return of capital.
- (12) Fair value of this investment was determined using significant unobservable inputs.
- (13) As of December 31, 2021, this investment is pledged to secure the Company's debt obligations.
- (14) The Company's investments are generally acquired in private transactions exempt from registration under the Securities Act of 1933, as amended (the "Securities Act") and, therefore, are generally subject to limitations on resale, and may be deemed to be "restricted securities" under the Securities Act of 1933.
- (15) As defined in the 1940 Act, the Company is deemed to be both an "Affiliated Person" and has "Control" of this portfolio company as the Company owns more than 25% of the portfolio company's outstanding voting securities or has the power to exercise control over management or policies of such portfolio company.
- (16) Ownership of LP interest held through the holding company BCP Great Lakes Fund, L.P, a non-U.S. company or principal place of business outside the U.S.
- (17) Under the 1940 Act, the Company is deemed to be an "Affiliated Person" of, as defined in the 1940 Act, this portfolio company as the Company owns at least 5% of the portfolio company's outstanding voting securities or is under common control with such portfolio company.
- (18) Non-income producing.
- (19) Information related to the Company's derivatives is presented below as of December 31, 2021:

(\$ in thousands)

Description	Payments made	Payments received	Counterparty	Maturity date	Notional amount	Value	Upfront payments/receipts	Unrealized gain (loss)
Securities Swap and Option Agreement	18% PIK	16% Cash	Advantage Capital Holdings LLC.	9/15/24	\$ 5,500	\$ (2,422)	\$ -	\$ (2,422)

(\$ in thousands)

Description	Counterparty	Number of shares	Notional amount	Exercise price	Expiration date	Value
Call option	HDNet Holdco LLC	0.2	\$ 8	0.01	N/A	\$ 10

Description	Counterparty	Number of shares	Notional amount	Exercise price	Expiration date	Value
Put option	Coastal Screen and Rail	-	\$ 150	400,000	8/31/2022	\$ -

20. Debt security has an unfunded commitment in addition to the amounts shown in the Consolidated Schedule of Investments. See Note 8 for additional information on the Company's commitments and contingencies.
21. This investment is owned by HCAP Equity Holdings, LLC, one of the Company's taxable blocker subsidiaries.
22. This is an equity investment that receives a cash flow stream based on lease payments received by Flight Lease VII, LLC. Flight Lease VII, LLC owns an aircraft that was leased to one lessee. The lessee had been in arrears on its lease payments and in June of 2018, Flight Lease VII, LLC terminated the lease. As a result of the cessation of cash flows, future payments on this equity investment will resume only if Flight Lease VII, LLC is successful in obtaining a new lessee or sells the aircraft.

See accompanying notes to consolidated financial statements.

PORTMAN RIDGE FINANCE CORPORATION
CONSOLIDATED FINANCIAL HIGHLIGHTS
(in thousands, except share and per share amounts)

	For the Year Ended December 31,				
	2022 ⁽⁴⁾	2021 ⁽⁴⁾	2020 ⁽⁴⁾	2019 ⁽⁴⁾	2018 ⁽⁴⁾
Per Share Data:					
Net asset value, at beginning of period	\$ 28.88	\$ 28.77	\$ 33.95	\$ 42.33	\$ 48.69
Net investment income ⁽¹⁾	3.00	4.92	3.40	0.82	2.70
Net realized gains (losses) from investments ⁽¹⁾	(3.24)	(0.50)	1.52	(4.16)	(4.40)
Net change in unrealized (depreciation) appreciation on investments ⁽¹⁾	(1.86)	(0.99)	1.36	0.30	(0.81)
Realized gains (losses) from extinguishment of debt ⁽¹⁾	-	(0.21)	0.04	(0.30)	(0.05)
Tax (provision) benefit on realized and unrealized gains (losses) on investments ⁽¹⁾	(0.08)	(0.17)	-	-	-
Net (decrease) increase in net assets resulting from operations	\$ (2.18)	\$ 3.05	\$ 6.32	\$ (3.34)	\$ (2.56)
Net decrease in net assets resulting from distributions	\$ (2.56)	\$ (2.42)	\$ (2.40)	\$ (3.20)	\$ (4.00)
Net increase (decrease) in net assets relating to stock-based transactions ⁽⁶⁾	0.09	(0.52)	(9.10)	(1.84)	0.20
Net asset value, end of period	<u>\$ 24.23</u>	<u>\$ 28.88</u>	<u>\$ 28.77</u>	<u>\$ 33.95</u>	<u>\$ 42.33</u>
Total net asset value return ⁽²⁾	(6.2)%	11.2%	(8.3)%	(12.1)%	(4.7)%
Total market return ⁽³⁾	3.84%	43.6%	1.4%	(29.5)%	13.2%
Ratio/Supplemental Data:					
Per share market value at beginning of period	\$ 24.76	\$ 19.10	\$ 21.20	\$ 34.60	\$ 34.10
Per share market value at end of period	\$ 23.00	\$ 24.76	\$ 19.10	\$ 21.20	\$ 34.60
Shares outstanding at end of period	9,581,536	9,699,695	7,516,423	4,482,968	3,732,685
Net assets at end of period	\$ 232,123	\$ 280,122	\$ 216,264	\$ 152,199	\$ 158,021
Portfolio turnover rate ⁽⁵⁾	28.3%	63.5%	55.7%	51.7%	38.3%
Asset coverage ratio	160%	178%	156%	195%	249%
Ratio of net investment income to average net assets	11.1%	16.7%	9.2%	2.0%	5.9%
Ratio of total expenses to average net assets	15.6%	15.2%	14.0%	15.1%	10.1%
Ratio of interest expense to average net assets	6.8%	5.4%	5.6%	5.3%	4.4%
Ratio of non-interest expenses to average net assets	8.8%	9.7%	8.4%	9.8%	5.7%

(1) Based on weighted average number of common shares outstanding for the period.

(2) Total net asset value return equals the change in the ending of period net asset value per share over the beginning of period net asset value per share plus distributions (including any return of capital), divided by the beginning of period net asset value per share.

(3) Total market return equals the change in the ending of period market price per share over the beginning of period price per share plus distributions (including any return of capital), divided by the beginning of period market price per share.

(4) Totals may not sum due to rounding.

(5) Portfolio turnover rate equals the year-to-date sales and paydowns over the average of the invested assets at fair value.

(6) Includes the effects of the share issuance (at net asset value) from the acquisitions of OHAI, GARS, and HCAP while utilizing different share counts in calculating the other elements

(7) Incentive fees earned during the years ended December 31, 2022, and December 31, 2021 were approximately \$6.1 million and \$7.1 million, respectively, none of which was waived pursuant to the Externalization Agreement. Incentive fees earned during the year ended December 31, 2020, were approximately \$4.9 million, \$557 thousand of which was waived pursuant to the Externalization Agreement. Excluding the waiver, for the year ended December 31, 2020, ratio of total expenses to average net assets was 14.3% and the ratio of non-interest expenses to average net assets was 8.7%.

See accompanying notes to consolidated financial statements.

PORTMAN RIDGE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share amounts)

1. ORGANIZATION

Portman Ridge Finance Corporation (“Portman Ridge” or the “Company”), formerly known as KCAP Financial, Inc., is an externally managed, non-diversified closed-end investment company that has elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). The Company was formed as a Delaware limited liability company on August 8, 2006 and, prior to the issuance of shares of the Company’s common stock in its initial public offering (“IPO”), converted to a corporation incorporated in Delaware on December 11, 2006.

The Company originates, structures, and invests in secured term loans, bonds or notes and mezzanine debt primarily in privately-held middle market companies but may also invest in other investments such as loans to publicly-traded companies, high-yield bonds, and distressed debt securities (collectively the “Debt Securities Portfolio”). The Company also invests in debt and subordinated securities issued by collateralized loan obligation funds (“CLO Fund Securities”). In addition, from time to time the Company may invest in the equity securities of privately held middle market companies and may also receive warrants or options to purchase common stock in connection with its debt investments.

The Company has elected to be treated and intends to continue to qualify as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”). To qualify as a RIC, the Company must, among other things, meet certain source-of-income, asset diversification and annual distribution requirements. As a RIC, the Company generally will not have to pay corporate-level U.S. federal income taxes on any income that it distributes in a timely manner to its stockholders.

On March 29, 2018, the Company’s Board of Directors (the “Board”), including a “required majority” (as such term is defined in Section 57(o) of the 1940 Act) of the Board, approved the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the Small Business Credit Availability Act (“SBCA”). As a result, the Company’s asset coverage requirement for senior securities changed from 200% to 150%, effective as of March 29, 2019.

During the third quarter of 2017, the Company formed a joint venture with Freedom 3 Opportunities LLC (“Freedom 3 Opportunities”), an affiliate of Freedom 3 Capital LLC, to create KCAP Freedom 3 LLC (the “F3C Joint Venture”). The Company and Freedom 3 Opportunities contributed approximately \$37 million and \$25 million, respectively, in assets to the F3C Joint Venture, which in turn used the assets to capitalize a new fund (KCAP FC3 Senior Funding, L.L.C. or the “Fund”) managed by KCAP Management, LLC, one of the Company’s indirectly wholly-owned Asset Manager Affiliate (as defined below) subsidiaries. In addition, the Fund used cash on hand and borrowings under a credit facility to purchase approximately \$184 million of loans from the Company and the Company used the proceeds from such sale to redeem approximately \$147 million in debt issued by KCAP Senior Funding I, LLC (“KCAP Senior Funding”). The F3C Joint Venture may originate loans from time to time and sell them to the Fund.

On November 8, 2018, the Company entered into an agreement with LibreMax Intermediate Holdings, LP (“LibreMax”) under which Commodore Holdings, LLC (“Commodore”), a wholly-owned subsidiary of the Company, sold the Company’s wholly-owned asset manager subsidiaries Katonah Debt Advisors, LLC (“Katonah Debt Advisors”), Trimaran Advisors, L.L.C. (“Trimaran Advisors”), and Trimaran Advisors Management, L.L.C. (“Trimaran Advisors Management”) and, together with Katonah Debt Advisors and Trimaran Advisors, the “Disposed Manager Affiliates”, for a cash purchase price of approximately \$37.9 million (the “LibreMax Transaction”). The LibreMax Transaction closed on December 31, 2018. As of December 31, 2022, the Company’s remaining wholly-owned asset management subsidiaries (the “Asset Manager Affiliates”) were comprised of Commodore, Katonah Management Holdings, LLC, Katonah X Management LLC, Katonah 2007-1 Management, LLC and KCAP Management, LLC. Prior to their sale in the LibreMax Transaction, the Disposed Manager Affiliates represented substantially all of the Company’s investment in the Asset Manager Affiliates.

The Externalization Agreement

On December 14, 2018, the Company entered into a stock purchase and transaction agreement (the “Externalization Agreement”) with BC Partners Advisors L.P. (“BCP”), an affiliate of BC Partners LLP, (“BC Partners”), through which Sierra Crest Investment Management LLC (the “Adviser”), an affiliate of BC Partners, became the Company’s investment adviser pursuant to an investment advisory Agreement (the “Advisory Agreement”) with the Company. At a special meeting of the Company’s stockholders (the “Special Meeting”) held on February 19, 2019, the Company’s stockholders approved the Advisory Agreement. The transactions contemplated by the Externalization Agreement closed on April 1, 2019 (the “Closing”), and the Company commenced operations as an externally managed BDC managed by the Adviser on that date.

Pursuant to the Externalization Agreement with BCP, the Adviser became the Company’s investment adviser in exchange for a cash payment from BCP, or its affiliate, of \$25 million, or \$0.669672 per share of the Company’s common stock, directly to the Company’s stockholders. In addition, the Adviser (or its affiliate) will use up to \$10 million of the incentive fee actually paid to the Adviser prior to the second anniversary of the Closing to buy newly issued shares of the Company’s common stock at the most recently determined net asset value per share of the Company’s common stock at the time of such purchase. For the period of one year from the first day of the first quarter following the quarter in which the Closing occurred, the Adviser agreed to permanently forego up to the full amount of the incentive fees earned by the Adviser without recourse against or reimbursement by the Company, to the extent necessary in order to achieve aggregate net investment income per common share of the Company for such one-year period to be at least equal to \$0.40 per share, subject to certain adjustments.

On the date of the Closing, the Company changed its name from KCAP Financial, Inc. to Portman Ridge Finance Corporation and on April 2, 2019, began trading on the NASDAQ Global Select Market under the symbol “PTMN.”

About the Adviser

The Adviser is an affiliate of BC Partners. Subject to the overall supervision of the Board, the Adviser is responsible for managing the Company’s business and activities, including sourcing investment opportunities, conducting research, performing diligence on potential investments, structuring the Company’s investments, and monitoring the Company’s portfolio companies on an ongoing basis through a team of investment professionals.

The Adviser seeks to invest on behalf of the Company in performing, well-established middle market businesses that operate across a wide range of industries (i.e., no concentration in any one industry). The Adviser employs fundamental credit analysis, targeting investments in businesses with relatively low levels of cyclicality and operating risk. The holding size of each position will generally be dependent upon a number of factors including total facility size, pricing and structure, and the number of other lenders in the facility. The Adviser has experience managing levered vehicles, both public and private, and seeks to enhance the Company’s returns through the use of leverage with a prudent approach that prioritizes capital preservation. The Adviser believes this strategy and approach offers attractive risk/return with lower volatility given the potential for fewer defaults and greater resilience through market cycles.

During the fourth quarter of 2020, LibreMax Intermediate Holdings, LP (“LibreMax”) sold its minority stake in the Adviser to a wholly-owned subsidiary of Mount Logan Capital Inc. (“Mount Logan”). An affiliate of BC Partners serves as administrator to Mount Logan.

GARS Transaction

On October 28, 2020 the Company completed its acquisition of Garrison Capital Inc., a publicly traded BDC (“GARS”, and such transaction, the “GARS Acquisition”). To effect the acquisition, a wholly owned merger subsidiary of the Company merged with and into GARS, with GARS surviving the merger as the Company’s wholly owned subsidiary. Immediately thereafter and as a single integrated transaction, GARS consummated a second merger, whereby GARS merged with and into the Company, with the Company surviving the merger. Under the terms of the merger agreement for the GARS Acquisition, dated June 24, 2020 (the “GARS Merger Agreement”), each share of GARS Common Stock issued and outstanding was converted into the right to receive (i) an amount in cash, without interest, equal to approximately \$1.19 and (ii) approximately 1.917 shares of common stock, par value \$0.01 per share, of the Company (plus any applicable cash in lieu of fractional shares). Each share of GARS Common Stock issued and outstanding received, as additional consideration funded by the Adviser, an amount in cash, without interest, equal to approximately \$0.31.

HCAP Acquisition and Assumption and Redemption of HCAP Notes

On June 9, 2021 the Company completed its acquisition of Harvest Capital Credit Corporation, a publicly traded BDC (“HCAP”, and such transaction, the “HCAP Acquisition”). To effect the acquisition, the Company’s wholly owned merger subsidiary (“Acquisition Sub”) merged with HCAP, with HCAP surviving the merger as the Company’s wholly owned subsidiary. Immediately thereafter and as a single integrated transaction, HCAP consummated a second merger, whereby HCAP merged with and into the Company, with the Company surviving the merger. As a result of, and as of the effective time of, the second merger, HCAP’s separate corporate existence ceased.

Under the terms of the merger agreement for the HCAP Acquisition, dated December 23, 2020 (the “HCAP Merger Agreement”), HCAP stockholders as of immediately prior to the effective time of the first merger (other than shares held by a subsidiary of HCAP or held, directly or indirectly, by the Company or Acquisition Sub, and all treasury shares (collectively, “Cancelled Shares”)) received a combination of (i) \$18.54 million in cash paid by the Company, (ii) 15,252,453 validly issued, fully paid and non-assessable shares of the Company’s common stock, par value \$0.01 per share, and (iii) an additional cash payment from the Adviser of \$2.15 million in the aggregate. Shares of common stock issued and market price have not been adjusted to reflect the Reverse Stock Split.

With respect to the merger consideration from the Company, HCAP stockholders as of immediately prior to the effective time of the first merger (other than Cancelled Shares) were entitled, with respect to all or any portion of the shares of HCAP common stock they held as of the effective time of the first merger, to elect to receive the merger consideration in the form of cash (an “Election”) or in the form of the Company’s common stock, subject to certain conditions and limitations in the merger agreement. Any HCAP stockholder who did not validly make an Election was deemed to have elected to receive shares of the Company’s common stock with respect to the merger consideration as payment for their shares of HCAP common stock. Each share of HCAP common stock (other than Cancelled Shares) with respect to which an Election was made was treated as an “Electing Share” and each share of HCAP Common Stock (other than a Cancelled Share) with respect to which an Election was not made or that was transferred after the election deadline on June 2, 2021 was treated as a “Non-Electing Share.”

Pursuant to the conditions of and adjustment mechanisms in the HCAP Merger Agreement, 475,806 Electing Shares were converted to Non-Electing Shares for purposes of calculating the total mix of consideration to be paid to each Electing Share in order to ensure that the value of the aggregate cash consideration paid to holders of the Electing Shares equaled the aggregate cash consideration that HCAP received from the Company under the terms of the HCAP Merger Agreement. Accordingly, as a result of the Elections received from HCAP stockholders and any resulting adjustment under the terms of the HCAP Merger Agreement, each Electing Share received, in aggregate, approximately \$7.43 in cash and 0.74 shares of the Company’s common stock, while each Non-Electing Share received, in aggregate, approximately 3.86 shares of the Company’s common stock.

On June 9, 2021, the Company entered into a third supplemental indenture (the “HCAP Third Supplemental Indenture”) by and between the Company and U.S. Bank National Association, as trustee (the “Trustee”), effective as of the closing of the HCAP Acquisition. The HCAP Third Supplemental Indenture relates to the Company’s assumption of \$28.75 million in aggregate principal amount of HCAP’s 6.125% Notes due September 15, 2022 (the “HCAP Notes”).

Pursuant to the HCAP Third Supplemental Indenture, the Company expressly assumed the due and punctual payment of the principal of (and premium, if any) and interest, if any, on the HCAP Notes and the performance of HCAP’s covenants under the base indenture, dated as of January 27, 2015, by and between HCAP and the Trustee, as supplemented by the second supplemental indenture, dated as of August 24, 2017, by and between HCAP and the Trustee. No change of control offer was required to be made in respect of the HCAP Notes in connection with the consummation of the HCAP Acquisition.

The HCAP Notes could be redeemed by the Company at any time at par value plus accrued and unpaid interest. On July 23, 2021, the Company redeemed the entire notional amount of \$28.75 million of the HCAP Notes.

Reverse Stock Split

On August 23, 2021, the Company filed a Certificate of Amendment (the “Reverse Stock Split Certificate of Amendment”) to the Company’s Certificate of Incorporation with the Secretary of State of the State of Delaware to effect a 1-for-10 reverse stock split of the issued and outstanding (or held in treasury) shares of the Company’s common stock, par value \$0.01 per share (the “Reverse Stock Split”). The Reverse Stock Split became effective as of 12:01 a.m. (Eastern Time) on August 26, 2021.

As a result of the Reverse Stock Split, every ten shares of issued and outstanding common stock were automatically combined into one issued and outstanding share of common stock, without any change in the par value per share. No fractional shares were issued as a result of the Reverse Stock Split. Instead, any stockholder who would have been entitled to receive a fractional share as a result of the Reverse Stock Split received cash payments in lieu of such fractional shares (without interest and subject to backup withholding and applicable withholding taxes).

On August 23, 2021, the Company filed a Certificate of Amendment to decrease the number of authorized shares of common stock by one half of the reverse stock split ratio (the “Decrease Shares Certificate of Amendment”) with the Secretary of State of the State of Delaware. The Decrease Shares Certificate of Amendment became effective as of 12:05 a.m. (Eastern Time) on August 26, 2021. Following the effectiveness of the Decrease Shares Certificate of Amendment, the number of authorized shares of common stock under the Company’s Certificate of Incorporation was reduced from 100 million shares to 20 million shares.

The Reverse Stock Split Certificate of Amendment and the Decrease Shares Certificate of Amendment were approved by the Company’s stockholders at its annual meeting held on June 7, 2021 and were approved by the Board on August 4, 2021.

All share and per share values have been adjusted retroactively to reflect the split for all periods presented, except where otherwise noted.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (“GAAP”). The Company is an investment company and follows accounting and reporting guidance in Accounting Standards Codification (“ASC”) topic 946 - Financial Services - Investment Companies.

The preparation of the consolidated financial statements requires the Company to make significant estimates and assumptions including with respect to the fair value of investments that do not have a readily available market value. Actual results could differ from those estimates, and the differences could be material. Certain prior period amounts have been reclassified to conform to the current year presentation.

The Company consolidates the financial statements of its wholly-owned special purpose financing subsidiaries Portman Ridge Funding 2018-2 Ltd. ("PRF CLO 2018-2") (formerly known as Garrison Funding 2018-2 Ltd.), Great Lakes KCAP Funding I LLC, Kohlberg Capital Funding I LLC, KCAP Senior Funding I, LLC, KCAP Funding I Holdings, LLC and Great Lakes Portman Ridge Funding, LLC in its consolidated financial statements as they are operated solely for investment activities of the Company. The creditors of Great Lakes Portman Ridge Funding, LLC received security interests in the assets which are owned by them and such assets are not intended to be available to the creditors of Portman Ridge Finance Corporation., or any other affiliate. The Company also consolidates various subsidiaries (KCAP Coastal, LLC, PTMN Sub Holdings, LLC, OHA Funding, LP, Garrison Capital Equity Holdings I LLC, Garrison Capital Equity Holdings II, LLC, Garrison Capital Equity Holdings VIII LLC, Garrison Capital Equity Holdings XI LLC, and GIG Rooster Holdings, LLC) created primarily to provide specific tax treatment for the equity and other investments held by these entities.

In accordance with Article 6 of Regulation S-X under the Securities Act of 1933, as amended (the "Securities Act"), and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company does not consolidate portfolio company investments, including those in which it has a controlling interest.

The determination of the tax character of distributions is made on an annual (full calendar year) basis at the end of the year based upon our taxable income for the full year and the distributions paid during the full year. Therefore, an estimate of tax attributes made on a quarterly basis may not be representative of the actual tax attributes of distributions for a full year.

It is the Company's primary investment objective to generate current income and capital appreciation by lending directly to privately-held middle market companies. During the years ended December 31, 2022 and December 31, 2021, the Company provided approximately \$200.1 million and \$239.6 million, respectively, to portfolio companies to support their growth objectives. Approximately \$30.1 million and \$21.3 million, respectively, of this support was contractually obligated. See also Note 8 – Commitments and Contingencies. As of December 31, 2022 and December 31, 2021, the Company held loans it has made to 96 and 92 investee companies with aggregate principal amounts of approximately \$518.4 million and \$469.0 million. The details of such loans have been disclosed on the audited consolidated schedule of investments as well as in Note 4 – Investments. In addition to providing loans to investee companies, from time to time the Company assists investee companies in securing financing from other sources by introducing such investee companies to sponsors or by, among other things, leading a syndicate of lenders to provide the investee companies with financing. During the years ended December 31, 2022, 2021 and 2020, the Company did not recognize any fee income from such or similar activities.

Recently adopted accounting pronouncements

Not applicable

Recent Accounting Pronouncements

In June 2022, the Financial Accounting Standards Board issued Accounting Standards Update 2022-03, Fair Value Measurement (Topic 820) – Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions (ASU 2022-03). The accounting standard update clarifies the guidance in Topic 820 when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security and introduces new disclosure requirements for equity securities subject to contractual sale restrictions and measured at fair value in accordance with Topic 820. The amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. The Company has evaluated the impact of adopting this new accounting standard and the impact of the adoption is not material to the consolidated financial statements.

Investments

Investment transactions are recorded on the applicable trade date. Realized gains or losses are determined using the specific identification method.

Valuation of Portfolio Investments. The Board has designated the Adviser as its "valuation designee" pursuant to Rule 2a-5 under the 1940 Act, and in that role the Adviser is responsible for performing fair value determinations relating to all of the Company's investments, including periodically assessing and managing any material valuation risks and establishing and applying fair value methodologies, in accordance with valuation policies and procedures that have been approved by the Board. The Board remains ultimately responsible for making fair value determinations under the 1940 Act and satisfies its responsibility through oversight of the valuation designee in accordance with Rule 2a-5. Debt and equity securities for which market quotations are readily available are generally valued at such market quotations. Debt and equity securities that are not publicly traded or whose market price is not readily available are valued by the Adviser based on detailed analyses prepared by management and, in certain circumstances, third parties with valuation expertise. Valuations are conducted by management on 100% of the investment portfolio at the end of each quarter. The Company follows the provisions of ASC 820: Fair Value Measurements and Disclosures ("ASC 820: Fair Value"). This standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about assets and liabilities measured at fair value. ASC 820: Fair Value defines "fair value" as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Adviser utilizes one or more independent valuation firms to provide third party valuation consulting services. Each quarter the independent valuation firms perform third party valuations of the Company's investments in material illiquid securities such that they are reviewed at least once during a trailing 12-month period. These third-party valuation estimates are considered as one of the relevant data points in the Adviser's determination of fair value.

The Adviser may consider other methods of valuation than those set forth below to determine the fair value of Level III investments as appropriate in conformity with GAAP. 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 Company's investments may differ materially from the values that would have been used had a readily available market existed for such investments. Further, such investments may be generally subject to legal and other restrictions on resale or otherwise be less liquid than publicly traded securities. In addition, changes in the market environment and other events may occur over the life of the investments that may cause the value realized on such investments to be different from the currently assigned valuations.

The majority of the Company's investment portfolio is composed of debt and equity securities with unique contract terms and conditions and/or complexity that requires a valuation of each individual investment that considers multiple levels of market and asset specific inputs, which may include historical and forecasted financial and operational performance of the individual investment, projected cash flows, market multiples, comparable market transactions, the priority of the security compared with those of other securities for such issuers, credit risk, interest rates, and independent valuations and reviews.

Debt Securities. To the extent that the Company's investments are liquid and are priced or have sufficient price indications from normal course trading at or around the valuation date (financial reporting date), such pricing will be used to determine the fair value of the investments. Valuations from third party pricing services may be used as an indication of fair value, depending on the volume and reliability of the valuation, sufficient and reasonable correlation of bid and ask quotes, and, most importantly, the level of actual trading activity. However, if the Company has been unable to identify directly comparable market indices or other market guidance that correlate directly to the types of investments the Company owns, the Company will determine fair value using alternative methodologies such as available market data, as adjusted, to reflect the types of assets the Company owns, their structure, qualitative and credit attributes and other asset-specific characteristics.

The Company derives fair value for its illiquid investments that do not have indicative fair values based upon active trades primarily by using a present value technique that discounts the estimated contractual cash flows for the subject assets with discount rates imputed by broad market indices, bond spreads and yields for comparable issuers relative

to the subject assets (the "Income Approach"). The Company also considers, among other things, recent loan amendments or other activity specific to the subject asset. Discount rates applied to estimated contractual cash flows for an underlying asset vary by specific investment, industry, priority and nature of the debt security (such as the seniority or security interest of the debt security) and are assessed relative to leveraged loan and high-yield bond indices, at the valuation date. The Company has identified these indices as benchmarks for broad market information related to its loan and debt securities. Because the Company has not identified any market index that directly correlates to the loan and debt securities held by the Company and therefore uses these benchmark indices, these market indices may require significant adjustment to better correlate such market data for the calculation of fair value of the investment under the Income Approach. Such adjustments require judgment and may be material to the calculation of fair value. Further adjustments to the discount rate may be applied to reflect other market conditions or the perceived credit risk of the borrower. When broad market indices are used as part of the valuation methodology, their use is subject to adjustment for many factors, including priority, collateral used as security, structure, performance and other quantitative and qualitative attributes of the asset being valued. The resulting present value determination is then weighted along with any quotes from observable transactions and broker/pricing quotes. If such quotes are indicative of actual transactions with reasonable trading volume at or near the valuation date that are not liquidation or distressed sales, relatively more reliance will be put on such quotes to determine fair value. If such quotes are not indicative of market transactions or are insufficient as to volume, reliability, consistency or other relevant factors, such quotes will be compared with other fair value indications and given relatively less weight based on their relevancy. Other significant assumptions, such as coupon and maturity, are asset-specific and are noted for each investment in the Consolidated Schedules of Investments included herein.

Equity Securities. The Company's equity securities in portfolio companies for which there is no liquid public market are carried at fair value based on the enterprise value of the portfolio company, which is determined using various factors, including EBITDA (earnings before interest, taxes, depreciation and amortization) and discounted cash flows from operations, less capital expenditures and other pertinent factors, such as recent offers to purchase a portfolio company's securities or other liquidation events. The determined fair values are generally discounted to account for restrictions on resale and minority ownership positions. In the event market quotations are readily available for the Company's equity securities in public companies, those investments may be valued using the Market Approach (as defined below). In cases where the Company receives warrants to purchase equity securities, a market standard Black-Scholes model is utilized.

The significant inputs used to determine the fair value of equity securities include prices, EBITDA and cash flows after capital expenditures for similar peer comparables and the investment entity itself. Equity securities are classified as Level III, when there is limited activity or less transparency around inputs to the valuation given the lack of information related to such equity investments held in nonpublic companies. Significant assumptions observed for comparable companies are applied to relevant financial data for the specific investment. Such assumptions, such as model discount rates or price/earnings multiples, vary by the specific investment, equity position and industry and incorporate adjustments for risk premiums, liquidity and company specific attributes. Such adjustments require judgment and may be material to the calculation of fair value.

Derivatives. The Company recognizes all derivative instruments as assets or liabilities at fair value in its financial statements. Derivative contracts entered into by the Company are not designated as hedging instruments, and as a result the Company presents changes in fair value and realized gains or losses through current period earnings. Derivative instruments are measured in terms of the notional contract amount and derive their value based upon one or more underlying instruments. Derivative instruments are subject to various risks similar to non-derivative instruments including market, credit, liquidity, and operational risks. The Company manages these risks on an aggregate basis as part of its risk management process. The derivatives may require the Company to pay or receive an upfront fee or premium. These upfront fees or premiums are carried forward as cost or proceeds to the derivatives. The Company generally records a realized gain or loss on the expiration, termination, or settlement of a derivative contract. The periodic payments for the securities Swap and Option Agreement (excluding collateral) are included as a realized gain or loss.

The Company values derivative contracts using various pricing models that take into account the terms of the contract (including notional amount and contract maturity) and observable and unobservable inputs such as interest rates and changes in fair value of the reference asset.

Asset Manager Affiliates. The Company sold all of its investment in the Disposed Asset Manager Affiliates on December 31, 2018. Previously, the Company's investments in its wholly-owned Asset Manager Affiliates, were carried at fair value, which was primarily determined utilizing the discounted cash flow approach, which incorporated different levels of discount rates depending on the hierarchy of fees earned (including the likelihood of realization of senior, subordinate and incentive fees) and prospective modeled performance. Such valuation took into consideration an analysis of comparable asset management companies and the amount of assets under management. The Asset Manager Affiliates were classified as a Level III investment. Any change in value from period to period was recognized as net change in unrealized appreciation or depreciation.

CLO Fund Securities. The Company typically makes a non-controlling investment in the most junior class of securities of CLO Funds. The investments held by CLO Funds generally relate to non-investment grade credit instruments issued by corporations.

The Company's investments in CLO Fund Securities are carried at fair value, which is based either on (i) the present value of the net expected cash inflows for interest income and principal repayments from underlying assets and cash outflows for interest expense, debt pay-down and other fund costs for the CLO Funds that are approaching or past the end of their reinvestment period and therefore are selling assets and/or using principal repayments to pay down CLO Fund debt (or will begin to do so shortly), and for which there continue to be net cash distributions to the class of securities owned by the Company, a Discounted Cash Flow approach, (ii) a discounted cash flow model that utilizes prepayment and loss assumptions based on historical experience and projected performance, economic factors, the characteristics of the underlying cash flow and comparable yields for similar securities or preferred shares to those in which the Company has invested, or (iii) indicative prices provided by the underwriters or brokers who arrange CLO Funds, a Market Approach. The Company recognizes unrealized appreciation or depreciation on the Company's investments in CLO Fund Securities as comparable yields in the market change and/or based on changes in net asset values or estimated cash flows resulting from changes in prepayment or loss assumptions in the underlying collateral pool. As each investment in CLO Fund Securities ages, the expected amount of losses and the expected timing of recognition of such losses in the underlying collateral pool are updated and the revised cash flows are used in determining the fair value of the CLO Fund investment. The Company determines the fair value of its investments in CLO Fund Securities on a security-by-security basis.

Due to the individual attributes of each CLO Fund Security, they are classified as a Level III investment unless specific trading activity can be identified at or near the valuation date. When available, observable market information will be identified, evaluated and weighted accordingly in the application of such data to the present value models and fair value determination. Significant assumptions to the present value calculations include default rates, recovery rates, prepayment rates, investment/reinvestment rates and spreads and the discount rate by which to value the resulting underlying cash flows. Such assumptions can vary significantly, depending on market data sources which often vary in depth and level of analysis, understanding of the CLO market, detailed or broad characterization of the CLO market and the application of such data to an appropriate framework for analysis. The application of data points are based on the specific attributes of each individual CLO Fund Security's underlying assets, historic, current and prospective performance, vintage, and other quantitative and qualitative factors that would be evaluated by market participants. The Company evaluates the source of market data for reliability as an indicative market input, consistency amongst other inputs and results and also the context in which such data is presented.

For rated note tranches of CLO Fund Securities (those above the junior class) without transactions to support a fair value for the specific CLO Fund and tranche, fair value is based on discounting estimated bond payments at current market yields, which may reflect the adjusted yield on the leveraged loan index for similarly rated tranches, as well as prices for similar tranches for other CLO Funds and also other factors such as indicative prices provided by underwriters or brokers who arrange CLO Funds, and the default and recovery rates of underlying assets in the CLO Fund, as may be applicable. Such model assumptions may vary and incorporate adjustments for risk premiums and CLO Fund specific attributes.

Short-term investments. Short-term investments are generally comprised of money market accounts, time deposits, and U.S. treasury bills.

Joint Ventures. The Company carries investments in joint ventures ("Joint Ventures") at fair value based upon the fair value of the investments held by the joint venture. See Note 4 below, for more information regarding the Joint Ventures.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments, readily convertible to known amounts of cash, with an original maturity of three months or less in accounts such as demand deposit accounts and certain overnight investment sweep accounts. The company records cash and cash equivalents at cost, which approximates fair value.

Restricted Cash

Restricted cash and cash equivalents generally consists of cash held for interest and principal payments on the Company's borrowings.

Foreign Currency Translation

The accounting records of the Company are maintained in U.S. dollars. All assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the foreign exchange rate on the date of valuation. The Company does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. The Company's investments in foreign securities may involve certain risks, including without limitation: foreign exchange restrictions, expropriation, taxation or other political, social or economic risks, all of which could affect the market and/or credit risk of the investment. In addition, changes in the relationship of foreign currencies to the U.S. dollar can significantly affect the value of these investments and therefore the earnings of the Company.

Investment Income

Interest Income. Interest income, including the amortization of premium and accretion of discount and accrual of payment-in-kind ("PIK") interest, is recorded on the accrual basis to the extent that such amounts are expected to be collected. The Company generally places a loan or security on non-accrual status and ceases recognizing interest income on such loan or security when a loan or security becomes 90 days or more past due or if the Company otherwise does not expect the debtor to be able to service its debt obligations. For investments with 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 (i.e. via a partial or full non-accrual). Loans which are on partial or full non-accrual remain in such status until the borrower has demonstrated the ability and intent to pay contractual amounts due or such loans become current. As of December 31, 2022, four of our debt investments were on non-accrual status. Generally, the Company will capitalize loan origination fees, then amortize these fees into interest income over the term of the loan using the effective interest rate method, recognize prepayment and liquidation fees upon receipt and equity structuring fees, which generally occurs when an investment transaction closes.

Investment Income on CLO Fund Securities. The Company generates investment income from its investments in the most junior class of securities issued by CLO Funds (typically preferred shares or subordinated securities). The Company's CLO Fund junior class securities are subordinated to senior note holders who typically receive a stated interest rate of return based on a floating rate index, such as the London Interbank Offered Rate ("LIBOR") on their investment. The CLO Funds are leveraged funds and any excess cash flow or "excess spread" (interest earned by the underlying securities in the fund less payments made to senior note holders and less fund expenses and management fees) is paid to the holders of the CLO Fund's subordinated securities or preferred shares.

GAAP-basis investment income on CLO equity investments is recorded using the effective interest method in accordance with the provisions of ASC 325-40, based on the anticipated yield and the estimated cash flows over the projected life of the investment. Yields are revised when there are changes in actual or estimated projected future cash flows due to changes in prepayments and/or re-investments, credit losses or asset pricing. Changes in estimated yield are recognized as an adjustment to the estimated yield prospectively over the remaining life of the investment from the date the estimated yield was changed. Accordingly, investment income recognized on CLO equity securities in the GAAP statement of operations differs from both the tax-basis investment income and from the cash distributions actually received by the Company during the period.

For non-junior class CLO Fund Securities, interest is earned at a fixed spread relative to the LIBOR index.

Investment income on Joint Ventures. The Company recognizes investment income on its investment in the Joint Ventures based upon its share of the estimated earnings and profits of the Joint Venture on the ex-dividend or ex-distribution date. The final determination of the tax attributes of distributions from the Joint Ventures is made on an annual (full calendar year) basis at the end of the year based upon taxable income and distributions for the full year. Therefore, any estimate of tax attributes of distributions made on an interim basis may not be representative of the actual tax attributes of distributions for the full year.

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

Debt Issuance Costs

Debt issuance costs represent fees and other direct costs incurred in connection with the Company's borrowings. These amounts are capitalized, presented as a reduction of debt, and amortized using the effective interest method over the expected term of the borrowing.

Extinguishment of Debt

The Company derecognizes a liability if and only if it has been extinguished through delivery of cash, delivery of other financial assets, delivery of goods or services, or reacquisition by the Company of its outstanding debt securities whether the securities are cancelled or held. If the debt contains a cash conversion option, the Company allocates the consideration transferred and transaction costs incurred to the extinguishment of the liability component and the reacquisition of the equity component and recognize a gain or loss in the statement of operations.

Expenses

Since April 1, 2019, the Company is externally managed and in connection with the Advisory Agreement, pays the Adviser certain investment advisory fees and reimburses the Adviser and Administrator for certain expenses incurred in connection with the services they provide. See Note 5 "Related Party Transactions - Payment of Expenses under the Advisory and Administration Agreements."

Shareholder Distributions

Distributions to common stockholders are recorded on the ex-dividend date. The amount of distributions, if any, is determined by the Board each quarter. The Company has adopted a dividend reinvestment plan (the "DRIP") that provides for reinvestment of its distributions on behalf of its stockholders, unless a stockholder "opts out" of the DRIP to receive cash in lieu of having their cash distributions automatically reinvested in additional shares of the Company's common stock.

3. EARNINGS (LOSSES) PER SHARE

In accordance with the provisions of ASC 260, "Earnings per Share" ("ASC 260"), basic earnings per share is computed by dividing earnings available to common shareholders 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 following information sets forth the computation of basic and diluted net increase (decrease) in stockholders' equity per share for the years ended December 31, 2022, 2021 and 2020:

(\$ in thousands)	For the Year Ended December 31,		
	2022	2021	2020
Net increase (decrease) in net assets resulting from operations	\$ (20,996)	\$ 26,026	\$ 31,573
Weighted average number of common and common stock equivalent shares outstanding for basic and diluted shares computation	9,634,468	8,536,079	4,998,759
Net increase (decrease) in net assets per basic common shares and diluted shares:			
Net increase (decrease) in net assets from operations ⁽¹⁾	\$ (2.18)	\$ 3.05	\$ 6.32

(1) The Company completed a Reverse Stock Split of 10 to 1 effective August 26, 2021, amounts have been adjusted retroactively to reflect the split.

4. INVESTMENTS

The following table shows the Company's portfolio by security type at December 31, 2022 and December 31, 2021:

(\$ in thousands)	December 31, 2022			December 31, 2021		
	Cost/Amortized Cost	Fair Value	% ⁽¹⁾	Cost/Amortized Cost	Fair Value	% ⁽¹⁾
Senior Secured Loan	\$ 435,856	\$ 418,722	73	\$ 361,556	\$ 364,701	66
Junior Secured Loan	65,776	56,400	10	82,996	70,549	13
Senior Unsecured Bond	416	43	0	416	43	0
Equity Securities	28,848	21,905	4	26,680	22,586	4
CLO Fund Securities	34,649	20,453	3	51,561	31,632	6
Asset Manager Affiliates ⁽²⁾	17,791	-	-	17,791	-	-
Joint Ventures	68,850	58,955	10	64,365	60,474	11
Derivatives	31	-	-	31	(2,412)	-
Total	\$ 652,217	\$ 576,478	100%	\$ 605,396	\$ 547,573	100%

(1) Represents percentage of total portfolio at fair value.

(2) Represents the equity investment in the Asset Manager Affiliates.

The industry concentrations based on the fair value of the Company's investment portfolio as of December 31, 2022 and December 31, 2021, were as follows:

Industry Classification	December 31, 2022			December 31, 2021		
	Cost/Amortized Cost	Fair Value	% ⁽¹⁾	Cost/Amortized Cost	Fair Value	% ⁽¹⁾
Aerospace and Defense	\$ 10,579	\$ 10,494	2	\$ 11,730	\$ 11,692	2
Asset Management Company ⁽²⁾	17,791	-	-	17,791	-	-
Automotive	7,329	6,947	1	11,331	11,487	2
Banking, Finance, Insurance & Real Estate	76,038	78,264	14	41,487	42,858	8
Beverage, Food and Tobacco	12,619	12,456	2	5,511	5,625	1
Capital Equipment	10,681	2,745	1	14,387	10,620	2
Chemicals, Plastics & Rubber	10,447	10,359	2	12,692	12,969	2
CLO Fund Securities	34,649	20,453	3	51,561	31,632	6
Construction & Building	9,545	9,199	2	8,966	9,501	2
Consumer goods: Durable	16,762	13,943	2	25,151	24,831	5
Consumer goods: Non-durable	-	-	-	4,162	4,197	1
Containers, Packaging and Glass	2,754	2,655	1	2,780	2,570	1
Electronics	10,866	11,129	2	10,623	11,089	2
Energy: Electricity	671	671	0	-	-	-
Energy: Oil & Gas	6,718	1,056	0	7,921	2,355	0
Environmental Industries	4,315	4,930	1	4,315	4,200	1
Finance	17,570	17,581	3	10,916	10,912	2
Forest Products & Paper	1,589	1,373	0	1,583	1,271	0
Healthcare, Education and Childcare	9,726	9,586	2	9,783	9,752	2
Healthcare & Pharmaceuticals	51,901	50,566	9	71,696	62,275	11
High Tech Industries	83,661	73,994	13	58,803	58,715	11
Hotel, Gaming & Leisure	10,245	6,798	1	4,906	4,898	1
Joint Ventures	68,850	58,955	10	64,365	60,474	11
Machinery (Non-Agrclt/Constr/Electr)	9,461	9,291	2	7,748	8,967	2
Media: Advertising, Printing & Publishing	150	549	0	150	246	0
Media: Broadcasting & Subscription	14,930	14,358	2	12,407	13,255	2
Media: Diversified & Production	6,976	6,572	1	6,272	6,365	1
Metals & Mining	15,846	14,786	3	15,342	13,647	3
Retail	10,772	10,871	2	6,144	6,775	1
Services: Business	66,807	66,207	11	76,071	77,798	14
Services: Consumer	8,569	8,128	1	990	990	0
Telecommunications	11,475	10,077	2	7,521	6,675	1
Textiles and Leather	12,689	12,808	2	12,496	11,095	2
Transportation: Cargo	11,583	11,342	2	-	-	-
Transportation: Consumer	7,653	7,335	1	7,795	7,837	1
Total	\$ 652,217	\$ 576,478	100%	\$ 605,396	\$ 547,573	100%

(1) Calculated as a percentage of total portfolio at fair value.

(2) Represents the equity investment in the Asset Manager Affiliates.

The Company may invest up to 30% of the investment portfolio in "non-qualifying" opportunistic investments, including investments in debt and equity securities of CLO Funds, distressed debt or debt and equity securities of large cap public companies. Within this 30% of the portfolio, the Company also may invest in debt of middle market companies located outside of the United States.

At December 31, 2022 and December 31, 2021, the total amount of non-qualifying assets was approximately 17.6% and 15.8% of total assets, respectively. The majority of non-qualifying assets are the Company's investments in joint ventures, in the aggregate representing 9.5% and 9.3%, respectively, of the total assets and the Company's investments in CLO Funds, which are typically domiciled outside the U.S. and represented approximately 3.3% and 4.9% of its total assets on such dates, respectively.

Investments in CLO Fund Securities

The Company has made non-controlling investments in the most junior class of securities (typically preferred shares or subordinated securities) of CLO Funds. These securities also are entitled to recurring distributions which generally equal the net remaining cash flow of the payments made by the underlying CLO Fund's securities less contractual payments to senior bond holders, management fees and CLO Fund expenses. CLO Funds invest primarily in broadly syndicated non-investment grade loans, high-yield bonds and other credit instruments of corporate issuers. The underlying assets in each of the CLO Funds in which the Company has an investment are generally diversified secured or unsecured corporate debt. The CLO Funds are leveraged funds and any excess cash flow or "excess spread" (interest earned by the underlying securities in the fund less payments made to senior bond holders, fund expenses and management fees) is paid to the holders of the CLO Fund's subordinated securities or preferred shares.

In January 2021, the Company sold \$10.1 million notional amount of the subordinated notes of Catamaran 2016-1 for \$3.3 million.

In July 2022, the Company received a final cash distribution from Catamaran 2013-1, and the Company's investment in Catamaran 2013-1 was redeemed in full.

The Company's investments in CLO Fund Securities as of December 31, 2022 and December 31, 2021 were as follows:

CLO Fund Securities	Investment	%(¹)	December 31, 2022		December 31, 2021	
			Amortized Cost	Fair Value	Amortized Cost	Fair Value
Catamaran CLO 2013- 1 Ltd.	Subordinated Notes	-	\$ -	\$ -	\$ 4,198	\$ 1,779
Catamaran CLO 2014-1 Ltd.	Subordinated Notes	22	4,216	3,232	9,679	4,278
Catamaran CLO 2014-2 Ltd.	Subordinated Notes	25	6,066	-	6,066	-
Catamaran CLO 2015-1 Ltd.	Subordinated Notes	10	2,534	-	2,549	-
Catamaran CLO 2018-1 Ltd.	Subordinated Notes	25	6,338	4,753	8,694	6,314
Dryden 30 Senior Loan Fund	Subordinated Notes	7	868	868	1,147	1,258
JMP CLO IV Junior Sub Note	Subordinated Notes	57	4,020	4,020	8,530	8,105
JMP CLO V Junior Sub Note	Subordinated Notes	57	10,607	7,580	10,698	9,898
Total			\$ 34,649	\$ 20,453	\$ 51,561	\$ 31,632

(1) Represents percentage of class held as of December 31, 2022.

Affiliate Investments:

The following table details investments in affiliates at December 31, 2022:

(S in thousands)	Industry Classification	Fair Value as of December 31, 2021	Purchases/ (Sales) of or Advances/ (Distributions)	Net Accretion	Transfers In/(Out) of Affiliates	Net Change in Unrealized Gain/(Loss)	Realized Gain/(Loss)	Fair Value as of December 31, 2022	Principal / Shares at December 31, 2022	Interest and Fee Income	Dividend Income
Asset Manager Affiliates ⁽¹⁾ ₍₂₎₍₃₎	Asset Management Company	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -
Tank Partners Equipment Holdings, LLC ⁽¹⁾⁽²⁾⁽³⁾⁽⁶⁾	Energy: Oil & Gas	-	-	-	-	-	-	-	49,000	-	-
Tank Partners Equipment Holdings, LLC ⁽¹⁾⁽²⁾⁽³⁾	Energy: Oil & Gas	43	-	-	-	-	-	43	511	-	-
Flight Lease VII ⁽¹⁾⁽²⁾⁽⁴⁾⁽⁶⁾	Aerospace and Defense	256	-	-	-	(14)	-	242	1,938	-	-
ProAir, LLC ⁽¹⁾⁽²⁾⁽³⁾⁽⁶⁾	Capital Equipment	-	-	-	4,262	(4,262)	-	-	2,749,997	-	-
ProAir, LLC ⁽¹⁾⁽²⁾⁽³⁾	Capital Equipment	-	1,931	-	-	(1,931)	-	-	1,931	181	-
KCAP Freedom 3, LLC ⁽¹⁾ ₍₃₎	Joint Venture	23,062	-	-	-	(4,394)	-	18,668	27,220	-	4,141
Total controlled affiliates		\$ 23,361	\$ 1,931	\$ -	\$ 4,262	\$ (10,601)	\$ -	\$ 18,953		\$ 181	\$ 4,141
BCP Great Lakes Holdings LP ⁽⁵⁾⁽⁷⁾	Joint Venture	\$ 37,412	\$ 1,700	\$ -	\$ (38,124)	\$ (461)	\$ (527)	\$ -	-	\$ -	\$ 3,099
Series A-Great Lakes Funding II LLC ⁽⁵⁾⁽⁶⁾⁽⁸⁾	Joint Venture	-	3,311	-	38,124	(1,148)	-	40,287	41,435	-	1,351
Flight Lease XII ⁽¹⁾⁽²⁾⁽⁴⁾⁽⁶⁾	Aerospace and Defense	677	(742)	-	-	(147)	212	-	-	40	-
GreenPark Infrastructure, LLC ⁽¹⁾⁽²⁾⁽⁵⁾⁽⁶⁾	Energy: Electricity	-	500	-	-	-	-	500	1,000	-	-
GreenPark Infrastructure, LLC ⁽¹⁾⁽²⁾⁽⁵⁾⁽⁶⁾⁽⁸⁾	Energy: Electricity	-	171	-	-	-	-	171	500	-	-
Kleen-Tech Acquisition, LLC ⁽¹⁾⁽²⁾⁽⁵⁾⁽⁶⁾	Services: Business	1,612	-	-	-	(312)	-	1,300	250,000	-	-
Northeast Metal Works LLC ⁽¹⁾⁽²⁾⁽⁵⁾	Metals & Mining	12,280	476	(10)	-	699	-	13,445	14,551	1,455	-
Northeast Metal Works LLC ⁽¹⁾⁽²⁾⁽⁵⁾⁽⁶⁾	Metals & Mining	-	-	-	-	-	-	-	2,368	-	-
BMP Slaphey Holdco, LLC ⁽¹⁾⁽²⁾⁽⁵⁾⁽⁶⁾	Telecommunications	492	-	-	-	(28)	-	464	200,000	-	-
BMP Slaphey Investment II ⁽¹⁾⁽²⁾⁽⁵⁾⁽⁶⁾	Telecommunications	219	-	-	-	(13)	-	206	88,946	-	-
Surge Hippodrome Partners LP ⁽¹⁾⁽²⁾⁽⁵⁾⁽⁶⁾	Services: Business	336	-	-	-	475	-	811	185	-	-
Surge Hippodrome Holdings LLC ⁽¹⁾⁽²⁾⁽⁵⁾⁽⁶⁾	Services: Business	201	-	-	-	283	-	484	10	-	-
Surge Hippodrome Holdings LLC ⁽¹⁾⁽²⁾⁽⁵⁾	Services: Business	5,160	-	207	-	(202)	-	5,165	5,460	582	-
YTK Acquisition, Inc. ⁽¹⁾⁽²⁾ ₍₅₎	Capital Equipment	1,531	(1,536)	33	-	(28)	-	-	-	57	-
YTK Acquisition, Inc. ⁽¹⁾⁽²⁾ ₍₅₎	Capital Equipment	2,598	(2,628)	110	-	(80)	-	-	-	107	-
YTK Acquisition, Inc. ⁽¹⁾⁽²⁾ ₍₅₎₍₆₎	Capital Equipment	535	(369)	-	-	(284)	118	-	-	-	-

Navex Topco, Inc. ⁽¹⁾⁽²⁾⁽⁵⁾	Electronics	7,609	-	84	-	(89)	-	7,604	7,700	680	-
Zest Acquisition Corp. ⁽¹⁾⁽²⁾⁽³⁾	Healthcare, Education and Childcare	3,480	-	3	-	(93)	-	3,390	3,500	319	-
Total Non-controlled affiliates		<u>\$ 74,142</u>	<u>\$ 883</u>	<u>\$ 427</u>	<u>\$ -</u>	<u>\$ (1,428)</u>	<u>\$ (197)</u>	<u>\$ 73,827</u>		<u>\$ 3,240</u>	<u>\$ 4,450</u>
Total Affiliated Investments		<u>\$ 97,503</u>	<u>\$ 2,814</u>	<u>\$ 427</u>	<u>\$ 4,262</u>	<u>\$ (12,029)</u>	<u>\$ (197)</u>	<u>\$ 92,780</u>		<u>\$ 3,421</u>	<u>\$ 8,591</u>

- (1) Fair value of this investment was determined using significant unobservable inputs.
- (2) Qualified asset for purposes of section 55(a) of the Investment Company Act of 1940.
- (3) As defined in the 1940 Act, the Company is deemed to be both an "Affiliated Person" and has "Control" of this portfolio company as the Company owns more than 25% of the portfolio company's outstanding voting securities or has the power to exercise control over management or policies of such portfolio company securities or has the power to exercise control over management or policies of such portfolio company (including through a management agreement). Other than for purposes of the 1940 Act, the Company does not believe that it has control over this portfolio company.
- (4) As defined in the 1940 Act, the Company is deemed to be both an "Affiliated Person" and has "Control" of this portfolio company as the Company owns more than 25% of the portfolio company's outstanding voting securities or has the power to exercise control over management or policies of such portfolio company.
- (5) Under the 1940 Act, the Company is deemed to be an "Affiliated Person" of, as defined in the 1940 Act, this portfolio company as the Company owns at least 5% of the portfolio company's outstanding voting securities or is under common control with such portfolio company.
- (6) Number of shares held.
- (7) Ownership of LP interest held through the holding company BCP Great Lakes Fund, L.P, a non-U.S. company or principal place of business outside the U.S.
- (8) Security has an unfunded commitment in addition to the amounts shown in the Consolidated Schedule of Investments. See Note 8 for additional information on the Company's commitments and contingencies.

The following table details investments in affiliates at December 31, 2021 (in thousands):

(\$ in thousands)	Industry Classification	Fair Value of December 31, 2020	Purchases/(Sales) of or Advances/(Distributions)	Net Accretion	Transfers In/(Out) of Affiliates	Net Change in Unrealized Gain/(Loss)	Realized Gain/(Loss)	Fair Value of December 31, 2021	Principal / Shares at December 31, 2021	Interest Income	Dividend Income
Asset Manager Affiliates⁽¹⁾⁽²⁾											
⁽³⁾ Asset Management Company		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Tank Partners Equipment Holdings, LLC ⁽¹⁾⁽²⁾⁽³⁾⁽⁶⁾	Energy: Oil & Gas	-	-	-	-	-	-	-	49,000	-	-
Tank Partners Equipment Holdings, LLC ⁽¹⁾⁽²⁾⁽³⁾	Energy: Oil & Gas	208	0	-	-	(164)	-	43	511	-	-
Flight Lease VII ⁽¹⁾⁽²⁾⁽⁴⁾⁽⁶⁾	Aerospace and Defense	-	280	-	-	(24)	-	256	1,938	-	-
KCAP Freedom 3, LLC ⁽¹⁾⁽³⁾	Joint Venture	19,749	2,500	-	-	813	-	23,062	27,220	-	5,170
Total controlled affiliates		\$ 19,957	\$ 2,780	\$ -	\$ -	\$ 625	\$ -	\$ 23,361	27,782	\$ -	\$ 5,170
Non-controlled affiliates											
BCP Great Lakes Holdings LP ⁽⁵⁾⁽⁷⁾	Joint Venture	\$ 29,600	\$ 6,933	-	-	\$ 879	-	\$ 37,412	36,950	\$ -	\$ 4,006
Flight Lease XII ⁽¹⁾⁽²⁾⁽⁵⁾⁽⁶⁾	Aerospace and Defense	-	530	-	-	147	-	677	1,000	-	-
Kleen-Tech Acquisition, LLC ⁽¹⁾⁽²⁾⁽⁵⁾⁽⁶⁾	Services: Business	-	1,264	-	-	347	-	1,612	250,000	-	-
Northeast Metal Works LLC ⁽¹⁾⁽²⁾⁽⁵⁾	Metals & Mining	-	11,944	2,141	-	(1,805)	-	12,280	14,074	802	-
Northeast Metal Works LLC ⁽¹⁾⁽²⁾⁽⁵⁾⁽⁶⁾	Metals & Mining	-	-	-	-	-	-	-	2,368	-	-
BMP Slappy Holdco, LLC ⁽¹⁾	Telecommunications	-	467	-	-	25	-	492	200,000	-	-
BMP Slappy Holdco, LLC ⁽¹⁾	Telecommunications	-	208	-	-	11	-	219	88,946	-	-
Surge Hippodrome Holdings LLC ⁽¹⁾⁽²⁾⁽⁵⁾⁽⁶⁾	Services: Business	-	425	-	-	(89)	-	336	185	-	-
Surge Hippodrome Holdings LLC ⁽¹⁾⁽²⁾⁽⁵⁾⁽⁶⁾	Services: Business	-	159	-	-	42	-	201	10	-	-
Surge Hippodrome Holdings LLC ⁽¹⁾⁽²⁾⁽⁵⁾	Services: Business	-	4,809	117	-	235	-	5,160	5,460	422	-
VTK Acquisition, Inc. ⁽¹⁾⁽²⁾⁽⁵⁾	Capital Equipment	-	1,429	75	-	28	-	1,531	1,536	59	-
VTK Acquisition, Inc. ⁽¹⁾⁽²⁾⁽⁵⁾	Capital Equipment	-	2,259	259	-	80	-	2,598	2,625	130	-
VTK Acquisition, Inc. ⁽¹⁾⁽²⁾⁽⁵⁾⁽⁶⁾	Capital Equipment	-	251	-	-	284	-	535	90	-	-
Navex Topco, Inc. ⁽²⁾⁽⁵⁾	Electronics	7,488	-	84	-	36	-	7,609	7,700	555	-
Zest Acquisition Corp. ⁽¹⁾⁽²⁾⁽⁵⁾	Healthcare, Education and Childcare	3,291	-	3	-	185	-	3,480	3,500	294	-
GIG Rooster Holdings I, LLC ⁽²⁾⁽⁵⁾	Energy: Oil & Gas	123	(139)	-	-	(123)	139	-	-	-	-
Total Non-controlled affiliates		\$ 40,503	\$ 30,539	\$ 2,679	\$ -	\$ 282	\$ 139	\$ 74,142	72,387	\$ 2,262	\$ 4,006
Total Affiliated Investments		\$ 60,460	\$ 33,319	\$ 2,679	\$ -	\$ 907	\$ 139	\$ 97,503	100,169	\$ 2,262	\$ 9,176

(1) Fair value of this investment was determined using significant unobservable inputs.

- (2) Qualified asset for purposes of section 55(a) of the Investment Company Act of 1940.
- (3) As defined in the 1940 Act, the Company is deemed to be both an "Affiliated Person" and has "Control" of this portfolio company as the Company owns more than 25% of the portfolio company's outstanding voting securities or has the power to exercise control over management or policies of such portfolio company securities or has the power to exercise control over management or policies of such portfolio company (including through a management agreement). Other than for purposes of the 1940 Act, the Company does not believe that it has control over this portfolio company.
- (4) As defined in the 1940 Act, the Company is deemed to be both an "Affiliated Person" and has "Control" of this portfolio company as the Company owns more than 25% of the portfolio company's outstanding voting securities or has the power to exercise control over management or policies of such portfolio company.
- (5) Under the 1940 Act, the Company is deemed to be an "Affiliated Person" of, as defined in the 1940 Act, this portfolio company as the Company owns at least 5% of the portfolio company's outstanding voting securities or is under common control with such portfolio company.
- (6) Number of shares held.
- (7) Ownership of LP interest held through the holding company BCP Great Lakes Fund, L.P, a non-U.S. company or principal place of business outside the U.S.

Investment in Joint Ventures:

For the years ended December 31, 2022, 2021 and 2020, the Company recognized \$8.6 million, \$9.2 million and \$6.9 million, respectively, in investment income from its investments in Joint Ventures. As of December 31, 2022 and December 31, 2021, the aggregate fair value of the Company's investments in Joint Ventures was approximately \$59.0 million and \$60.5 million, respectively.

KCAP Freedom 3 LLC

During the third quarter of 2017, the Company and Freedom 3 Opportunities LLC ("Freedom 3 Opportunities"), an affiliate of Freedom 3 Capital LLC, entered into an agreement to create KCAP Freedom 3 LLC (the "F3C Joint Venture"). The Company and Freedom 3 Opportunities contributed approximately \$37 million and \$25 million, respectively, in assets to the F3C Joint Venture, which in turn used the assets to capitalize a new fund, Great Lakes KCAP F3C Senior Funding L.L.C. (formerly known as KCAP F3C Senior Funding, L.L.C.) (the "Fund") managed by KCAP Management, LLC, one of the Asset Manager Affiliates. In addition, the Fund used cash on hand and borrowings under a credit facility to purchase approximately \$184 million of primarily middle-market loans from us and we used the proceeds from such sale to redeem approximately \$147 million in debt issued by KCAP Senior Funding I, LLC ("KCAP Senior Funding"). The Fund invests primarily in middle-market loans and the F3C Joint Venture partners may source middle-market loans from time-to-time for the Fund.

During the fourth quarter of 2017, the Fund was refinanced through the issuance of senior and subordinated notes. The F3C Joint Venture purchased 100% of the subordinated notes issued by the Fund. In connection with the refinancing, the F3C Joint Venture made a cash distribution to the Company of approximately \$12.6 million. \$11.8 million of this distribution was a return of capital, reducing the cost basis of its investment in the F3C Joint Venture by that amount. The final determination of the tax attributes of distributions from the F3C Joint Venture is made on an annual (full calendar year) basis at the end of the year, therefore, any estimate of tax attributes of distributions made on an interim basis may not be representative of the actual tax attributes of distributions for the full year.

The Company owns a 62.8% equity investment in the F3C Joint Venture. The F3C Joint Venture is structured as an unconsolidated Delaware limited liability company. All portfolio and other material decisions regarding the F3C Joint Venture must be submitted to its board of managers, which is comprised of four members, two of whom were selected by the Company and two of whom were selected by Freedom 3 Opportunities, and must be approved by at least one member appointed by the Company and one appointed by Freedom 3 Opportunities. In addition, certain matters may be approved by the F3C Joint Venture's investment committee, which is comprised of one member appointed by the Company and one member appointed by Freedom 3 Opportunities.

In connection with the Externalization, during the first quarter of 2019, KCAP Management agreed to waive management fees it is otherwise entitled to receive for managing the Fund. In addition, the F3C Joint Venture was restructured such that the Company is now entitled to receive a preferred distribution in an amount equal to the fees waived by KCAP Management. The impact of these transactions was a reduction in the fair value of the Asset Manager Affiliates and an increase in the fair value of the Company's investment in the F3C Joint Venture during the first quarter of 2019. The reduction in the fair value of the Asset Manager Affiliates was recognized as a realized loss on the consolidated statement of operations. The increase in the fair value of the Company's investment in the F3C Joint Venture was recognized as an unrealized gain in the consolidated statement of operations.

The Company has determined that the F3C Joint Venture is an investment company under Accounting Standards Codification ("ASC"), Financial Services — Investment Companies ("ASC 946"), however, in accordance with such guidance, the Company will generally not consolidate its investment in a company other than a wholly owned investment company subsidiary or a controlled operating company whose business consists of providing services to the Company. The Company does not consolidate its interest in the F3C Joint Venture because the Company does not control the F3C Joint Venture due to allocation of the voting rights among the F3C Joint Venture partners. As of December 31, 2022, the F3C Joint Venture is not considered to be a significant subsidiary under Rule 3-09 and therefore summarized financial information for the period has not been included. Summarized financial information for the years ended December 31, 2021 and December 31, 2020 have been included for comparative purposes.

KCAP Freedom 3 LLC Summarized Statements of Financial Condition (in thousands)

	<u>As of December 31, 2021</u>	
Cash	\$	-
Investment at fair value		35,841
Total Assets	\$	35,841
Total Liabilities	\$	164
Total Equity	\$	35,677
Total Liabilities and Equity	\$	35,841

KCAP Freedom 3 LLC Summarized Statements of Operations (in thousands)

	<u>For the Year Ended December 31,</u>			
	<u>2021</u>		<u>2020</u>	
Investment income	\$	7,274	\$	5,006
Operating expenses		67		72
Net investment income		7,207		4,934
Unrealized appreciation on investments		2,577		(518)
Net income	\$	9,784	\$	4,416

KCAP Freedom 3 LLC
Schedule of Investments
December 31, 2021
(in thousands)

Portfolio Company	Investment	Percentage Ownership by Joint Venture	Amortized Cost	Fair Value
Great Lakes KCAP F3C Senior, LLC ⁽¹⁾⁽²⁾	Subordinated Securities, effective interest 21.3%, 12/29 maturity	100.0%	\$ 40,847	\$ 35,841
Total Investments			\$ 40,847	\$ 35,841

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

(2) Fair value of this investment was determined using significant unobservable inputs, including default rates, prepayment rates, spreads, and the discount rate by which to value the resulting cash flows.

Series A – Great Lakes Funding II LLC

In August 2022, the Company invested in Series A – Great Lakes Funding II LLC (the “Great Lakes II Joint Venture,” collectively with the F3C Joint Venture the “Joint Ventures”), a joint venture with an investment strategy to underwrite and hold senior, secured unitranche loans made to middle-market companies. The Company treats its investment in the Great Lakes II Joint Venture as a joint venture since an affiliate of the Adviser controls a 50% voting interest in the Great Lakes II Joint Venture. In connection with the launch of the Great Lakes II Joint Venture, the Company entered into a series of transactions pursuant to which the Company’s prior investment in BCP Great Lakes Holdings LP, a vehicle formed as a co-investment vehicle to facilitate the participation of certain co-investors to invest, directly or indirectly, in BCP Great Lakes Funding, LLC (the “Prior Great Lakes Joint Venture”), and the corresponding assets held by the Prior Great Lakes Joint Venture in respect of the Company’s investment in BCP Great Lakes Holdings LP, were transferred to the Great Lakes II Joint Venture in complete redemption of the Company’s investment in BCP Great Lakes Holdings LP.

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

The fair value of the Company’s investment in the Great Lakes II Joint Venture at December 31, 2022 was \$40.3 million. The fair value of the Company’s investment in the Prior Great Lakes Joint Venture at December 31, 2021 was \$37.4 million. Fair value has been determined utilizing the practical expedient pursuant to ASC 820-10. Pursuant to the terms of the Great Lakes II LLC Agreement, the Company generally may not effect any direct or indirect sale, transfer, assignment, hypothecation, pledge or other disposition of or encumbrance upon its interests in the Great Lakes II Joint Venture, except that the Company may sell or otherwise transfer its interests with the consent of the managing members of the Great Lakes II Joint Venture or to an affiliate or a successor to substantially all of the assets of the Company.

As of December 31, 2022, the Company has a \$8.0 million unfunded commitment to the Great Lakes II Joint Venture. As of December 31, 2021, the Company had a \$13.0 million unfunded commitment to the Prior Great Lakes Joint Venture.

Fair Value Measurements

The Company follows the provisions of ASC 820: Fair Value, which among other matters, requires enhanced disclosures about investments that are measured and reported at fair value. This standard defines fair value and establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value and expands disclosures about assets and liabilities measured at fair value. ASC 820: Fair Value defines “fair value” as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This fair value definition focuses on an exit price in the principle, or most advantageous market, and prioritizes, within a measurement of fair value, the use of market-based inputs (which may be weighted or adjusted for relevance, reliability and specific attributes relative to the subject investment) over entity-specific inputs. Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

ASC 820: Fair Value establishes the following three-level hierarchy, based upon the transparency of inputs to the fair value measurement of an asset or liability as of the measurement date:

Level I – Unadjusted quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include listed equities and listed securities. As required by ASC 820: Fair Value, the Company does not adjust the quoted price for these investments, even in situations where the Company holds a large position and a sale could reasonably affect the quoted price.

Level II – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date. Such inputs may be quoted prices for similar assets or liabilities, quoted markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full character of the financial instrument, or inputs that are derived principally from, or corroborated by, observable market information. Investments which are generally included in this category include illiquid debt securities and less liquid, privately held or restricted equity securities for which some level of recent trading activity has been observed.

Level III – Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs may be based on the Company’s own assumptions about how market participants would price the asset or liability or may use Level II inputs, as adjusted, to reflect specific investment attributes relative to a broader market assumption. These inputs into the determination of fair value may require significant management judgment or estimation. Even if observable market data for comparable performance or valuation measures (earnings multiples, discount rates, other financial/valuation ratios, etc.) are available, such investments are grouped as Level III if any significant data point that is not also market observable (private company earnings, cash flows, etc.) is used in the valuation methodology.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and the Company considers factors specific to the investment. A majority of the Company’s investments are classified as Level III. The Company evaluates the source of inputs, including any markets in which its investments are trading, in determining fair value. Inputs that are highly correlated to

the specific investment being valued and those derived from reliable or knowledgeable sources will tend to have a higher weighting in determining fair value. The Company's fair value determinations may include factors such as an assessment of each underlying investment, its current and prospective operating and financial performance, consideration of financing and sale transactions with third parties, expected cash flows and market-based information, including comparable transactions, performance factors, and other investment or industry specific market data, among other factors.

The following table summarizes the fair value of investments by fair value hierarchy levels provided by ASC 820: Fair Value as of December 31, 2022 and December 31, 2021, respectively:

(\$ in thousands)	As of December 31, 2022				
	Level I	Level II	Level III	NAV	Total
Debt securities	\$ -	\$ 65,021	\$ 410,144	\$ -	\$ 475,165
Equity securities	-	-	21,905	-	21,905
CLO Fund securities	-	-	20,453	-	20,453
Joint Ventures	-	-	18,668	40,287	58,955
Derivatives	-	-	-	-	-
Total	\$ -	\$ 65,021	\$ 471,170	\$ 40,287	\$ 576,478

(\$ in thousands)	As of December 31, 2021				
	Level I	Level II	Level III	NAV	Total
Debt securities	\$ -	\$ 42,861	\$ 392,432	\$ -	\$ 435,293
CLO Fund securities	-	-	31,632	-	31,632
Equity securities	1,594	-	20,992	-	22,586
Joint Ventures	-	-	23,062	37,412	60,474
Derivatives	-	-	(2,412)	-	(2,412)
Total	\$ 1,594	\$ 42,861	\$ 465,706	\$ 37,412	\$ 547,573

As a BDC, the Company is required to invest primarily in the debt and equity of non-public companies for which there is little, if any, market-observable information. As a result, a significant portion of the Company's investments at any given time will likely be deemed Level III investments. Investment values derived by a third party pricing service are generally deemed to be Level III values. For those that have observable trades, the Company considers them to be Level II.

The fair value of the Company's investment in the Great Lakes II Joint Venture at December 31, 2022 was \$40.3 million. The fair value of the Company's investment in the Prior Great Lakes Joint Venture at December 31, 2021 was \$37.4 million. Fair value has been determined utilizing the practical expedient pursuant to ASC 820-10.

Subject to the limitations noted above, values derived for debt and equity securities using comparable public/private companies generally utilize market-observable data from such comparables and specific, non-public and non-observable financial measures (such as earnings or cash flows) for the private, underlying company/issuer. Such non-observable company/issuer data is typically provided on a monthly or quarterly basis, is certified as correct by the management of the company/issuer and/or audited by an independent accounting firm on an annual basis. Since such private company/issuer data is not publicly available it is not deemed market-observable data and, as a result, such investment values are grouped as Level III assets.

The Company's policy for determining transfers between levels is based solely on the previously defined three-level hierarchy for fair value measurement. Transfers between the levels of the fair value hierarchy are separately noted in the tables below and the reason for such transfer described in each table's respective footnotes. Certain information relating to investments measured at fair value for which the Company has used unobservable inputs to determine fair value is as follows:

(\$ in thousands)	Year Ended December 31, 2022					
	Debt Securities	Equity Securities	CLO Fund Securities	Joint Ventures	Derivatives	Total
Balance, December 31, 2021	\$ 392,432	\$ 20,992	\$ 31,632	\$ 23,062	\$ (2,412)	\$ 465,706
Transfers out of Level III ¹	(14,172)	-	-	-	-	(14,172)
Transfers into Level III ²	3,815	-	-	-	-	3,815
Net accretion	9,054	-	4,044	-	-	13,098
Purchases	146,017	6,861	-	-	-	152,878
Sales/Paydowns/Return of Capital	(108,369)	(4,696)	(6,194)	-	2,075	(117,184)
Total realized gain (loss) included in earnings	(15,763)	1,257	(14,762)	-	(2,095)	(31,363)
Change in unrealized gain (loss) included in earnings	(2,870)	(2,509)	5,733	(4,394)	2,432	(1,608)
Balance, December 31, 2022	\$ 410,144	\$ 21,905	\$ 20,453	\$ 18,668	\$ -	\$ 471,170
Changes in unrealized gains (losses) included in earnings related to investments still held at reporting date	\$ (15,256)	\$ (2,250)	\$ 3,315	\$ (4,394)	\$ (10)	\$ (18,595)

(1) Transfers out of Level III represent a transfer of \$14.2 million relating to debt securities for which pricing inputs, other than their quoted prices in active markets were observable as of December 31, 2022.

(2) Transfers into Level III represent a transfer of \$3.8 million relating to debt securities for which pricing inputs, other than their quoted prices in active markets were unobservable as of December 31, 2022.

Year Ended December 31, 2021

(\$ in thousands)	Debt Securities	Equity Securities	CLO Fund Securities	Joint Ventures	Derivatives	Total
Balance, December 31, 2020	\$ 334,245	\$ 12,537	\$ 19,583	\$ 19,749	\$ (1,109)	\$ 385,005
Transfers out of Level III ¹	(10,938)	2	-	-	-	(10,936)
Transfers into Level III ²	21,522	-	-	-	-	21,522
Net accretion	23,906	-	4,754	-	-	28,660
Purchases	274,406	9,000	18,077	2,500	-	303,983
Sales/Paydowns/Return of Capital	(232,167)	(4,738)	(11,675)	-	(880)	(249,460)
Total realized gain (loss) included in earnings	568	(2,176)	(5,323)	-	880	(6,051)
Change in unrealized gain (loss) included in earnings	(19,110)	6,367	6,216	813	(1,303)	(7,017)
Balance, December 31, 2021	<u>\$ 392,432</u>	<u>\$ 20,992</u>	<u>\$ 31,632</u>	<u>\$ 23,062</u>	<u>\$ (2,412)</u>	<u>\$ 465,706</u>
Changes in unrealized gains (losses) included in earnings related to investments still held at reporting date	<u>\$ (8,356)</u>	<u>\$ 3,355</u>	<u>\$ 893</u>	<u>\$ 813</u>	<u>\$ (1,303)</u>	<u>\$ (4,597)</u>

(1) Transfers out of Level III represent a transfer of \$10.9 million relating to debt securities for which pricing inputs, other than their quoted prices in active markets were observable as of December 31, 2021.

(2) Transfers into Level III represent a transfer of \$21.5 million relating to debt securities for which pricing inputs, other than their quoted prices in active markets were unobservable as of December 31, 2021.

As of December 31, 2022 and December 31, 2021, the Company's Level II portfolio investments were valued by a third party pricing services for which the prices are not adjusted and for which inputs are observable or can be corroborated by observable market data for substantially the full character of the financial instrument, or by inputs that are derived principally from, or corroborated by, observable market information. The fair value of the Company's Level II portfolio investments was \$65.0 million and \$42.9 million as of December 31, 2022 and December 31, 2021, respectively.

As of December 31, 2022, the Company's Level III portfolio investments had the following valuation techniques and significant inputs:

Type	Fair Value	Primary Valuation Techniques	Unobservable Inputs	Range of Inputs (Weighted Average)
Debt Securities	\$ 10,142	Enterprise Value	Average EBITDA Multiple	14.5x
			Recovery Rate Multiple	0.1x
	387,805	Income Approach	Average Revenue Multiple	0.3x
			Implied Discount Rate	5.4%-28.6% (12.2%)
12,197	Recent Transaction	Implied Discount Rate	11.9%-13.2% (13.0%)	
Equity Securities	20,221	Enterprise Value	Average EBITDA Multiple / WACC	0.4x-15.8x (6.73x)
			Recovery Rate	0.3x
	1,013	Income Approach	Implied Discount Rate	15.0%-19.3% (15.0%)
671	Recent Transaction	Implied Discount Rate	12.40%	
CLO Fund Securities	20,453	Discounted Cash Flow	Discount Rate	19.9%-25.5% (22.3%)
			Probability of Default	1.5%-2.5% (1.9%)
			Recovery Rate	65.0%-75.0% (70.0%)
			Prepayment Rate	15.0%-25.0% (20.0%)
Joint Ventures	18,668	Discounted Cash Flow	Discount Rate	22.1%-23.7% (22.9%)
			Probability of Default	2.8%-3.3% (3%)
			Recovery Rate	65.0%-75.0% (70.0%)
			Prepayment Rate	15.0%-25.0% (20.0%)
Derivatives	-	Enterprise Value	Average EBITDA Multiple	3.0x
Total Level III Investments	\$ 471,170			

As of December 31, 2021, the Company's Level III portfolio investments had the following valuation techniques and significant inputs:

Type	Fair Value	Primary Valuation Techniques	Unobservable Inputs	Range of Inputs (Weighted Average)
Debt Securities	\$ 24,513	Enterprise Value	Average EBITDA Multiple	0.0x-8.0x (4.3x)
			Recovery Rate Multiple	0.1x-0.1x (0.1x)
367,919	Income Approach	Implied Discount Rate	0%-26.8% (8.9%)	
Equity Securities	12,874	Enterprise Value	Average EBITDA Multiple / WACC	0.0x-12.5x (8.7x)
			Recovery Rate Multiple	0.0x-0.0x (0.0x)
8,118	Income Approach	Implied Discount Rate	10.7%-18.8% (17.2%)	
CLO Fund Securities	31,632	Discounted Cash Flow	Discount Rate	13.0%-20.1% (16.6%)
			Probability of Default	1.5%-2.0% (1.8%)
			Loss Severity	25.0%-35.0% (30.0%)
			Recovery Rate	65.0%-75.0% (70.0%)
			Prepayment Rate	15.0%-25.0% (20.0%)
Joint Ventures	23,062	Discounted Cash Flow	Discount Rate	14.5%-16.0% (15.3%)
			Probability of Default	2.5%-3.0% (2.8%)
			Loss Severity	25.0%-35.0% (30.0%)
			Recovery Rate	65.0%-75.0% (70.0%)
Prepayment Rate	15.0%-25.0% (20.0%)			
Derivatives	(2,412)	Market Approach	Transacted Value/Contractual Financing Rate	
Total Level III Investments	\$ 465,706			

The significant unobservable inputs used in the fair value measurement of the Company's debt securities may include, among other things, broad market indices, the comparable yields of similar investments in similar industries, effective discount rates, average EBITDA multiples, and weighted average cost of capital. Significant increases or decreases in such comparable yields would result in a significantly lower or higher fair value measurement, respectively.

The significant unobservable inputs used in the fair value measurement of the Company's equity securities include the EBITDA multiple of similar investments in similar industries and the weighted average cost of capital. Significant increases or decreases in such inputs would result in a significantly lower or higher fair value measurement.

Significant unobservable inputs used in the fair value measurement of the Company's CLO Fund Securities include default rates, recovery rates, prepayment rates, spreads, and the discount rate by which to value the resulting underlying cash flows. Such assumptions can vary significantly, depending on market data sources which often vary in depth and level of analysis, understanding of the CLO market, detailed or broad characterization of the CLO market and the application of such data to an appropriate framework for analysis. The application of data points are based on the specific attributes of each individual CLO Fund Security's underlying assets, historic, current and prospective performance, vintage, and other quantitative and qualitative factors that would be evaluated by market participants. The Company evaluates the source of market data for reliability as an indicative market input, consistency amongst other inputs and results and also the context in which such data is presented. Significant increases or decreases in probability of default and loss severity inputs in isolation would result in a significantly lower or higher fair value measurement, respectively. In general, a change in the assumption of the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity in an event of default. Significant increases or decreases in the discount rate in isolation would result in a significantly lower or higher fair value measurement.

The Company's investment in the F3C Joint Venture is carried at fair value based upon the fair value of the investments held by the F3C Joint Venture.

The Company values derivative contracts using various pricing models that take into account the terms of the contract (including notional amount and contract maturity) and observable and unobservable inputs such as interest rates and changes in fair value of the reference asset.

The following table details derivative investments at December 31, 2022 and December 31, 2021:

Types of contracts	December 31, 2022			
	Notional amounts	Derivative assets (liabilities)	Realized gain(loss)	Unrealized gain(loss)
Call option ⁽²⁾	\$ 8	\$ -	\$ -	\$ (10)
Put option ⁽²⁾	563	-	-	-
Securities Swap and Option Agreement ⁽¹⁾	-	-	(2,095)	2,422
Total	<u>\$ 571</u>	<u>\$ -</u>	<u>\$ (2,095)</u>	<u>\$ 2,412</u>

(1) Net amount included in the derivative caption on the consolidated balance sheets

(2) Net amount included in non-controlled/non-affiliated investments on the consolidated balance sheets

Types of contracts	December 31, 2021			
	Notional amounts	Derivative assets (liabilities) ⁽¹⁾	Realized gain(loss)	Unrealized gain(loss)
Call option	\$ 8	\$ 10	\$ -	\$ (2)
Put option	150	-	-	-
Securities Swap and Option Agreement	5,500	(2,422)	880	(1,301)
Total	<u>\$ 5,658</u>	<u>\$ (2,412)</u>	<u>\$ 880</u>	<u>\$ (1,303)</u>

(1) Net amount included in the derivative caption on the consolidated balance sheets

5. RELATED PARTY TRANSACTIONS

Advisory Agreement

The Adviser provides management services to the Company pursuant to the Advisory Agreement. Under the terms of the Advisory Agreement, the Adviser is responsible for the following:

- managing the Company's assets in accordance with our investment objective, policies and restrictions;
- determining the composition of the Company's portfolio, the nature and timing of the changes to the portfolio and the manner of implementing such changes;
- identifying, evaluating and negotiating the structure of the Company's investments;
- monitoring the Company's investments;
- determining the securities and other assets that the Company will purchase, retain or sell;
- assisting the Board with its valuation of the Company's assets;
- directing investment professionals of the Adviser to provide managerial assistance to the Company's portfolio companies;
- performing due diligence on prospective portfolio companies;
- exercising voting rights in respect of portfolio securities and other investments for the Company;
- serving on, and exercising observer rights for, boards of directors and similar committees of our portfolio companies; and
- providing the Company with such other investment advisory, research and related services as we may, from time to time, reasonably require for the investment of capital.

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

Term

Unless earlier terminated as described below, the Investment Advisory Agreement will remain in effect from year-to-year if approved annually by a majority of the Board or by the holders of a majority of the outstanding shares, and, in each case, a majority of the independent directors.

The Advisory Agreement will automatically terminate within the meaning of the 1940 Act and related Securities and Exchange Commission (“SEC”) guidance and interpretations in the event of its assignment. In accordance with the 1940 Act, without payment of any penalty, we may terminate the Advisory Agreement with the Adviser upon 60 days’ written notice. The decision to terminate the agreement may be made by a majority of the Board or the stockholders holding a majority of the outstanding shares of our common stock. See “Advisory Agreement—Removal of Adviser” below. In addition, without payment of any penalty, the Adviser may generally terminate the Advisory Agreement upon 60 days’ written notice and, in certain circumstances, the Adviser may only be able to terminate the Advisory Agreement upon 120 days’ written notice.

Removal of Adviser

The Adviser may be removed by the Board or by the affirmative vote of a Majority of the Outstanding Shares. “Majority of the Outstanding Shares” means the lesser of (1) 67% or more of the outstanding shares of our common stock present at a meeting, if the holders of more than 50% of the outstanding shares of our common stock are present or represented by proxy or (2) a majority of outstanding shares of our common stock.

Compensation of Adviser

Pursuant to the terms of the Advisory Agreement, the Company pays the Adviser (i) a base management fee (the “Base Management Fee”) and (ii) an incentive fee (the “Incentive Fee”). For the period from the date of the Advisory Agreement (the “Effective Date”) through the end of the first calendar quarter after the Effective Date, the Base Management Fee will be calculated at an annual rate of 1.50% of the Company’s gross assets, excluding cash and cash equivalents, but including assets purchased with borrowed amounts, as of the end of such calendar quarter. Subsequently, the Base Management Fee will be 1.50% of the Company’s average gross assets, excluding cash and cash equivalents, but including assets purchased with borrowed amounts, at the end of the two most recently completed calendar quarters; provided, however, that the Base Management Fee will be 1.00% of the Company’s average gross assets, excluding cash and cash equivalents, but including assets purchased with borrowed amounts, that exceed the product of (i) 200% and (ii) the value of the Company’s net asset value at the end of the most recently completed calendar quarter. The Incentive Fee consists of two parts: (1) a portion based on the Company’s pre-incentive fee net investment income (the “Income-Based Fee”) and (2) a portion based on the net capital gains received on the Company’s portfolio of securities on a cumulative basis for each calendar year, net of all realized capital losses and all unrealized capital depreciation on a cumulative basis, in each case calculated from the Effective Date, less the aggregate amount of any previously paid capital gains Incentive Fee (the “Capital Gains Fee”). The Income-Based Fee is 17.50% of pre-incentive fee net investment income with a 7.00% hurdle rate. The Capital Gains Fee is 17.50%.

Pre-incentive fee net investment income means dividends (including reinvested dividends), interest and fee income accrued by the Company during the calendar quarter, minus operating expenses for the quarter (including the management fee, expenses payable under the administration agreement, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with payment-in-kind (“PIK”) interest and zero coupon securities), accrued income that the Company may not have received in cash. The Adviser is not obligated to return the incentive fee it receives on PIK interest that is later determined to be uncollectible in cash. Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

To determine the income incentive fee, pre-incentive fee net investment income is expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter. Because of the structure of the incentive fee, it is possible that the Company may pay an incentive fee in a calendar quarter in which the Company incurs a loss. For example, if the Company receives pre-incentive fee net investment income in excess of the quarterly hurdle rate, the Company will pay the applicable incentive fee even if the Company has incurred a loss in that calendar quarter due to realized capital losses and unrealized capital depreciation. In addition, because the quarterly hurdle rate is calculated based on our net assets, decreases in the Company’s net assets due to realized capital losses or unrealized capital depreciation in any given calendar quarter may increase the likelihood that the hurdle rate is reached and therefore the likelihood of the Company paying an incentive fee for the subsequent quarter. The Company’s net investment income used to calculate this component of the incentive fee is also included in the amount of the Company’s gross assets used to calculate the management fee because gross assets are total assets (including cash received) before deducting liabilities (such as declared dividend payments).

The second component of the incentive fee, the capital gains incentive fee, payable at the end of each calendar year in arrears, equals 17.50% of cumulative realized capital gains through the end of such calendar year commencing with the calendar year ending December 31, 2019, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, in each case calculated from the Effective Date, less the aggregate amount of any previously paid capital gains incentive fee for prior periods. The Company will accrue, but will not pay, a capital gains incentive fee with respect to unrealized appreciation because a capital gains incentive fee would be owed to the Adviser if the Company were to sell the relevant investment and realize a capital gain. In no event will the capital gains incentive fee payable pursuant to the Investment Advisory Agreement be in excess of the amount permitted by the Investment Advisers Act of 1940, as amended (the “Advisers Act”) including Section 205 thereof.

The fees that are payable under the Investment Advisory Agreement for any partial period will be appropriately prorated.

Limitations of Liability and Indemnification

Under the Advisory Agreement, the Adviser, its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with the Adviser, including without limitation its managing member, will not be liable to the Company for acts or omissions performed in accordance with and pursuant to the Advisory Agreement, except those resulting from acts constituting criminal conduct, gross negligence, willful misfeasance, bad faith or reckless disregard of the duties that the Adviser owes to the Company under the Advisory Agreement. In addition, as part of the Advisory Agreement, the Company has agreed to indemnify the Adviser and each of its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with the Adviser, including without limitation its general partner, and the Administrator from and against any damages, liabilities, costs and expenses, including reasonable legal fees and other expenses reasonably incurred, in or by reason of any pending, threatened or completed action, suit, investigation or other proceeding (including an action or suit by or in the right of the Company or its security holders) arising out of or otherwise based upon the performance of any of the Adviser’s duties or obligations under the Advisory Agreement or otherwise as an investment adviser of the Company, except where attributable to criminal conduct, gross negligence, willful misfeasance, bad faith or reckless disregard of such person’s duties under the Advisory Agreement.

Board Approval of the Advisory Agreement

On December 12, 2018, the then-current Board of the Company held an in-person meeting to consider and approve the Advisory Agreement and related matters, and on April 1, 2019 the Company entered into the Advisory Agreement with the Adviser. The Board most recently determined to re-approve the Advisory Agreement at a meeting held on March 6, 2023. In reaching a decision to re-approve the Advisory Agreement, the Board was provided the information required to consider the Advisory Agreement, including: (a) the nature, quality and extent of the advisory and other services to be provided to the Company by the Adviser; (b) comparative data with respect to advisory fees or similar expenses paid by other BDCs with similar investment objectives; (c) the Company projected operating expenses and expense ratio compared to BDCs with similar investment objectives; (d) any existing and potential sources of indirect income to the Adviser from its relationship with the Company and the profitability of that relationship;

(e) information about the services to be performed and the personnel performing such services under the Advisory Agreement; and (f) the organizational capability and financial condition of the Adviser and its affiliates.

The Board, including a majority of independent directors, will oversee and monitor the Company's investment performance and annual reviews the compensation we pay to the Adviser.

The Company incurred base management fees of \$8.3 million for the year ended December 31, 2022, \$7.9 million for the year ended December 31, 2021, and \$4.6 million for the year ended December 31, 2020. The Company incurred incentive fees of \$6.1 million for the year ended December 31, 2022, \$7.1 million for the year ended December 31, 2021, and \$4.9 million for the year ended December 31, 2020, of which approximately \$557 thousand were waived.

Administration Agreement

Under the terms of the administration agreement (the "Administration Agreement") between the Company and BC Partners Management LLC (the "Administrator"), the Administrator will perform, or oversee the performance of, required administrative services, which includes providing office space, equipment and office services, maintaining financial records, preparing reports to stockholders and reports filed with the SEC, and managing the payment of expenses and the performance of administrative and professional services rendered by others. The Company will reimburse the Administrator for services performed for us pursuant to the terms of the Administration Agreement. In addition, pursuant to the terms of the Administration Agreement, the Administrator may delegate its obligations under the Administration Agreement to an affiliate or to a third party and the Company will reimburse the Administrator for any services performed for it by such affiliate or third party.

Payments under the Administration Agreement are equal to an amount that reimburses the Administrator for its costs and expenses in performing its obligations and providing personnel and facilities (including rent, office equipment and utilities) for the Company's use under the Administration Agreement, including an allocable portion of the compensation paid to the Company's chief compliance officer and chief financial officer and their respective staff who provide services to the Company. The Board, including the independent directors, will review the general nature of the services provided by the Administrator as well as the related cost to the Company for those services and consider whether the cost is reasonable in light of the services provided.

Unless earlier terminated as described below, the Administration Agreement will remain in effect from year-to-year if approved annually by a majority of the Board or by the holders of a Majority of the Outstanding Shares, and, in each case, a majority of the independent directors. On April 1, 2019, the Board approved the Administration Agreement with the Administrator and the Board most recently determined to re-approve the Administration Agreement at a meeting held on March 6, 2023.

The Company may terminate the Administration Agreement, without payment of any penalty, upon 60 days' written notice. The decision to terminate the agreement may be made by a majority of the Board or the stockholders holding a Majority of the Outstanding Shares. In addition, the Adviser may terminate the Administration Agreement, without payment of any penalty, upon 60 days' written notice.

The Company incurred \$3.4 million of Administrative services expense for the year ended December 31, 2022, \$3.2 million for the year ended ending December 31, 2021, and \$1.9 million for the year ended December 31, 2020.

Payment of Expenses under the Advisory and Administration Agreements

Except as specifically provided below, all investment professionals and staffs of the Adviser, when and to the extent engaged in providing investment advisory and management services to the Company, and the compensation and routine overhead expenses (including rent, office equipment and utilities), of such personnel allocable to such services, is provided and paid for by the Adviser. The Company bears an allocable portion of the compensation paid by the Adviser (or its affiliates) to the Company's chief compliance officer and chief financial officer and their respective staffs (based on a percentage of time such individuals devote, on an estimated basis, to our business affairs). The Company also bears all other costs and expenses of our operations, administration and transactions, including, but not limited to (i) investment advisory fees, including management fees and incentive fees, to the Adviser, pursuant to the Advisory Agreement; (ii) an allocable portion of overhead and other expenses incurred by the Adviser (or its affiliates) in performing its administrative obligations under the Advisory Agreement, and (iii) all other expenses of our operations and transactions including, without limitation, those relating to:

- the cost of calculating the Company's net asset value, including the cost of any third-party valuation services;
- the cost of effecting any sales and repurchases of the Company's common stock and other securities;
- fees and expenses payable under any dealer manager or placement agent agreements, if any;
- administration fees payable under the Administration Agreement and any sub-administration agreements, including related expenses;
- debt service and other costs of borrowings or other financing arrangements;
- costs of hedging;
- expenses, including travel expense, incurred by the Adviser, or members of the investment team, or payable to third parties, performing due diligence on prospective portfolio companies and, if necessary, enforcing our rights;
- transfer agent and custodial fees;
- fees and expenses associated with marketing efforts;
- federal and state registration fees, any stock exchange listing fees and fees payable to rating agencies;
- federal, state and local taxes;
- independent directors' fees and expenses including certain travel expenses;
- costs of preparing financial statements and maintaining books and records and filing reports or other documents with the SEC (or other regulatory bodies) and other reporting and compliance costs, including registration and listing fees, and the compensation of professionals responsible for the preparation of the foregoing;
- the costs of any reports, proxy statements or other notices to stockholders (including printing and mailing costs), the costs of any stockholder or director meetings and the compensation of personnel responsible for the preparation of the foregoing and related matters;
- commissions and other compensation payable to brokers or dealers;
- research and market data;

- fidelity bond, directors and officers errors and omissions liability insurance and other insurance premiums;
- direct costs and expenses of administration, including printing, mailing, long distance telephone and staff;
- fees and expenses associated with independent audits, outside legal and consulting costs;
- costs of winding up our affairs;
- costs incurred by either the Administrator or us in connection with administering our business, including payments under the Administration Agreement;
- extraordinary expenses (such as litigation or indemnification);
- costs associated with reporting and compliance obligations under the 1940 Act and applicable federal and state securities laws; and
- costs associated with the Company's legacy lease;

Co-investment Exemptive Relief

As a BDC, the Company is subject to certain regulatory restrictions in making its investments. For example, BDCs generally are not permitted to co-invest with certain affiliated entities in transactions originated by the BDC or its affiliates in the absence of an exemptive order from the SEC. However, BDCs are permitted to, and may, simultaneously co-invest in transactions where price is the only negotiated term.

On October 23, 2018, the SEC issued an order granting an application for exemptive relief to an affiliate of the Adviser that allows BDCs managed by the Adviser, including the Company, to co-invest, subject to the satisfaction of certain conditions, in certain private placement transactions, with other funds managed by the Advisers or its affiliates, including BCP Special Opportunities Fund I LP, BC Partners Lending Corporation, Logan Ridge Finance Corporation and any future funds that are advised by the Adviser or its affiliated investment advisers. Under the terms of the exemptive order, in order for the Company to participate in a co-investment transaction a "required majority" (as defined in Section 57(o) of the 1940 Act) of the Company's independent directors must conclude that (i) the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair to the Company and its stockholders and do not involve overreaching with respect of the Company or its stockholders on the part of any person concerned, and (ii) the proposed transaction is consistent with the interests of the Company's stockholders and is consistent with the Company's investment objectives and strategies and certain criteria established by the Board.

Related Party Trades

For both the year ended December 31, 2022, the Company purchased \$4.0 million in total investments from a fund managed by an affiliate of the Investment Advisor in accordance with, and pursuant to, procedures adopted under Rule 17a-7 of the 1940 Act. There were no transactions subject to Rule 17a-7 under the 1940 Act during the year ended December 31, 2021.

6. BORROWINGS

The Company's debt obligations consist of the following:

(\$ in thousands)	As of December 31, 2022	As of December 31, 2021
2018-2 Secured Notes (net of discount of: 2022 - \$1,226; 2021 - \$1,403)	\$ 176,937	\$ 162,460
4.875% Notes Due 2026 (net of discount of: 2022 - \$1,704; 2021 - \$2,157; net of deferred financing costs of: 2022 - \$818; 2021 - \$951)	105,478	104,892
Great Lakes Portman Ridge Funding LLC Revolving Credit Facility (net of deferred financing costs of: 2022 - \$1,107; 2021 - \$732)	90,893	79,839
	<u>\$ 373,308</u>	<u>\$ 347,191</u>

The weighted average stated interest rate and weighted average maturity on all our debt outstanding as December 31, 2022 of were 6.1% and 5.0 years, respectively, and as of December 31, 2021 were 3.2% and 5.4 years, respectively.

Notes Offering

On April 30, 2021, the Company issued \$80 million in aggregate principal amount of unsecured 4.875% Notes due 2026 (the "4.875% Notes due 2026") in a private placement exempt from registration under the Section 4(a)(2) of the Securities Act. The 4.875% Notes due 2026 were not registered under the Securities Act or any state securities laws and may not be reoffered or resold in the United States absent registration or an applicable exemption from such registration requirements. The net proceeds to the Company were approximately \$77.7 million, after deducting estimated offering expenses. The Company used the net proceeds of the offering to redeem in full its 6.125% Notes due 2022, to make investments in portfolio companies in accordance with its investment objectives, and for general corporate purposes.

On April 30, 2021, the Company and U.S. Bank National Association (the "Trustee") entered into a Supplemental Indenture (the "Third Supplemental Indenture"), which supplements that certain Base Indenture, dated as of October 10, 2012 (as may be further amended, supplemented or otherwise modified from time to time, the "Base Indenture" and, together with the Third Supplemental Indenture, the "Indenture"). The Third Supplemental Indenture relates to the Company's issuance of the 4.875% Notes due 2026.

The 4.875% Notes due 2026 will mature on April 30, 2026 and may be redeemed in whole or in part at the Company's option at any time or from time to time at the redemption prices set forth in the Indenture and bear interest at a rate of 4.875% per year payable semi-annually on March 16 and September 16 of each year, commencing on September 16, 2021. The 4.875% Notes due 2026 are general unsecured obligations of the Company that rank senior in right of payment to all of the Company's existing and future indebtedness that is expressly subordinated in right of payment to the 4.875% Notes due 2026, rank pari passu with all existing and future unsecured unsubordinated indebtedness issued by the Company, rank effectively junior to any of the Company's secured indebtedness (including unsecured indebtedness that the Company later secures) to the extent of the value of the assets securing such indebtedness, and rank structurally junior to all existing and future indebtedness (including trade payables) incurred by the Company's subsidiaries, financing vehicles or similar facilities.

The Indenture contains certain covenants, including covenants requiring the Company to comply with the asset coverage requirements of Sections 18(a)(1)(A) and 18(a)(1)(B) as modified by Section 61(a)(2) of the 1940 Act, whether or not it is subject to those requirements, and to provide financial information to the holders of the Notes and the Trustee if the Company is no longer subject to the reporting requirements under the Exchange Act. Additionally, the Company has agreed to use its commercially

reasonable efforts to maintain a rating of the 4.875% Notes due 2026 from a rating agency, as long as the notes are outstanding. These covenants are subject to important limitations and exceptions that are described in the Indenture.

In addition, on the occurrence of a “change of control repurchase event,” as defined in the Indenture, the Company will generally be required to make an offer to purchase the outstanding notes at a price equal to 100% of the principal amount of such notes plus accrued and unpaid interest to the repurchase date.

Sale of Additional 4.875% Notes due 2026

On June 23, 2021, the Company issued \$28 million in aggregate principal amount of its 4.875% Notes due 2026 (the “New Notes”) in a private placement exempt from registration under the Section 4(a)(2) of the Securities Act. The New Notes have not been registered under the Securities Act or any state securities laws and may not be reoffered or resold in the United States absent registration or an applicable exemption from such registration requirements. The net proceeds to the Company were approximately \$27.4 million, after deducting estimated offering expenses. The Company intends to use the net proceeds of the offering to redeem in full its HCAP Notes (as defined below), make investments in portfolio companies in accordance with its investment objectives, and for general corporate purposes.

The New Notes were issued under the Indenture governing the 4.875% Notes due 2026. The New Notes were issued as “Additional Notes” under the Indenture and have identical terms to Company’s \$80.0 million of aggregate principal amount of 4.875% Notes due 2026 that were issued on April 30, 2021, other than the issue date. The New Notes will be treated as a single class of notes with the Company’s existing 4.875% Notes due 2026 for all purposes under the Indenture.

In connection with the issuance of the 4.875% Notes Due 2026, (including the New Notes) the Company incurred approximately \$2.43 million of original issue discount, and \$1.2 million of debt offering costs, both of which were being amortized over the expected term of the facility on an effective yield method.

Exchange of 4.875% Notes due 2026

On October 5, 2021, the Company filed with the SEC a registration statement relating to an offer to exchange the 4.875% Notes due 2026 for new notes issued by the Company that are registered under the Securities Act (the “Exchange Offer”), which registration statement was declared effective on December 2, 2021. Upon the terms and subject to the conditions in the prospectus relating to the Exchange Offer, the Company accepted any existing 4.875% Notes due 2026 (the “Restricted Notes”) validly tendered and not withdrawn prior to January 3, 2022, the expiration date of the Exchange Offer, and issued new 4.875% Notes due 2026 that have been registered under the Securities Act (the “Exchange Notes”). The form and terms of the Exchange Notes are substantially identical to those of the Restricted Notes, except that the transfer restrictions and registration rights relating to the Restricted Notes do not apply to the Exchange Notes, and the Exchange Notes do not provide for the payment of additional interest in the event of a registration default. In addition, the Exchange Notes bear a different CUSIP number than the Restricted Notes. The Exchange Notes are issued under and entitled to the benefits of the same indenture that authorized the issuance of the Restricted Notes.

On the expiration date of the Exchange Offer, all of the Restricted Notes had been validly tendered, and all of the outstanding Restricted Notes were exchanged for newly issued Exchange Notes.

Fair Value of 4.875% Notes Due 2026.

The 4.875% Notes Due 2026 were issued during the second quarter of 2021 and are carried at cost, net of unamortized discount of approximately \$1.7 million and unamortized offering costs of approximately \$818 thousand as of December 31, 2022. As of December 31, 2021, the 4.875% Notes Due 2026 were carried net of unamortized discount of approximately \$2.2 million and unamortized offering costs of approximately \$951 thousand. The fair value of the Company’s outstanding 4.875% Notes Due 2026 was approximately \$105.5 million at December 31, 2022 and \$104.9 million as of December 31, 2021. The fair value was determined based on the recent transaction price. The 4.875% Notes Due 2026 were categorized as Level II under the ASC 820 Fair Value.

6.125% Notes Due 2022

During the third quarter of 2017, the Company issued \$77.4 million in aggregate principal amount of unsecured 6.125% Notes due 2022 (the 6.125% Notes Due 2022). The net proceeds for these Notes, after the payment of underwriting expenses, were approximately \$74.6 million. Interest on the 6.125% Notes Due 2022 is paid quarterly in arrears on March 30, June 30, September 30 and December 30, at a rate of 6.125%. The 6.125% Notes Due 2022 mature on September 30, 2022 and are unsecured obligations of the Company. The 6.125% Notes Due 2022 are subject to redemption in whole or in part at any time or from time to time, at the option of the Company, on or after September 30, 2019, at a redemption price per security equal to 100% of the outstanding principal amount thereof plus accrued and unpaid interest payments otherwise payable for the then-current quarterly interest period accrued to the date fixed for redemption. The indenture governing the 6.125% Notes Due 2022 contains certain restrictive covenants, including compliance with certain provisions of the 1940 Act related to borrowing and dividends.

For the years ended December 31, 2022, 2021 and 2020, interest expense related to the 6.125% Notes Due 2022 was approximately \$0, \$2.0 million and \$4.7 million, respectively.

Redemption of 6.125% Notes due 2022

On April 30, 2021, Company notified the trustee for the Company’s 6.125% Notes due 2022 of the Company’s election to redeem the \$77.4 million aggregate principal amount of the 6.125% Notes due 2022 outstanding, and instructed the trustee to provide notice of such redemption to the holders of the 6.125% Notes due 2022 in accordance with the terms of the indenture governing the 6.125% Notes due 2022. The redemption was completed on May 30, 2021. Following the redemption, none of the 6.125% Notes due 2022 remain outstanding, and they were delisted from the NASDAQ Global Select Market. In connection with the issuance of the 6.125% Notes Due 2022, the Company incurred approximately \$2.9 million of debt offering costs which were being amortized over the expected term of the facility on an effective yield method. In connection with the anticipated refinancing of the 6.125% Notes Due 2022 during the first quarter of 2021, the Company wrote off approximately \$1.0 million of unamortized debt offering costs which are reflected in Realized Losses on Extinguishment of Debt on the Consolidated Statement of Operations.

During the year ended December 31, 2020, the Company repurchased approximately \$681 thousand of principal amount of the 6.125% Notes Due 2022 at a cost of approximately \$513 thousand, resulting in a realized gain on extinguishment of approximately \$155 thousand. The Company subsequently surrendered these notes to the Trustee for cancellation.

Assumption of HCAP Notes

In connection with the closing of the HCAP Acquisition, on June 9, 2021, the Company entered into the HCAP Third Supplemental Indenture, effective as of the closing of the HCAP Acquisition. The HCAP Third Supplemental Indenture relates to the Company’s assumption of \$28.75 million in aggregate principal amount of HCAP Notes.

Pursuant to the HCAP Third Supplemental Indenture, the Company expressly assumed the due and punctual payment of the principal of (and premium, if any) and interest, if any, on the HCAP Notes and the performance of HCAP’s covenants under the base indenture, dated as of January 27, 2015, by and between HCAP and the Trustee, as supplemented by the second supplemental indenture, dated as of August 24, 2017, by and between HCAP and the Trustee. The HCAP Notes could be redeemed by the Company at any time at par value plus accrued and unpaid interest. No change of control offer was required to be made in respect of the HCAP Notes in connection with the consummation of the HCAP Acquisition.

On June 24, 2021, the Company notified the trustee for the Company's HCAP Notes of the Company's election to redeem the \$28.75 million aggregate principal amount of the HCAP Notes outstanding, and instructed the trustee to provide notice of such redemptions to the holders of such notes in accordance with the terms of the indenture governing the HCAP Notes. The Company completed the redemption on July 23, 2021. Following the redemption, none of the HCAP Notes remain outstanding, and they were delisted from the NASDAQ Global Select Market.

Revolving Credit Facility

On December 18, 2019, Great Lakes Portman Ridge Funding LLC ("GLPRF LLC"), our wholly-owned subsidiary, entered into a senior secured revolving credit facility (the "Revolving Credit Facility") with JPMorgan Chase Bank, National Association ("JPM"). JPM serves as administrative agent, U.S. Bank National Association serves as collateral agent, securities intermediary and collateral administrator, and we serve as portfolio manager under the Revolving Credit Facility.

Advances under the Revolving Credit Facility bear interest at a per annum rate equal to the three-month LIBOR in effect, plus the applicable margin of 2.85% per annum. GLPRF LLC is required to utilize a minimum of 80% of the commitments under the Revolving Credit Facility, after an initial six-month ramp-up period during which a lesser minimum utilization requirement applies. Unused amounts below such minimum utilization amount accrue interest as if such amounts are outstanding as borrowings under the Revolving Credit Facility. In addition, GLPRF LLC will pay a non-usage fee during the first three years after the closing date in an amount not to exceed 0.50% per annum on the average daily unborrowed portion of the financing commitments in excess of such minimum utilization amount.

The initial principal amount of the Revolving Credit Facility is \$115 million. The Revolving Credit Facility has an accordion feature, subject to the satisfaction of various conditions, which could bring total commitments under the Revolving Credit Facility to up to \$215 million. Proceeds from borrowings under the Revolving Credit Facility may be used to fund portfolio investments by GLPRF LLC and to make advances under delayed draw term loans where GLPRF LLC is a lender. All amounts outstanding under the Revolving Credit Facility must be repaid by the maturity date of December 18, 2023.

GLPRF LLC's obligations to the lenders under the Revolving Credit Facility are secured by a first priority security interest in all of GLPRF LLC's portfolio of investments and cash. The obligations of GLPRF LLC under the Revolving Credit Facility are non-recourse to us, and our exposure under the Revolving Credit Facility is limited to the value of our investment in GLPRF LLC. In connection with the Revolving Credit Facility, GLPRF LLC has made certain customary representations and warranties and is required to comply with various covenants, reporting requirements and other customary requirements for similar facilities. The Revolving Credit Facility contains customary events of default for similar financing transactions, including if a change of control of GLPRF LLC occurs or if we are no longer the portfolio manager of GLPRF LLC.

On April 29, 2022, GLPRF LLC amended the Revolving Credit Facility with JPM as administrative agent. The amended agreement replaces three-month SOFR as the benchmark interest rate and reduces the applicable margin to 2.80% per annum from 2.85% per annum. Other amendments include the extension of the reinvestment period and scheduled termination date to April 29, 2025 and April 29, 2026, respectively.

At December 31, 2022, GLPRF LLC was in compliance with all of its debt covenants and \$92.0 million principal amount of borrowings was outstanding under the Revolving Credit Facility. The fair value of GLPRF LLC was approximately \$90.9 million and \$79.8 million at December 31, 2022 and December 31, 2021, respectively, and categorized as Level III under the ASC 820 Fair Value Hierarchy.

For the years ended December 31, 2022, 2021 and 2020 interest expense related to the Revolving Credit Facility were approximately \$4.5 million, \$3.0 million, and \$3.5 million, respectively.

2018-2 Secured Notes

(\$ in thousands)

December 31, 2022	Amortized Carrying Value	Outstanding Principal at Par	Spread	Rating ⁽¹⁾	Stated Maturity ⁽²⁾
2018-2 Secured Notes:					
Class A-1R-R Notes	\$ 25,671	\$ 25,880	LIBOR + 3.3% ⁽³⁾	AAA(sf)	11/20/2029
Class A-1T-R Notes	78,482	78,933	LIBOR + 3.3%	AAA(sf)	11/20/2029
Class A-2-R Notes	54,681	55,100	LIBOR + 4.1%	AA (sf)	11/20/2029
Class B-R Notes	18,103	18,250	LIBOR + 4.9%	A (sf)	11/20/2029
	\$ 176,937	\$ 178,163			

(1) Represents ratings from each of S&P and DBRS for the Class A-1R-R Notes and the Class A-1T-R Notes and from S&P for the Class A-2-R Notes and Class B-R Notes as of the closing of the CLO on October 18, 2018.

(2) The indenture governing our CLO permits the repricing or refinancing of the secured notes after November 20, 2020, which may result in the redemption of the outstanding notes occurring prior to their stated maturity.

(3) Interest may be indexed to either the CP Rate (as defined in the governing indenture) or three-month USD LIBOR.

(\$ in thousands)

December 31, 2021	Amortized Carrying Value	Outstanding Principal at Par	Spread	Rating ⁽¹⁾	Stated Maturity ⁽²⁾
2018-2 Secured Notes:					
Class A-1R-R Notes	\$ 11,487	\$ 11,580	LIBOR + 1.58% ⁽³⁾	AAA(sf)	11/20/2029
Class A-1T-R Notes	78,189	78,932	LIBOR + 1.58%	AAA(sf)	11/20/2029
Class A-2-R Notes	54,681	55,100	LIBOR + 2.45%	AA (sf)	11/20/2029
Class B-R Notes	18,103	18,250	LIBOR + 3.17%	A (sf)	11/20/2029
	\$ 162,460	\$ 163,862			

(1) Represents ratings from each of S&P and DBRS for the Class A-1R-R Notes and the Class A-1T-R Notes and from S&P for the Class A-2-R Notes and Class B-R Notes as of the closing of the CLO on October 18, 2018.

(2) The indenture governing our CLO permits the repricing or refinancing of the secured notes after November 20, 2020, which may result in the redemption of the outstanding notes occurring prior to their stated maturity.

(3) Interest may be indexed to either the CP Rate (as defined in the governing indenture) or three-month USD LIBOR.

October 28, 2020 the Company completed the GARS Acquisition, pursuant to the terms and conditions of the GARS Merger Agreement. In connection therewith, the Company now consolidates the financial statements the 2018-2 CLO a \$420.0 million par value CLO facility. On the date of the transaction the debt assumed was recognized at fair value, resulting in a \$2.4 million discount which is amortized over the remaining term of the borrowings.

The CLO was executed by GF 2018-2 (the “Issuer”) and Portman Ridge Funding 2018-2 LLC (formerly known as Garrison Funding 2018-2 LLC, together with the Issuer, the “Co-Issuers”) who issued \$312.0 million of senior secured notes (collectively referred to as the “2018-2 Secured Notes” individually defined above in the table) and \$108.0 million of subordinated notes (the “2018-2 Subordinated Notes” and, together with the 2018-2 Secured Notes, the “2018-2 Notes”) backed by a diversified portfolio of primarily senior secured loans. The Company owns all \$108.0 million of the 2018-2 Subordinated Notes and \$18.3 million of the Class B-R Notes and serves as collateral manager for the Co-Issuers. The Company is entitled to receive interest from the Class B-R Notes, distributions from the 2018-2 Subordinated Notes and fees for serving as collateral manager in accordance with the CLO’s governing documents and to the extent funds are available for such purposes. However, as a result of retaining all of the 2018-2 Subordinated Notes, the Company consolidates the accounts of the Co-Issuers into its financial statements and all transactions between the Company and the Co-Issuers are eliminated on consolidation. As a result of this consolidation, the 2018-2 Secured Notes issued by the CLO is treated as the Company’s indebtedness, except any 2018-2 Secured Notes owned by the Company, which are eliminated in consolidation. The 2018-2 Notes are scheduled to mature on November 20, 2029, however the Co-Issuers may redeem the 2018-2 Notes on any business day after November 20, 2020. The indenture governing the 2018-2 Notes provides that, to the extent cash is available from cash collections, the holders of the 2018-2 Notes are to receive quarterly interest payments on the 20th day or, if not a business day, the next succeeding business day of February, May, August and November of each year until the stated maturity or earlier redemption. On July 18, 2019, \$25.0 million outstanding of the aggregate \$50.0 million Class A-1R-R Notes available under the CLO converted to Class A-1T-R Notes. On November 18, 2022, the Company drew \$14.3 million of the \$25 million unfunded Class A-1 R-R Notes. The Reinvestment Period ended on November 20, 2022, and the remaining amount of the unfunded Class A-1 R-R Notes terminated.

During the first quarter of 2021, the Company redeemed approximately \$88 million of the 2018-2 Secured Notes. In connection therewith, the Company recognized a realized loss on extinguishment of debt of approximately \$0.9 million.

The fair value of the 2018-2 Notes approximated their carrying value on the consolidated statements of financial condition as of December 31, 2022 and are categorized as Level III under the ASC 820 Fair Value Hierarchy.

Collateralized Loan Obligation Financing Covenants

The documents governing the CLO include three overcollateralization tests which are comprised of the Class A Overcollateralization Test, the Class B Overcollateralization Test and the EoD Overcollateralization Test, each of which are individually defined below.

The documents governing the CLO include two coverage tests applicable to the 2018-2 Secured Notes as of December 31, 2022. The first test compares the amount of interest received on the collateral loans held by 2018-2 CLO to the amount of interest payable on the 2018-2 Secured Notes in respect of the amounts drawn and certain expenses. To meet this first test, at any time, the aggregate amount of interest received on the collateral loans must equal, after the payment of certain fees and expenses, at least 135.0% of the aggregate amount of interest payable on the Class A-1R-R Notes, the Class A-1T-R Notes and the Class A-2-R Notes (collectively, the “Class A-R Notes”) and 125.0% of the interest payable on the Class A-R Notes and Class B-R Notes, taken together.

The second test compares the aggregate assets that serve as collateral for the 2018-2 Secured Notes, or the Total Capitalization, as defined and calculated in accordance with the indenture, to the aggregate outstanding principal amount of the 2018-2 Secured Notes in respect of the amounts drawn. To meet this second test at any time, the Total Capitalization must equal at least (1) 128.0% of the aggregate outstanding principal amount of the Class A-R Notes (“Class A Overcollateralization Test”), and (2) 118.2% of the aggregate principal amount of the Class A-R Notes and Class B-R Notes, taken together (the test in clause (2), the “Class B Overcollateralization Test”).

If the coverage tests are not satisfied with respect to a quarterly payment date, the CLO may be required to apply amounts to the repayment of interest on and principal of the 2018-2 Notes prior to their maturity to the extent necessary to satisfy the applicable coverage tests. As a result, there may be reduced funds available for 2018-2 CLO to make additional investments or to make distributions on the 2018-2 Notes held by the Company. Additionally, compliance was measured on each day collateral loans are purchased, originated or sold and in connection with monthly reporting to the note holders.

Furthermore, if under the second coverage test the Total Capitalization equals 125.0% or less of the aggregate outstanding principal amount on the Class A-1R-R and Class A-1T-R Notes (“EoD Overcollateralization Test”), taken together remained so for ten business days, an event of default would be deemed to have occurred.

As of December 31, 2022, the trustee for the CLO has asserted that the Class A Overcollateralization Test, Class B Overcollateralization, and the EoD Overcollateralization Test were met.

Senior Securities

Information about the Company's senior securities is shown as of the dates indicated in the below table.

Class and Period	Total Amount Outstanding Exclusive of Treasury Securities ⁽¹⁾	Asset Coverage per Unit ⁽²⁾	Involuntary Liquidating Preference per Unit ⁽³⁾	Average Market Value per Unit ⁽⁴⁾
(\$ in thousands)				
Fiscal 2011	\$ 60,000	4,009	-	N/A
Fiscal 2012	101,400	3,050	-	N/A
Fiscal 2013	192,592	2,264	-	N/A
Fiscal 2014	223,885	2,140	-	N/A
Fiscal 2015	208,049	2,025	-	N/A
Fiscal 2016	180,881	2,048	-	N/A
Fiscal 2017	104,407	2,713	-	N/A
Fiscal 2018	103,763	2,490	-	N/A
Fiscal 2019 ⁽⁵⁾	156,978	1,950	-	N/A
Fiscal 2020 ⁽⁶⁾	377,910	1,560	-	N/A
Fiscal 2021 ⁽⁷⁾	352,434	1,780	-	N/A
Fiscal 2022 ⁽⁸⁾	378,163	1,601	-	N/A

(1) Total amount of each class of senior securities outstanding at the end of the period presented.

(2) Asset coverage per unit is the ratio of the carrying value of PTMN's 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.

(3) The amount to which such class of senior security would be entitled upon the involuntary liquidation of the issuer in preference to any security junior to it. The "—" indicates information which the SEC expressly does not require to be disclosed for certain types of senior securities.

(4) Not applicable, except with respect to the 7.375% Notes Due 2019 and the 6.125% Notes Due 2022, as other debt securities are not registered for public trading. For the years ended December 31, 2017, 2016, 2015, 2014, 2013 and for the period from October 17, 2012 (date of issuance) to December 31, 2012, the average market value per \$1,000 of par value of the 7.375% Notes Due 2019 was \$1,016.04, \$1,000.00, \$1,011.96, \$1,037.72, \$1,032.96 and \$1,012.28, respectively. For the years-ended December 31, 2020, 2019 and 2018 and for the period from August 14, 2017 (date of issuance) to December 31, 2017, the average market value per \$1,000 of par value of the 6.125% Notes Due 2022 was \$953.20, \$1,009.93, \$1,009.20 and \$1,006.00, respectively. Average market value is computed by taking the daily average of the closing prices for the period.

(5) As of December 31, 2019, the Total Amount Outstanding Exclusive of Treasury Securities consisted of 6.125% Notes Due 2022 of \$77,407 and Revolving Credit Facilities of \$79,571.

(6) As of December 31, 2020, the Total Amount Outstanding Exclusive of Treasury Securities consisted of 6.125% Notes Due 2022 of \$76,726, Revolving Credit Facilities of \$49,321 and 2018-2 Secured Notes of \$251,863.

(7) As of December 31, 2021, the Total Amount Outstanding Exclusive of Treasury Securities consisted of 4.875% Notes due 2026 of \$108,000, Revolving Credit Facilities of \$80,571 and 2018-2 Secured Notes of \$163,863.

(8) As of December 31, 2022, the Total Amount Outstanding Exclusive of Treasury Securities consisted of 4.875% Notes due 2026 of \$108,000, Revolving Credit Facilities of \$92,000 and 2018-2 Secured Notes of \$178,163.

7. DISTRIBUTABLE TAXABLE INCOME

Effective December 11, 2006, the Company elected to be treated as a RIC under the Code and adopted a December 31 tax-calendar year end. As a RIC, the Company is not subject to federal income tax on the portion of its taxable income and gains distributed currently to its stockholders as a dividend. The Company's quarterly distributions, if any, are determined by the Board. The Company anticipates distributing substantially all of its taxable income and gains, within the Subchapter M rules, and thus the Company anticipates that it will not incur any federal or state income tax at the RIC level. As a RIC, the Company is also subject to a federal excise tax based on distributive requirements of its taxable income on a calendar year basis (e.g., calendar year 2020). Depending on the level of taxable income earned in a tax year, the Company may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income, to the extent required.

The Company may distribute taxable dividends that are payable in cash or shares of its common stock at the election of each stockholder. Under certain applicable provisions of the Code and the Treasury regulations, distributions payable in cash or in shares of stock at the election of stockholders are treated as taxable dividends. The Internal Revenue Service has published guidance with respect to publicly offered RICs indicating that this rule will apply even where the total amount of cash that may be distributed is limited to no more than 20% of the total distribution. Under this guidance, if too many stockholders elect to receive their distributions in cash, the cash available for distribution must be allocated among the stockholders electing to receive cash (with the balance of the distribution paid in stock). If the Company decides to make any distributions consistent with this guidance that are payable in part in its stock, taxable stockholders receiving such dividends will be required to include the full amount of the dividend (whether received in cash, shares of the Company's stock, or a combination thereof) as ordinary income (or as long-term capital gain to the extent such distribution is properly reported as a capital gain dividend) to the extent of the Company's current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of any cash received. If a U.S. stockholder sells the stock it receives in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of the Company's stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, the Company may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of the Company's stockholders determine to sell shares of its stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of the Company's stock.

Book and tax basis differences relating to stockholder dividends and distributions and other permanent book and tax differences are typically reclassified among the Company's capital accounts. In addition, the character of income and gains to be distributed is determined in accordance with income tax regulations that may differ from GAAP; accordingly at calendar years ended December 31, 2020 and 2019, the Company reclassified for book purposes amounts arising from permanent book/tax differences related to the tax treatment of return of capital distributions, non-deductible expenses, investments on non-accrual status, and capital loss carryforwards acquired as the result of the merger, as follows (amounts in thousands, except share and per share amounts):

(\$ in thousands)	Year Ended December 31,		
	2022	2021	2020
Capital in excess of par value	\$ 5,768	\$ 35,573	\$ 144,223
Total distributable (loss) earnings	\$ (5,768)	\$ (35,573)	\$ (144,223)

The following reconciles net increase in net assets resulting from operations to taxable income for the years ended December 31, 2022 and December 31, 2021 (amounts in thousands, except share and per share amounts):

(\$ in thousands)	Year Ended December 31,		
	2022	2021	2020
Net (decrease) increase in net assets resulting from operations	\$ (20,996)	\$ 26,026	\$ 31,573
Tax (provision) benefit on realized and unrealized (gains) losses on investments	786	1,442	-
Net change in unrealized depreciation (appreciation) from investments	17,915	8,443	(6,813)
Net realized losses	31,185	6,093	(7,759)
Book/tax differences on CLO equity investments	72	3,410	(3,527)
Book/tax differences related to mergers and partnership investments	(586)	(23,639)	(5,829)
Other book/tax differences	1,203	939	3,135
Taxable income before deductions for distributions	\$ 29,579	\$ 22,714	\$ 10,779
Taxable income before deductions for distributions per weighted average basic and diluted shares for the period ¹	\$ 3.07	\$ 2.66	\$ 2.16

(1) The Company completed a Reverse Stock Split of 10 to 1 effective August 26, 2021, amounts have been adjusted retroactively to reflect the split.

Dividends from Asset Manager Affiliates are recorded based upon a quarterly estimate of tax-basis earnings and profits of each Asset Manager Affiliate. Distributions in excess of the estimated tax-basis quarterly earnings and profits of each distributing Asset Manager Affiliate are recognized as tax-basis return of capital. The actual tax-basis earnings and profits and resulting dividend and/or return of capital for the year will be determined at the end of the tax year for each distributing Asset Manager Affiliate. For the years ended December 31, 2022 and December 31, 2021, the Asset Manager Affiliates did not make any cash distributions to the Company.

Distributions to shareholders that exceed tax-basis distributable income (tax-basis net investment income and realized gains, if any) are reported as distributions of paid-in capital (i.e. return of capital). The tax character of distributions is made on an annual (full calendar year) basis. The determination of the tax attributes of our distributions is made at the end of the year based upon our taxable income for the full year and the distributions paid during the full year. Therefore, a determination of tax attributes made on a quarterly basis may not be representative of the actual tax attributes of distributions for a full year.

(\$ in thousands)	Year Ended December 31,		
	2022	2021	2020
Distributions paid from:			
Ordinary Income	\$ 24,661	\$ 20,575	\$ 10,694
Return of Capital	-	-	-
Total	\$ 24,661	\$ 20,575	\$ 10,694

As of December 31, 2022 and December 31, 2021, the components of accumulated earnings on tax basis (in thousands) were as follows:

(\$ in thousands)	Year Ended December 31,		
	2022	2021	2020
Capital loss carryforward	(418,937)	(385,880)	(339,584)
Other temporary differences	-	(375)	(370)
Net unrealized depreciation	77,496	69,611	(82,993)

At December 31, 2022, the Company had a net capital loss carryforward of \$419 million to offset net capital gains. This net capital loss carryforward is not subject to expiration. A portion of the Company's capital loss carryovers are subject to an annual use limitation under the Code and related regulations.

The Company has certain taxable subsidiaries which have elected to be taxed as corporations for U.S. tax purposes. For the Company's tax year ended December 31, 2022, the taxable subsidiaries' activity resulted in a provision for income taxes of \$0.8 million. The taxable subsidiaries have, in aggregate, no deferred tax assets and \$2.5 million of deferred tax liabilities. A portion of the taxable subsidiaries' net operating loss and capital loss carryovers are subject to an annual use limitation under the Code and related regulations.

ASC Topic 740 Accounting for Uncertainty in Income Taxes ("ASC 740") provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the consolidated financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. The Company recognizes the tax benefits of uncertain tax positions only where the position is "more likely than not" to be sustained assuming examination by tax authorities. Management has analyzed the Company's tax positions and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for open tax years (the last three fiscal years) or expected to be taken in the Company's current year tax return. The Company identifies its major tax jurisdictions as U.S. Federal and New York State, and the Company is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next 12 months. Management's determinations regarding ASC 740 may be subject to review and adjustment at a later date based upon factors including, but not limited to, an ongoing analysis of tax laws, regulations and interpretations thereof.

8. COMMITMENTS AND CONTINGENCIES

From time-to-time the Company is a party to financial instruments with off-balance sheet risk in the normal course of business in order to meet the needs of the Company's investment in portfolio companies. Such instruments include commitments to extend credit and may involve, in varying degrees, elements of credit risk in excess of amounts recognized on the Company's balance sheet. Prior to extending such credit, the Company attempts to limit its credit risk by conducting extensive due diligence, obtaining collateral where necessary and negotiating appropriate financial covenants. As of December 31, 2022 and December 31, 2021, the Company had \$35.0 million and \$47.9 million unfunded commitments, respectively.

The Company has made an aggregate commitment to the Great Lakes II Joint Venture of \$50 million, subject to certain limitations (including that the Company is not obligated to fund capital calls if such funding would cause the Company to be out of compliance with certain provisions of the 1940 Act). As of December 31, 2022, the

Company has a \$8.0 million unfunded commitment to the Great Lakes II Joint Venture. As of December 31, 2021, the Company had a \$13.0 million unfunded commitment to the Prior Great Lakes Joint Venture.

The Company is involved in litigation in the normal course of its operations and does not expect that the outcome of those litigations to have a material adverse impact to the Company's financial position or results of operations.

The Company may, from time to time, enter into commitments to fund investments. These unfunded commitments are assessed for fair value in accordance with ASC 820. As of December 31, 2022 and December 31, 2021, the Company had the following outstanding commitments to fund investments in current portfolio companies:

(\$ in thousands)		Par Value
Portfolio Company	Investment	December 31, 2022
Accordion Partners LLC	Revolver	\$ 1,531
Accordion Partners LLC	Delayed Draw Term Loan	698
Accordion Partners LLC	Delayed Draw Term Loan	872
Analogic Corporation	Revolver	23
Anthem Sports & Entertainment Inc.	Revolver	83
Beta Plus Technologies, Inc.	Revolver	2,415
Bradshaw International Parent Corp.	Revolver	922
Bristol Hospice	Delayed Draw Term Loan	55
Centric Brands Inc.	Revolver	428
Centric Brands Inc.	Revolver	58
Critical Nurse Staffing, LLC	Delayed Draw Term Loan	3,094
Critical Nurse Staffing, LLC	Revolver	1,400
Dentive, LLC	Delayed Draw Term Loan - First Lien	748
Dentive, LLC	Revolver	234
GreenPark Infrastructure, LLC	Preferred Equity	1,829
H.W. Lochner, Inc.	Revolver	1,799
Keg Logistics LLC	Revolver	436
Luminii LLC	Revolver	172
Marble Point Credit Management LLC	Revolver	2,500
Maxor National Pharmacy Services, LLC	Revolver	585
Naviga Inc.	Revolver	77
Netwrix Corporation	Revolver	1,148
Netwrix Corporation	Delayed Draw Term Loan - First Lien	1,017
Premier Imaging, LLC	Delayed Draw Term Loan	1,378
Series A-Great Lakes Funding II LLC	Joint Ventures	8,038
TA/WEG Holdings, LLC	Delayed Draw Term Loan	2,634
TA/WEG Holdings, LLC	Revolver	784
TLE Holdings, LLC	Delayed Draw Term Loan	2
Total Unfunded Portfolio Company Commitments		\$ 34,959

(\$ in thousands)		Par Value
Portfolio Company	Investment	December 31, 2021
Accordion Partners LLC	Delayed Draw Term Loan	\$ 2,800
Accordion Partners LLC	Revolver	5,000
AMCP Pet Holdings, Inc.	Delayed Draw Term Loan	1,000
AMCP Pet Holdings, Inc.	Revolving Loan	325
Analogic Corporation	Revolver	87
Anthem Sports & Entertainment Inc.	Revolver	583
Appfire Technologies, LLC	Delayed Draw Term Loan	4,459
BCP Great Lakes Holdings LP	Joint Venture	13,050
Bradshaw International Parent Corp.	Revolver	722
Bristol Hospice	Delayed Draw Term Loan	195
Centric Brands Inc.	Revolver	755
Critical Nurse Staffing, LLC	Delayed Draw Term Loan	3,094
Critical Nurse Staffing, LLC	Revolver	2,000
Datalink, LLC	Delayed Draw Term Loan (First Lien)	525
Global Integrated Flooring Systems Inc.	Revolver	43
Grupo HIMA San Pablo, Inc.	Delayed Draw Term Loan	104
H.W. Lochner, Inc.	Revolver	2,199
Keg Logistics LLC	Revolver	872
Luminii LLC	Revolver	172
Marble Point Credit Management LLC	Revolver	2,500
Maxor National Pharmacy Services, LLC	Revolver	585
Naviga Inc.	Revolver	302
Premier Imaging, LLC	Delayed Draw Term Loan	1,937
Ritedose Holdings I, INC	Revolver	537
TA/WEG Holdings, LLC	Revolver	308
TA/WEG Holdings, LLC	Delayed Draw Term Loan	3,743
TLE Holdings, LLC	Delayed Draw Term Loan	2
Total Unfunded Portfolio Company Commitments		\$ 47,899

9. STOCKHOLDERS' EQUITY

On March 11, 2021, the Board of Directors of the Company approved a \$10 million stock repurchase program (the "Stock Repurchase Program") for an approximately one-year period effective March 11, 2021 and terminating on March 31, 2022. Under this repurchase program, shares may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise subject to any agreement to which we are party including any restrictions in the indenture for our 4.875% Notes Due 2026. The timing and actual number of shares repurchased will depend on a variety of factors, including legal requirements, price, and economic and market conditions. This Stock Repurchase Program may be suspended or discontinued at any time. On March 8, 2022, the Board of Directors of the Company authorized a renewed stock repurchase program of up to \$10 million (the "Renewed Stock Repurchase Program") for an approximately one-year period, effective March 8, 2022 and terminating on March 31, 2023. The terms and conditions of the Renewed Stock Repurchase Program are substantially similar to the prior Stock Repurchase Program. The Renewed Stock Repurchase Program may be suspended or discontinued at any time. Subject to these restrictions, we will selectively pursue opportunities to repurchase shares which are accretive to net asset value per share.

During the years ended December 31, 2022 and December 31, 2021, the Company issued 48,858, and 38,436 shares, respectively, of common stock under its dividend reinvestment plan. The total number of shares of the Company's common stock outstanding as of December 31, 2022 and December 31, 2021 was 9,581,536 and 9,699,695 respectively.

During the year ended December 31, 2022, the Company repurchased 167,017 shares, under the Renewed Stock Repurchase Program in open market transactions at an aggregate cost of approximately \$3.8 million. During the year ended December 31, 2021, the Company repurchased 75,377 shares, under the Stock Repurchase Program in open market transactions at an aggregate cost of approximately \$1.8 million.

10. ACQUISITIONS OF GARRISON CAPITAL INC. AND HARVEST CAPITAL CREDIT CORPORATION

GARS acquisition

October 28, 2020 the Company completed the GARS Acquisition, pursuant to the terms and conditions of the GARS Merger Agreement. To effect the acquisition, a wholly owned merger subsidiary of the Company merged with and into GARS, with GARS surviving the merger as the Company's wholly owned subsidiary. Immediately thereafter and as a single integrated transaction, GARS consummated a second merger, whereby GARS merged with and into the Company, with the Company surviving the merger. Under the terms of the GARS Merger Agreement, each share of GARS Common Stock issued and outstanding was converted into the right to receive (i) an amount in cash, without interest, equal to approximately \$1.19 and (ii) approximately 1.917 shares of common stock, par value \$0.01 per share, of the Company (plus any applicable cash in lieu of fractional shares). Each share of GARS Common Stock issued and outstanding received, as additional consideration funded by the Adviser, an amount in cash, without interest, equal to approximately \$0.31. Shares of common stock issued and market price have not been adjusted to reflect the Reverse Stock Split.

The merger was accounted for in accordance with the asset acquisition method of accounting as detailed in ASC Topic 805-50. The fair value of the consideration paid, and transaction costs incurred to complete the merger by the Company, including \$5.0 million of cash payment (deemed capital contribution) paid at closing directly to shareholders of GARS from the Adviser, was allocated to the GARS investments acquired, based on their relative fair values as of the date of acquisition. The fair value of the purchase consideration paid by the Company below the fair value of net assets acquired is considered the purchase discount. Immediately following the acquisition of GARS, the Company recorded GARS net assets at their respective fair values and, as a result, the purchase discount was allocated to the cost basis of the GARS investments acquired and was immediately recognized as unrealized gain on the Company's Consolidated Statement of Operations. The purchase discount was allocated to the acquired investments on a relative fair value basis and, for performing debt investments, will amortize over the life of the investments through interest income with a corresponding reversal of the unrealized appreciation on the GARS investments acquired through their maturity. Upon the sale of any of the GARS acquired investments, the Company will recognize a realized gain or a reduction in realized losses with a corresponding reversal of the unrealized losses.

(\$ in thousands)		
Common stock issued by the Company ⁽¹⁾	\$	38,765
Cash consideration to GARS shareholders		24,100
Transaction costs (excluding offering costs \$432)		1,168
Total purchase consideration	\$	64,033
Assets acquired:		
Investments, at fair value (amortized cost of \$277,380)	\$	317,803
Cash		35,361
Interest receivable		1,871
Other assets		2,088
Total assets acquired	\$	357,123
Liabilities assumed:		
Debt	\$	251,213
Other liabilities		1,455
Total liabilities assumed	\$	252,668
Net assets acquired	\$	104,455
Total purchase discount	\$	(40,422)

(1) Based on the market price at closing of \$1.26 as of October 28, 2020 and the 30,765,640 shares of common stock issued by the Company in conjunction with the merger.

HCAP Acquisition and Assumption and Redemption of HCAP Notes

On June 9, 2021 the Company completed the HCAP Acquisition, pursuant to the terms and conditions of the HCAP Merger Agreement. To effect the acquisition, the Acquisition Sub merged with and into HCAP, with HCAP surviving the merger as the Company's wholly owned subsidiary. Immediately thereafter and as a single integrated transaction, HCAP consummated a second merger, whereby HCAP merged with and into the Company, with the Company surviving the merger. As a result of, and as of the effective time of, the second merger, HCAP's separate corporate existence ceased.

Under the terms of the HCAP Merger Agreement, HCAP stockholders as of immediately prior to the effective time of the first merger (other than shares held by a subsidiary of HCAP or held, directly or indirectly, by the Company or Acquisition Sub, and all treasury shares (collectively, "Cancelled Shares")) received a combination of (i) \$18,537,512.65 in cash payable by Company, (ii) 15,252,453 validly issued, fully paid and non-assessable shares of the Company's common stock, par value \$0.01 per share, and (iii) an additional cash payment from the Adviser of \$2.15 million in the aggregate. Shares of common stock issued and market price have not been adjusted to reflect the Reverse Stock Split.

With respect to the merger consideration from the Company, HCAP stockholders as of immediately prior to the effective time of the first merger (other than Cancelled Shares) were entitled, with respect to all or any portion of the shares of HCAP common stock they held as of the effective time of the first merger, to elect to receive the merger consideration in the form of cash (an "Election") or in the form of the Company's common stock, subject to certain conditions and limitations in the merger agreement. Any HCAP stockholder who did not validly make an Election was deemed to have elected to receive shares of the Company's common stock with respect to the merger consideration as payment for their shares of HCAP common stock. Each share of HCAP common stock (other than Cancelled Shares) with respect to which an Election was made was treated as an "Electing Share" and each share of HCAP Common Stock (other than Cancelled Shares) with respect to which an Election was not made or that was transferred after the election deadline on June 2, 2021 was treated as a "Non-Electing Share."

Pursuant to the conditions of and adjustment mechanisms in the HCAP Merger Agreement, 475,806 Electing Shares were converted to Non-Electing Shares for purposes of calculating the total mix of consideration to be paid to each Electing Share in order to ensure that the value of the aggregate cash consideration paid to holders of the Electing Shares equaled the aggregate cash consideration that HCAP received from the Company under the terms of the HCAP Merger Agreement. Accordingly, as a result of the Elections received from HCAP stockholders and any resulting adjustment under the terms of the HCAP Merger Agreement, each Electing Share received, in aggregate, approximately \$7.43 in cash and 0.74 shares of the Company's common stock, while each Non-Electing Share received, in aggregate, approximately 3.86 shares of the Company's common stock.

The HCAP Acquisition was accounted for in accordance with the asset acquisition method of accounting as detailed in ASC Topic 805-50. The fair value of the consideration paid, and transaction costs incurred to complete the merger by the Company, including \$2.15 million of cash payment (deemed capital contribution) paid at closing directly to shareholders of HCAP from the Adviser, was allocated to the HCAP investments acquired, based on their relative fair values as of the date of acquisition. The fair value of the purchase consideration paid by the Company below the fair value of net assets acquired is considered the purchase discount. Immediately following the acquisition of HCAP, the Company recorded HCAP net assets at their respective fair values and, as a result, the purchase discount was allocated to the cost basis of the HCAP investments acquired and was immediately recognized as unrealized gain on the Company's Consolidated Statement of Operations. The purchase discount was allocated to the acquired investments on a relative fair value basis and, for performing debt investments, will amortize over the life of the investments through interest income with a corresponding

reversal of the unrealized appreciation on the HCAP investments acquired through their maturity. Upon the sale of any of the HCAP acquired investments, the Company will recognize a realized gain or a reduction in realized losses with a corresponding reversal of the unrealized losses.

(\$ in thousands)	
Common stock issued by the Company ⁽¹⁾	\$ 37,063
Cash consideration to HCAP shareholders ⁽²⁾	20,688
Transaction costs (excluding offering costs \$519)	881
Total purchase consideration	<u>\$ 58,632</u>
Assets acquired:	
Investments, at fair value (amortized cost of \$53,812)	\$ 57,621
Cash	32,119
Interest receivable	431
Other assets	2,665
Total assets acquired	<u>\$ 92,836</u>
Liabilities assumed:	
Debt	\$ 28,750
Other liabilities	1,645
Total liabilities assumed	<u>\$ 30,395</u>
Net assets acquired	<u>\$ 62,441</u>
Total purchase discount	<u>\$ (3,809)</u>

(1) Based on the market price at closing of \$2.43 as of June 9, 2021 and the 15,252,453 shares of common stock issued by the Company in conjunction with the merger.

(2) Approximately \$18.5 million cash consideration paid by the Company plus \$2.15 million cash payment paid at closing directly to shareholders of HCAP from the Adviser.

On June 9, 2021, the Company entered into the HCAP Third Supplemental Indenture, effective as of the closing of the HCAP Acquisition. The HCAP Third Supplemental Indenture relates to the Company's assumption of \$28.75 million in aggregate principal amount of the HCAP Notes.

Pursuant to the HCAP Third Supplemental Indenture, the Company expressly assumed the due and punctual payment of the principal of (and premium, if any) and interest, if any, on the HCAP Notes and the performance of HCAP's covenants under the base indenture, dated as of January 27, 2015, by and between HCAP and the Trustee, as supplemented by the second supplemental indenture, dated as of August 24, 2017, by and between HCAP and the Trustee. No change of control offer was required to be made in respect of the HCAP Notes in connection with the consummation of the HCAP Acquisition.

The HCAP Notes could be redeemed by the Company at any time at par value plus accrued and unpaid interest. On July 23, 2021, the Company redeemed the entire notional amount of \$28.75 million of the HCAP Notes.

11. SELECTED QUARTERLY DATA (Unaudited) (in thousands, except share and per share amounts)

	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Total interest and related portfolio income	\$ 16,944	\$ 15,044	\$ 19,009	\$ 18,617
Net investment income	\$ 7,908	\$ 5,522	\$ 8,392	\$ 7,068
Net increase (decrease) in net assets resulting from operations	\$ 4,058	\$ (8,433)	\$ (4,205)	\$ (12,416)
Net increase (decrease) in net assets resulting from operations per share – basic and diluted	\$ 0.42	\$ (0.88)	\$ (0.44)	\$ (1.28)
Net investment income per share – basic and diluted	\$ 0.82	\$ 0.57	\$ 0.87	\$ 0.74

	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Total interest and related portfolio income	\$ 18,305	\$ 21,545	\$ 22,911	\$ 17,325
Net investment income	\$ 8,213	\$ 11,711	\$ 13,718	\$ 8,363
Net increase (decrease) in net assets resulting from operations	\$ 8,037	\$ 10,844	\$ 9,144	\$ (2,000)
Net increase (decrease) in net assets resulting from operations per share – basic and diluted	\$ 1.07	\$ 1.40	\$ 1.00	\$ (0.21)
Net investment income per share – basic and diluted	\$ 1.09	\$ 1.51	\$ 1.50	\$ 0.88

12. SUBSEQUENT EVENTS

On March 9, 2023, our Board declared a cash distribution of \$0.68 per share of common stock. The distribution is payable on March 31, 2023 to stockholders of record at the close of business as of March 20, 2023.

On March 6, 2023, the Board re-approved the Advisory Agreement and the Administration Agreement.

The Company has evaluated events and transactions occurring subsequent to December 31, 2022. Other than as described above, management has determined that there are no other material subsequent events that would require adjustment to, or disclosure in, these consolidated financial statements.

EXHIBIT INDEX

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

Exhibit Number	Description
3.1	<u>Form of Certificate of Incorporation of the Company (incorporated by reference to Exhibit A of the Pre-Effective Amendment No. 1 on Form N-2 filed on October 6, 2006).</u>
3.1.1	<u>Certificate of Amendment (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K filed April 2, 2019).</u>
3.1.2	<u>Certificate of Amendment to Certificate of Incorporation of Portman Ridge Finance Corporation (the Reverse Stock Split Certificate of Amendment) (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K, filed on August 26, 2021).</u>
3.1.3	<u>Certificate of Amendment to Certificate of Incorporation of Portman Ridge Finance Corporation (the Decrease Shares Certificate of Amendment) (incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K, filed on August 26, 2021).</u>
3.2	<u>Third Amended and Restated Bylaws of Portman Ridge Finance Corporation, dated as of July 20, 2021 (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K, filed on July 21, 2021).</u>
4.1	<u>Specimen certificate of the Company's common stock, par value \$0.01 per share (incorporated by reference to Exhibit D.1 of the Pre-Effective Amendment No. 1 on Form N-2 filed on October 6, 2006).</u>
4.2	<u>Form of Dividend Reinvestment Plan (incorporated by reference to Exhibit E of the Pre-Effective Amendment No. 2 of the Registration Statement on Form N-2 filed on November 20, 2006).</u>
4.3	<u>Form of Base Indenture between the Company and U.S. Bank National Association (incorporated by reference to Exhibit D.3 of the Registration Statement in Form N-2 filed on October 3, 2012).</u>
4.4	<u>Third Supplemental Indenture, dated as of April 30, 2021, relating to the 4.875% Notes due 2026, by and between the Company and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K, filed on May 3, 2021).</u>
4.5	<u>Form of 4.875% Notes due 2026 (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on May 3, 2021).</u>
4.6	<u>Registration Rights Agreement, dated as of June 23, 2021, by and among the Company and the Purchasers (as defined therein) (incorporated by reference to Exhibit 4.3 of the Company's Current Report on Form 8-K, filed on June 24, 2021).</u>
4.7	<u>Description of Portman Ridge Finance Corporation's Registered Securities.**</u>
10.1	<u>Investment Advisory Agreement, dated April 1, 2019, by and between the Company and Sierra Crest Investment Management LLC (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on April 2, 2019).</u>
10.2	<u>Incentive Fee Letter Agreement, dated April 1, 2019, by and between the Company and BC Partners Management LLC (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed on April 2, 2019).</u>
10.3	<u>Administration Agreement, dated April 1, 2019, by and between the Company and BC Partners Management LLC (incorporated by reference to Exhibit 10.3 of the Current Report on Form 8-K filed on April 2, 2019).</u>
10.4	<u>Loan and Security Agreement dated as of December 18, 2019 among Great Lakes Portman Ridge Funding L.L.C. The Lenders Party Hereto, The Collateral Administrator, Collateral Agent ad Securities Intermediary Party Hereto, JPMorgan Chase Bank, National Association, as Administrative Agent and Portman Ridge Finance Corporation, as Portfolio Manager (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on December 23, 2019).</u>

- 10.5 [First Amendment to Loan and Security Agreement dated as of April 29, 2022 among Great Lakes Portman Ridge Funding LLC, the Lenders Party thereto, the Collateral Administrator, Collateral Agent, and Securities Intermediary Party thereto, JPMorgan Chase Bank, National Association, as Administrative Agent and Portman Ridge Finance Corporation, as Portfolio Manager \(incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on May 5, 2022\).](#)
 - 11.1 [Computation of Per Share Earnings \(included in the notes to the audited financial statements contained in this report\).](#)
 - 14.1 [Code of Ethics \(incorporated by reference to Exhibit \(r\) of Pre-Effective Amendment No. 1 to the Company's Registration Statement on Form N-2, filed on February 4, 2022\).](#)
 - 21.1 [List of Subsidiaries **](#)
 - 23.1 [Consent of KPMG LLP **](#)
 - 23.2 [Consent of Deloitte & Touche LLP **](#)
 - 31.1 [Chief Executive Officer Certification Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**](#)
 - 31.2 [Chief Financial Officer Certification Pursuant to Rule 13a-14 of the Securities Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. **](#)
 - 32.1 [Chief Executive Officer Certification pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. **](#)
 - 32.2 [Chief Financial Officer Certification pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. **](#)
- 101.INS Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL 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)

** Filed herewith.

SIGNATURES

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

Date: March 9, 2023

PORTMAN RIDGE FINANCE CORPORATION

By /s/ EDWARD GOLDTHORPE

EDWARD GOLDTHORPE

President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ EDWARD GOLDTHORPE</u> EDWARD GOLDTHORPE	President and Chief Executive Officer (principal executive officer) and Member of the Board of Directors	March 9, 2023
<u>/s/ JASON ROOS</u> JASON ROOS	Chief Financial Officer, Secretary and Treasurer (principal financial and accounting officer)	March 9, 2023
<u>/s/ GEORGE GRUNEBAUM</u> GEORGE GRUNEBAUM	Member of the Board of Directors	March 9, 2023
<u>/s/ ROBERT WARSHAUER</u> ROBERT WARSHAUER	Member of the Board of Directors	March 9, 2023
<u>/s/ ALEXANDER DUKA</u> ALEXANDER DUKA	Member of the Board of Directors	March 9, 2023
<u>/s/ CHRISTOPHER LACOVARA</u> CHRISTOPHER LACOVARA	Member of the Board of Directors	March 9, 2023
<u>/s/ DEAN C. KEHLER</u> DEAN C. KEHLER	Member of the Board of Directors	March 9, 2023
<u>/s/ MATTHEW WESTWOOD</u> MATTHEW WESTWOOD	Member of the Board of Directors	March 9, 2023
<u>/s/ JOSEPH MOREA</u> JOSEPH MOREA	Member of the Board of Directors	March 9, 2023
<u>/s/ JENNIFER CHOU</u> JENNIFER CHOU	Member of the Board of Directors	March 9, 2023
<u>/s/ TRICIA HAZELWOOD</u> TRICIA HAZELWOOD	Member of the Board of Directors	March 9, 2023

References herein to “we,” “us,” “our” and “Company” refer to Portman Ridge Finance Corporation and not to any of its subsidiaries.

COMMON STOCK

The following description of our common stock is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to our Certificate of Incorporation, as amended (the “certificate of incorporation”), and our Third Amended and Restated Bylaws, as amended (the “Bylaws”), each of which is incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit is a part. We encourage you to read the Certificate of Incorporation, Bylaws and the applicable provisions of the Delaware General Corporation Law (the “DGCL”) for additional information.

Authorized Capital Stock

Our authorized capital stock consists of 20,000,000 shares of common stock, par value \$0.01 per share, and 5,000,000 shares of preferred stock, par value \$0.01 per share.

Voting

Each share of our common stock is entitled to one vote on all matters submitted to a vote of stockholders, including the election of directors. The holders of common stock possess exclusive voting power except (i) as provided with respect to any other class or series of capital stock or (ii) as may be required by the Investment Company Act of 1940 (the “1940 Act”) if we fail to meet certain asset coverage requirements. There is no cumulative voting in the election of directors, or any other matter, which means that holders of a majority of the outstanding shares of common stock are able elect all of our directors, and holders of less than a majority of such shares are unable to elect any director.

Dividends

Under the terms of our certificate of incorporation, all shares of our common stock have equal rights as to earnings, assets and dividends. The DGCL permits a corporation to declare and pay dividends out of “surplus” or, if there is no “surplus,” out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. “Surplus” is defined as the excess of the net assets of the corporation over the amount determined to be the capital of the corporation by its board of directors. The capital of the corporation is typically calculated to be (and cannot be less than) the aggregate par value of all issued shares of capital stock. Net assets equals the fair value of the total assets minus total liabilities. The DGCL also provides that dividends may not be paid out of net profits if, after the payment of the dividend, remaining capital would be less than the capital represented by the outstanding stock of all classes having a preference upon the distribution of assets. Declaration and payment of any dividend is subject to the discretion of our board of directors (“Board of Directors”).

Shares of our common stock have no preemptive, exchange, conversion or redemption rights and are freely transferable, except where their transfer is restricted by U.S. federal and state securities laws or by contract.

Liquidation Rights

In the event of our liquidation, dissolution or winding up, each share of our common stock would be entitled to share ratably in all of our assets that are legally available for distribution after we pay all debts and other liabilities and subject to any preferential rights of holders of any series preferred stock that might be outstanding at that time.

Dissenters' Rights of Appraisal and Payment

Under the DGCL, with certain exceptions, our stockholders will have appraisal rights in connection with a merger or consolidation of our Company. Pursuant to the DGCL, stockholders who properly request and perfect appraisal rights in connection with such merger or consolidation will have the right to receive payment of the fair value of their shares as determined by the Delaware Court of Chancery.

Stockholders' Derivative Actions

Under the DGCL, any of our stockholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, provided that the stockholder bringing the action is a holder of our shares at the time of the transaction to which the action relates or such stockholder's stock thereafter devolved by operation of law.

Limitation on Liability of Directors and Officers; Indemnification

Under our certificate of incorporation, we will fully indemnify any person who was or is involved in any actual or threatened action, suit or proceeding (whether civil, criminal, administrative or investigative) by reason of the fact that such person is or was one of our directors or officers or is or was serving at our request as a director or officer of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, including service with respect to an employee benefit plan, against all expense, liability and loss (including attorneys' fees and related disbursements), judgments, fines, excise taxes or penalties under the Employee Retirement Income Security Act of 1974, as amended, penalties and amounts paid or to be paid in settlement, actually and reasonably incurred by such person in connection with such action, suit or proceeding, except with respect to any matter as to which such person shall have been finally adjudicated in a decision on the merits in any such action, suit or other proceeding not to have acted in good faith in the reasonable belief that such person's action was in our best interests or to be liable to us or our stockholders by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such

person's office. Our certificate of incorporation also provides that our directors will not be personally liable for monetary damages to us for breaches of their fiduciary duty as directors, except for a breach of their duty of loyalty to us or our stockholders, for acts or omissions not in good faith in the reasonable belief that the action was in the best interests of the Company or which involve intentional misconduct or a knowing violation of law, for authorization of illegal dividends or redemptions or for any transaction from which the director derived an improper personal benefit. So long as we are regulated under the 1940 Act, the above indemnification and limitation of liability will be limited by the 1940 Act or by any valid rule, regulation or order of the SEC thereunder. The 1940 Act provides, among other things, that a company may not indemnify any director or officer against liability to it or its stockholders to which he or she might otherwise be subject by reason of his or her willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office.

Delaware law also provides that indemnification permitted under the law shall not be deemed exclusive of any other rights to which the directors and officers may be entitled under the corporation's bylaws, any agreement, a vote of stockholders or otherwise.

Our certificate of incorporation permits us to secure insurance on behalf of any person who is or was or has agreed to become a director or officer of our Company or is or was serving at our request as a director or officer of another enterprise for any liability arising out of his or her actions, regardless of whether the DGCL would permit indemnification. We have obtained liability insurance for our officers and directors.

Delaware Law and Certain Certificate of Incorporation and Bylaw Provisions; Anti-Takeover Measures

We are subject to the provisions of Section 203 of the DGCL. In general, the statute prohibits a publicly held Delaware corporation from engaging in a "business combination" with "interested stockholders" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. A "business combination" includes certain mergers, asset sales and other transactions resulting in a financial benefit to the interested stockholder. Subject to exceptions, an "interested stockholder" is a person who, together with his, her or its affiliates and associates, owns, or within three years did own, 15% or more of the corporation's voting stock. Our certificate of incorporation and bylaws provide that:

- the Board of Directors is divided into three classes, as nearly equal in size as possible, with staggered three-year terms;
- directors may be removed only for cause, at a meeting called for that purpose, by the affirmative vote of the holders of 75% of the shares of our capital stock entitled to vote; and
- subject to the requirements of the 1940 Act, any vacancy on the Board of Directors, however the vacancy occurs, including a vacancy due to an enlargement of the Board of Directors, may only be filled by vote of the directors then in office.

The classification of our Board of Directors and the limitations on removal of directors and filling of vacancies could have the effect of making it more difficult for a third party to acquire us, or of discouraging a third party from acquiring us.

Our certificate of incorporation and bylaws also provide that:

- any action required or permitted to be taken by the stockholders at an annual meeting or special meeting of stockholders may only be taken if it is properly brought before such meeting and may not be taken by written action in lieu of a meeting; and
- special meetings of the stockholders may only be called by our Board of Directors, chairman or CEO.

Our bylaws provide that, in order for any matter to be considered "properly brought" before a meeting, a stockholder must comply with requirements regarding advance notice to us. These provisions could delay, until the next stockholders' meeting, stockholder actions which are favored by the holders of a majority of our outstanding voting securities. These provisions may also discourage another person or entity from making a tender offer for our common stock, because such person or entity, even if it acquired a majority of our outstanding voting securities, would be able to take action as a stockholder (such as electing new directors or approving a merger) only at a duly called stockholders meeting, and not by written consent.

Delaware's law generally provides that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless a corporation's certificate of incorporation or bylaws requires a greater percentage. Under our certificate of incorporation and bylaws, the affirmative vote of the holders of at least 75% of the shares of our capital stock entitled to vote is required to amend or repeal any of the provisions of our bylaws. Moreover, our bylaws provide that generally, a majority of the shares of our capital stock issued and outstanding and entitled to vote may amend our certificate of incorporation. However, the vote of at least 75% of the shares of our capital stock then outstanding and entitled to vote in the election of directors, voting together as a single class, is required to amend or repeal any provision of the certificate of incorporation pertaining to the Board of Directors, limitation of liability, indemnification, stockholder action or amendments to the certificate of incorporation, to approve a proposal to convert, whether by merger or otherwise, from a closed-end company to an open-end company or to approve a proposal to effect our liquidation or dissolution. However, if such amendment or proposal is approved by at least 75% of our continuing directors (in addition to approval by our Board of Directors), such amendment or proposal may be approved by the stockholders entitled to cast a majority of the votes entitled to be cast on such matter. The "continuing directors" is defined in our certificate of incorporation as our directors at the time of the completion of our initial public offering as well as those directors whose nomination for election by the stockholders or whose election by the directors to fill vacancies is approved by a majority of the continuing directors then on our Board of Directors. The stockholder vote with respect to our certificate of incorporation or bylaws would be in addition to any separate class vote that might in the future be required under the terms of any series preferred stock that might be outstanding at the time any such changes are submitted to stockholders. In addition, our certificate of incorporation permits our Board of Directors to amend or repeal our bylaws by a majority vote.

Transfer Agent and Registrar

The transfer agent and registrar for common stock is American Stock Transfer & Trust Company, LLC. The transfer agent and registrar's address is 59 Maiden Lane, New York, New York 10038, and its telephone number is (718) 921-8124 or (800) 937-5449.

Listing

Our common stock is traded on The NASDAQ Global Select Market under the symbol "PTMN."

List of Subsidiaries

Name	Jurisdiction
Katonah Management Holdings LLC	Delaware
Katonah X Management LLC	Delaware
Katonah 2007-I Management LLC	Delaware
KCAP Management, LLC	Delaware
Commodore Holdings, LLC	Delaware
KCAP Coastal, LLC	Delaware
Great Lakes KCAP Funding I, LLC	Delaware
PTMN Sub Holdings LLC	Delaware
Great Lakes Portman Ridge Funding I, LLC	Delaware
Kohlberg Capital Funding LLC I	Delaware
OHA Funding GP, LLC	Texas
OHA Nevada, LLC	Nevada
OHA Funding, LP	Texas
OHA Asset Holdings GP, LLC	Texas
OHA Asset Holdings II, LP	Texas
OHA/OCI Investments, LLC	Delaware
OHA Investment Corporation Sub, LLC	Delaware
Garrison Capital Equity Holdings I LLC	Delaware
Garrison Capital Equity Holdings II LLC	Delaware
Garrison Capital Equity Holdings VIII LLC	Delaware
Garrison Capital Equity Holdings XI LLC	Delaware
GIG Rooster Holdings I LLC	Delaware
Portman Ridge Funding 2018-2 Ltd.	Cayman Islands
Portman Ridge Funding 2018-2 LLC	Delaware
KCAP Freedom 3, LLC	Delaware
HCAP Equity Holdings, LLC	Delaware
HCAP ICC, LLC	Delaware

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements (File Nos. 333-260072 and 333-261314) on Form N-2 of our report dated March 11, 2021, with respect to the consolidated financial statements and consolidated financial highlights of Portman Ridge Finance Corporation.

/s/ KPMG LLP

New York, New York
March 9, 2023

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements of Portman Ridge Finance Corporation (the "Company") on Form N-2 (File Nos. 333-260072 and 333-261314) of our report dated March 9, 2023, relating to the consolidated financial statements of the Company appearing in this Annual Report on Form 10-K for the year ended December 31, 2022.

/s/ Deloitte & Touche LLP

New York, New York

March 9, 2023

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) and 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Edward Goldthorpe, certify that:

1. I have reviewed this Annual Report on Form 10-K of Portman Ridge Finance Corporation (the “registrant”);
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 registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 9, 2023

By: /S/ EDWARD GOLDTHORPE

Edward Goldthorpe
President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) and 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Jason Roos, certify that:

1. I have reviewed this Annual Report on Form 10-K of Portman Ridge Finance Corporation (the “registrant”);
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 registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 9, 2023

By: /S/ JASON ROOS

Jason Roos
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE, AS ADOPTED PURSUANT
TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Annual Report of Portman Ridge Finance Corporation (the "Company") on Form 10-K for the year ended December 31, 2022 (the "Report"), I, Edward Goldthorpe, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: March 9, 2023

By: /S/ EDWARD GOLDTHORPE

Edward Goldthorpe
President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE, AS ADOPTED PURSUANT
TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Annual Report of Portman Ridge Finance Corporation, (the "Company") on Form 10-K for the year ended December 31, 2022 (the "Report"), I, Jason Roos, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: March 9, 2023

By: /S/ JASON ROOS

Jason Roos
Chief Financial Officer
(Principal Financial Officer)

