

Management's Discussion and Analysis

The Management's Discussion and Analysis ("MD&A") for Mount Logan Capital Inc. (the "Company," "we," "us," or "our") is provided to enable readers to assess our financial condition and results of operations as at and for the three and nine months ended September 30, 2024, compared with the corresponding period in the prior fiscal year. This MD&A should be read in conjunction with the unaudited condensed interim Consolidated Financial Statements ("Interim Consolidated Financial Statements") of the Company for the three and nine months ended September 30, 2024 and accompanying notes thereto as well as the audited annual consolidated financial statements of the Company for the year ended December 31, 2023, and the accompanying notes thereto and the annual MD&A for the year ended December 31, 2023. This MD&A is dated November 7, 2024.

Unless otherwise indicated, all amounts are stated in thousands of United States dollars ("USD"), except for shares and per share data, and have been derived from consolidated financial statements of the Company prepared in accordance with either International Accounting Standard IAS 34 *Interim Financial Reporting* ("IAS 34") and/or International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Additional information about the Company, including our audited annual consolidated financial statements and our annual information form dated March 14, 2024 in respect of the year ended December 31, 2023 (the "Annual Information Form") are available on SEDAR+ at www.sedarplus.ca.

Caution Regarding Forward-Looking Statements

Certain information contained in this MD&A constitutes forward-looking information, which is information regarding possible events, conditions or results of operations of the Company that is based upon assumptions about future economic conditions and courses of action and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information may include, but is not limited to, statements with respect to our objectives and priorities for fiscal 2024 and beyond, our strategies or future actions, expectations for our financial condition, capital position or share price, liquidity of shares, investment characteristics of the Company, expected portfolio scale of the Company, the business model and approach of the Company, future credit opportunities, future outlook and anticipated events or results, payment of dividends including timing and amount thereof, requirements for additional capital, future growth and expansion of the Company's loan portfolio, the specific terms of the loans that will form part of the Company's loan portfolio from time to time, expected benefits of certain acquisitions completed by the Company, the regulatory environment in which we operate, and the results of, or outlook for, our operations or for the Canadian and U.S. economies, and include statements made by our management. Forward-looking statements are typically identified by words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "might", "project", "predict", "potential", "target", "intend", "would", "could", "should", "believe" and similar words or phrases (including negative variations) or grammatical variations thereof. Forward-looking information contained in this MD&A includes, without limitation, statements and information about SCIM (as defined below) remaining the investment adviser of ACIF (as defined below) following each one year renewal period following its initial two-year term and that the Company will continue to receive the net economic benefit derived by SCIM under the ACIF Advisory Agreement (as defined below); ML Management (as defined below) remaining the collateral manager of the CLOs (as defined below) and the investment manager of Logan Ridge (as defined below); the Company's plans to extend the maturity of its CLOs in light of expiring reinvestment periods or launch new collateralized loan obligations to create new incomes streams; the Company's plans to scale the business of Logan Ridge through strategic acquisitions; the expected benefits to the Company of the acquisition of Ability Insurance Company ("Ability") including, without limitation, a significant increase in the Company's assets under management, the generation of recurring management fees and increased income through insurance earnings as the Company navigates a hybrid asset management business and insurance solutions model; Ability's plans to secure additional surplus capital and increase its risk based capital; our expansion from a lending-oriented credit platform to an alternative asset management company and insurance solutions provider and the related asset management fee income; the management of certain funds by ML Management (as defined below) will strategically position the Corporation's platform to grow the assets it manages; the expected benefits to the Company as a result of the Ovation Acquisition (as defined below); the completion and closing of an offering of Securities and the timing thereof; anticipated use of the net proceeds of an offering of securities; our expectations regarding anticipated investment activities and results, financing activities, the sufficiency of taxable income to support deferred tax assets and other factors that may impact our operating results, and the performance of global capital markets and interest rates, including expected interest rate cuts in fiscal 2024.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. Readers are cautioned not to place undue reliance on the forward-looking information contained in this MD&A, as a number of factors – many of which are beyond our control and the effects of which are difficult to predict – could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking information. Some of the risks and other factors that could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: risks relating to investment performance and our ability to generate taxable income from operations, market fluctuations, the strength of the Canadian, U.S. and other economies, foreign exchange fluctuations, political and economic conditions in the countries in which the interests of the Company's portfolio investments are located, the continued impact of health pandemics; the continued impact of global political conflicts including the Russia-Ukraine conflict and the Israel-Palestine conflict, industry conditions, currency fluctuations and hedging, competition from other industry participants, stock market volatility, interest rate risk, the creditworthiness of and/or defaults by borrower clients, the illiquidity of loans, continued lack of regulation in the business of lending from sources other than commercial banks, continued operation of key systems, the

ability of borrower clients to service their debt, continuing constraints on bank lending to mid-market companies, potential changes in the Company's business strategy, future capital needs and potential dilution to shareholders, there are no guarantees regarding the payment of dividends or, if applicable, the timing or amount thereof, retention of key personnel, conflicts of interest and adequate management thereof, solvency of borrower clients, limited loan prepayment, effective use of leverage and the strength of proposed and existing relationships with lending partners, that the ACIF Advisory Agreement is subject to approval every year following its initial two-year term by ACIF's board of trustees, including a majority of its independent trustees, and such approvals may not be obtained, the risk that collateral management agreements in respect of the CLOs may be terminated at the direction of holders of a specified supermajority in principal amount of the notes issued by the CLO, the risk that the assets held by the CLOs are prepaid or go into default resulting in a reduction in collateral management fees, the risk that the expected benefits of the Ovation acquisition may not be realized, the investment advisory agreement in respect of Logan Ridge is subject to approval every year by Logan Ridge's board of directors, including a majority of its independent directors, and such approvals may not be obtained, the Company may not be able to identify and complete strategic acquisitions through Logan Ridge in order to scale the business, the management of assets of Ability may not generate recurring management fees for ML Management as currently contemplated and the Company may not achieve sufficient income through insurance earnings to provide meaningful diversification having regard to the Company's business model, and other risks included elsewhere in this MD&A under the heading "Risks Factors" and in the Annual Information Form and other public disclosure documents filed with certain Canadian securities regulatory authorities and available under the Company's profile at www.sedarplus.ca. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove to be incorrect, actual results may vary materially from those described in this MD&A as anticipated, believed, estimated or expected.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The forward-looking information contained in this MD&A is provided as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information due to the inherent uncertainty in them. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Nature of Business

Overview

The Company is an alternative asset management and insurance solutions company that is focused on public and private debt securities in the North American market and the reinsurance of annuity products, primarily through its wholly-owned subsidiaries.

As an asset management firm, the Company, through its wholly-owned subsidiary, Mount Logan Management LLC ("ML Management"), may earn management fees, incentive fees, and servicing fees for providing investment management, monitoring and other services to investment vehicles and advisers. ML Management is registered as an investment adviser with the United States Securities and Exchange Commission under the *Investment Advisors Act of 1940*, as amended, and is registered to act in an investment advisory role for clients in the United States.

Our insurance business is operated by Ability, which we acquired on October 29, 2021. Ability is a Nebraska domiciled insurer and reinsurer of long-term care policies. As part of the transaction, we invested \$10.0 million of capital into Ability to strengthen its balance sheet and launched a platform for the reinsurance of annuities. As a result of this acquisition, Ability's assets and operations have been consolidated with our operating results from and after October 29, 2021. Accordingly, comparability of our results for periods prior and subsequent to the Ability transaction may be limited.

The common shares of the Company trade on Cboe Canada under the symbol "MLC".

Our Business

Our reporting segments include asset management and insurance. The asset management segment reflects our operations other than in respect of Ability and the insurance segment represents Ability's operations.

We have successfully diversified across multiple credit-oriented vehicles, as discussed below, all of which are underpinned by recurring fee related earnings and permanent or long duration capital.

Asset Management – Advisory

Beginning in 2020, the Company expanded its focus from a lending-oriented credit platform to an alternative asset management platform in the United States. Through its subsidiaries, the Company, acquired certain investment management contracts and/or the economic benefit thereof thereby providing a growing stream of asset management fee income.

On October 30, 2020, Sierra Crest Investment Management LLC ("SCIM"), an affiliate of BC Partners Advisors L.P. ("BC Partners"), purchased certain assets from Resource America, Inc. and became the investment adviser of the Alternative Credit Income Fund (formerly, Resource Credit Income Fund) ("ACIF") pursuant to the new ACIF advisory agreement (the "ACIF Advisory Agreement") entered into between SCIM and ACIF. In connection with the acquisition, the Company agreed to advance to SCIM the amount of up to \$15.0 million to be used by SCIM to fund the \$13.0 million purchase price (the "SCIM Facility"). On closing of the acquisition, the Company advanced \$12.0 million to SCIM pursuant to the SCIM Facility with a balance of up to an additional \$3.0 million available for subsequent advances. In addition, the Company and SCIM

entered into a services agreement (the "SCIM Services Agreement") pursuant to which the Company provides certain administrative services to SCIM in respect of ACIF. On December 17, 2020, the SCIM Services Agreement was amended to be between the Company's wholly-owned subsidiary, MLC US Holdings LLC ("US Holdings"), and SCIM. Under the SCIM Services Agreement, in exchange for the administrative services provided, SCIM pays to US Holdings, on a quarterly basis, an amount equal to the aggregate base management and incentive fees received by SCIM from ACIF in respect of such quarter, net of debt service, a quarterly fee to be retained by SCIM comprised of a specified amount, plus an allocable portion of the compensation of SCIM's investment professionals in connection with their performance of investment advisory services for ACIF (collectively, the "Retained Benefits"). In addition, SCIM is reimbursed by US Holdings quarterly for certain expenses it incurs in connection with the investment advisory services provided to ACIF. Pursuant to this arrangement, US Holdings receives the net economic benefit derived by SCIM under the ACIF Advisory Agreement subject to the holdback of the Retained Benefits and expense reimbursements.

On November 12, 2020, the Company, through its wholly-owned subsidiary, ML Management completed its acquisition of the rights of Garrison Investment Management LLC ("GIM") and other sellers (collectively, "GARS Sellers") under certain investment management agreements, the general partnership interests of the GARS Sellers under certain partnership agreements and the rights of the GARS Sellers under certain collateral management agreements relating to Garrison Funding 2018-1 LP and Garrison MML CLO 2019-1 LP (collectively, the "ML CLOs") for a purchase price of \$3.0 million (the "ML CLO Acquisition"). ML Management, as the investment manager of the ML CLOs, receives management fees based on aggregate gross assets under management, paid quarterly, and subject to various reductions based on caps, transaction fees, and fee-sharing arrangements. Following the completion of the ML CLO Acquisition, the names of Garrison Funding 2018-1 LP and Garrison MML CLO 2019-1 LP were changed to Mount Logan Funding 2018-1 LP and Mount Logan MML CLO 2019-1 LP, respectively.

On July 1, 2021, the Company, through ML Management, completed its acquisition of certain assets from Capitala Investment Advisors, LLC ("CIA") (the "Capitala Acquisition") and ML Management became the investment adviser of Logan Ridge Finance Corporation ("Logan Ridge," formerly, Capitala Finance Corp.), a U.S. publicly traded business development company whose common stock is listed on NASDAQ. ML Management, as the investment adviser of Logan Ridge, receives a fee for investment advisory and management services consisting of two components – a 1.75% annual base management fee based upon gross assets and an incentive fee tied to performance. The incentive fee consists of the following two parts:

1. The first part of the incentive fee is calculated and payable quarterly in arrears based on Logan Ridge's pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income, and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, diligence, and consulting fees or other fees that we receive from portfolio companies) accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under Logan Ridge's administration agreement to its administrator, 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 pay-in-kind interest and zero coupon securities), accrued income that Logan Ridge has not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, computed net of all realized capital losses or unrealized capital appreciation or depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of Logan Ridge's net assets at the end of the immediately preceding calendar quarter, is compared to a hurdle of 2.0% per quarter (8.0% annualized). ML Management receives an incentive fee with respect to the pre-incentive fee net investment income in each calendar quarter as follows:
 - (a) no incentive fee in any calendar quarter in which the pre-incentive fee net investment income does not exceed the hurdle of 2.0%;
 - (b) 100% of the pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle but is less than 2.5% in any calendar quarter (10.0% annualized). This portion of the pre-incentive fee net investment income (which exceeds the hurdle but is less than 2.5%) is referred to as the "catch-up." The "catch-up" is meant to provide ML Management with 20% of the pre-incentive fee net investment income as if a hurdle did not apply if this net investment income exceeds 2.5% in any calendar quarter; and
 - (c) 20% of the amount of the pre-incentive fee net investment income, if any, that exceeds 2.5% in any calendar quarter (10.0% annualized) (once the hurdle is reached and the catch-up is achieved, 20% of all pre-incentive fee investment income thereafter is allocated to ML Management).
2. The second part of the incentive fee is determined and payable in arrears as of the end of each calendar year, commencing on December 31, 2021, and will equal 20.0% of Logan Ridge's realized capital gains, if any, on a cumulative basis with respect to each of the investments in Logan Ridge's portfolio from the fiscal quarter ending on or immediately prior to July 1, 2021 through the end of each calendar year beginning with the calendar year ending December 31, 2021, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis from September 30, 2021 through the end of each calendar year beginning with the calendar year ending December 31, 2021, less the aggregate amount of any previously paid capital gain fees under the investment advisory agreement. Any realized capital gains, realized capital losses and unrealized capital depreciation with respect to Logan Ridge's portfolio as of the end of the fiscal quarter ending on or immediately prior to July 1, 2021 will be excluded from the calculations of the capital gains fee. In the event that the investment advisory agreement shall terminate as of a date that is not a calendar year end, the termination date shall be treated as though it were a calendar year end for purposes of calculating and paying a capital gains fee.

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for the three and nine months ended September 30, 2024 and 2023

On January 1, 2022, the Company, through ML Management, and other purchasers related to ML Management (collectively, the "GIM Purchasers") entered into an asset purchase agreement with GIM and other sellers (collectively, the "GIM Sellers") with respect to the acquisition by the GIM Purchasers of the rights and interests of the GIM Sellers under a certain investment agreement relating to Garrison Laurel Funding LP ("GLF"), the general partnership interest under a certain partnership agreement and the rights of the GIM Sellers under certain financing arrangements (the "Laurel Transaction"). In addition, Mount Logan Bluebird Funding LP ("ML Bluebird Funding"), a newly formed entity, acquired all the assets and assumed all the liabilities of Garrison Bluebird Funding LP effective as of the closing date (the "Bluebird Transaction" and together with the Laurel Transaction, the "Bluebird Laurel Transaction"). The Bluebird Laurel Transaction closed on January 1, 2022, and ML Management became the investment manager of GLF and ML Bluebird Funding. In connection with the closing, GLF changed its name to Mount Logan Laurel Funding LP ("ML Laurel Funding"). As currently structured, ML Management does not expect to receive any management fees from ML Bluebird Funding or ML Laurel Funding. The Bluebird Laurel Transaction strategically positions the Company's platform to grow the assets it manages.

On April 22, 2022, the Company, through ML Management, entered into an investment management agreement with each of Cornhusker Funding 1A LLC, Cornhusker Funding 1B LLC, and Cornhusker Funding 1C LLC (collectively, the "Cornhusker CLOs" and together with the ML CLOs, the "CLOs"). ML Management, as the investment manager, does not receive any management fees from the Cornhusker CLOs; however, the Company, through Cornhusker Feeder LLC ("Cornhusker Feeder"), a newly-formed indirect wholly-owned subsidiary of the Company, and Ability, receives economic benefits through their debt and/or equity holdings in the Cornhusker CLOs.

On May 14, 2022, the Company, through ML Management, entered into an investment advisory agreement with Opportunistic Credit Interval Fund ("OCIF"), a closed-end, diversified management investment company, pursuant to which ML Management provides certain investment advisory services to OCIF and in consideration of the advisory services provided, ML Management is entitled to a fee consisting of two components – a 1.25% annual base management fee based upon gross assets and an incentive fee tied to performance. The incentive fee is calculated and payable quarterly in arrears based on OCIF's pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means, interest income, dividend income and any other income (including any other fees, such as commitment, origination, structuring, diligence and consulting fees or other fees that OCIF receives from portfolio companies) accrued by OCIF during the calendar quarter, minus OCIF's operating expenses for the quarter (including the base management fee, expenses payable under OCIF's administration agreement to its administrator, 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 pay-in-kind interest and zero coupon securities), accrued income that OCIF has not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of OCIF's net assets at the end of the immediately preceding calendar quarter, will be compared to a hurdle of 1.50% per quarter (6.0% annualized).

ML Management receives an incentive fee with respect to the pre-incentive fee net investment in each calendar quarter as follows:

- (a) no incentive fee in any calendar quarter in which the pre-incentive fee net investment income does not exceed the hurdle of 1.50%;
- (b) 100% of the pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle but is less than 1.7647% in any calendar quarter (7.0% annualized). This portion of the pre-incentive fee net investment income (which exceeds the hurdle but is less than 1.7647%) is referred to as the "catch-up." The "catch-up" is meant to provide ML Management with 15% of OCIF's pre-incentive fee net investment income as if a hurdle did not apply if this net investment income exceeds 1.7647% in any calendar quarter; and
- (c) 15% of the amount of OCIF's pre-incentive fee net investment income, if any, that exceeds 1.7647% in any calendar quarter (7.0% annualized) (once the hurdle is reached and the catch-up is achieved, 15% of all pre-incentive fee net investment income thereafter is allocated to ML Management).

ML Management agreed to waive its management fees (excluding any incentive fee) and to pay or absorb the ordinary operating expenses of OCIF to the extent that its management fees plus the OCIF's ordinary annual operating expenses exceed 2.5% per annum of OCIF's average daily net assets attributable to Class I shares until August 30, 2023. This waiver has been extended until February 1, 2025.

On April 29, 2022, ML Management seeded OCIF \$0.1 million. On October 5, 2022, ML Management invested an additional \$4.0 million into OCIF.

On August 17, 2022, the Company, through ML Management, entered into an investment sub-advisory agreement with First Trust Private Credit Fund (the "First Trust Fund") and First Trust Capital Management L.P. (the "First Trust Advisor") acts as the investment advisor. ML Management provides certain supervision and oversight of the advisor and the board of trustees of the First Trust Fund. ML Management, as the investment sub-adviser is entitled to receive a monthly fee equal to 1% of the sub-advised assets' average daily net assets.

On May 2, 2023, ML Management, completed the first phase of a series of transactions under its membership interest and asset purchase agreement (the "Ovation Purchase Agreement") with Ovation Partners, LP (the "Ovation Advisor"), a Texas-based specialty-finance focused asset manager. Per the terms of the Ovation Purchase Agreement, the Company offered employment to certain employees of Ovation Advisor in order to permit Ovation Advisor to continue to provide the same investment advisory and research services to the Ovation Alternative Income Fund LP ("OAIF") and the other investment advisory clients of Ovation Advisor and its affiliates pending the completion of the Ovation Acquisition. In exchange for the use of these employees, Ovation Advisor commenced paying ML Management 100% of the management fees of OAIF, which included both management and incentive fees.

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the three and nine months ended September 30, 2024 and 2023

On July 5, 2023, the Company completed the remaining transactions under the Ovation Purchase Agreement pursuant to which the Company acquired all of the membership interests of Ovation Fund Management II LLC ("Ovation") and certain assets from the Ovation Advisor (the "Ovation Acquisition"), and in connection therewith ML Management became the investment advisor to the platform. Ovation's platform is focused on investments in commercial lending, real estate lending, consumer finance and litigation finance. As partial consideration for the Ovation Acquisition, the Company issued an aggregate of 3,186,398 common shares at a deemed price of C\$2.8314 per share. On closing of the Ovation Acquisition, Ovation's line of credit remained in place and had an outstanding balance of \$1.8 million. Management of Ovation's platform is part of the Company's asset management segment.

Ovation receives fees from OAIF and Ovation Alternative Income Fund-A LP ("OAIF-A").

ML Management, as the investment advisor of Ovation, receives an incentive fee and management fees as follows:

- (a) Ovation receives fees from OAIF, which consists of two components—the OAIF Base Management Fee and the OAIF Incentive Fee. The OAIF Base Management Fee is calculated monthly, due and payable quarterly in arrears, and represents an amount equal to 0.125% of the net assets of OAIF on the last day of the preceding month. The OAIF Incentive Fee is calculated monthly, due and payable quarterly in arrears, and calculated as ten percent (10%) of pre-incentive fee distributable income amounts.
- (b) Ovation receives fees from OAIF-A, which consists of two components—the OAIF-A Base Management Fee and the OAIF-A Incentive Fee. The OAIF-A Base Management Fee is calculated monthly, due and payable monthly in arrears, and represents an amount equal to 0.125% of the net assets of OAIF-A on the last day of the preceding month, plus capital contributions by limited partners to OAIF-A, plus or minus (if negative), the accrued and unpaid corporate tax expense as of the last day of the previous month. The OAIF-A Incentive Fee is calculated monthly, due and payable quarterly in arrears, and calculated as ten percent (10%) of pre-incentive fee distributable income amounts. If pre-incentive fee distributable income amounts do not exceed zero percent (0%) in any fiscal quarter, such shortfall (a "High Watermark Shortfall") will carry forward to subsequent quarters.

Neither the OAIF Incentive Fee nor OAIF-A Incentive Fee is payable to Ovation in any fiscal quarter in which a High Watermark Shortfall exists.

The following is a list of the investment vehicles managed by subsidiaries of the Company:

- Cornhusker Funding 1A LLC⁽¹⁾
- Cornhusker Funding 1B LLC⁽¹⁾
- Cornhusker Funding 1C LLC⁽¹⁾
- First Trust Private Credit Fund
- Logan Ridge Finance Corporation
- Mount Logan Bluebird Funding LP⁽²⁾
- Mount Logan Funding 2018-1 LP ("2018-1 CLO")
- Mount Logan Laurel Funding LP⁽²⁾
- Mount Logan Middle Market Funding LP
- Mount Logan Middle Market Funding A LP
- Mount Logan Middle Market Funding II LP
- Mount Logan Middle Market Funding II A LP
- Mount Logan MML CLO 2019-1 LP
- Opportunistic Credit Interval Fund
- Ovation Alternative Income Fund, LP ("OAIF")⁽³⁾
- Ovation Alternative Income Fund-A, LP

Notes:

- (1) The Company, through its wholly-owned subsidiaries, Cornhusker Feeder LLC and Ability, receives economic benefits through its debt and/or equity holdings in the Cornhusker CLOs.
- (2) As currently structured, ML Management does not expect to receive any management fees from ML Bluebird Funding LP or Mount Logan Laurel Funding LP. The management of these funds by ML Management strategically positions the Company's platform to grow the assets it manages.
- (3) On July 25, 2024, Ovation, announced the determination to dissolve the OAIF in accordance with the limited partnership agreement of the OAIF. The affairs of OAIF will be wound up as of June 30, 2024 and distributions will be made to the partners in accordance with the limited partnership agreement of OAIF.

Asset Management – Loans

The Company, directly and through its subsidiaries, focuses on investing in public and private debt securities in North America. The Company actively sources, evaluates, underwrites, manages, monitors, and primarily invests in loans, debt securities, and other credit-oriented instruments that present attractive risk-adjusted returns and present low risk of principal impairment through the credit cycle.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Company applies rigorous and deep due diligence to the credit opportunities it assesses. Priorities include establishing downside protection and principal preservation through financial and structural protections, seeking to generate attractive returns utilizing the skill and experience of management, and leveraging the expertise and network of management.

The sourcing, negotiation and documentation of highly structured investments by management of the Company permits the construction of a diversified portfolio of investments through the use of flexible and innovative loan strategies.

While focused on senior secured middle-market credit, depending on market conditions, the Company may evaluate employing a variety of credit investing strategies as part of its investment program. These could include leveraged yield strategies, private and mezzanine lending and structured equity, dislocated structured credit/regulatory capital investments, and other credit-oriented investments as further discussed below:

Leveraged Yield Strategies

- *Low leveraged bank loan funds:* employing various strategies to invest in primarily secured bank loans with low loan-to-value metrics and selective and prudent financing at the asset level. This is a strategy typically employed during periods of market or sector dislocation or when an individual company's loans do not reflect true fundamental value.
- *Synthetic baskets:* investments in par or near-par performing bank loans via total return swaps or similar financing structures.

Private and Mezzanine Lending and Structured Equity

- *Private and mezzanine lending:* providing creative financing solutions to borrowers with custom documentation. Borrowers in the middle-market seek resourceful financing partners that have industry expertise, can provide certainty of execution, and can transact on an expedited timeline.
- *Structured equity:* investing in minority structured convertible preferred equity with significant downside protection through company selection and robust negative controls.

Dislocated Structured Credit/Regulatory Capital

- *Primary and secondary structured products:* opportunistic investments in non-traditional credit instruments with varying counterparty credit risk.
- *Regulatory capital relief:* structured financing solutions to mitigate regulatory capital constraints for borrowers. Rising regulatory capital requirements for financial institutions create an opportunity for non-traditional capital providers to structure capital solution programs aimed at mitigating banks' risk of near-term capital losses in return for insurance-like payments on first loss pieces assumed by financial investors.

Investments are made and are expected to be made primarily in developed markets with a focus on North America although the Company may invest in markets outside of North America if the Company identifies investment opportunities that offer particular value.

Investment Restrictions

The Company conducts its activities within the general parameters of its investment objective and strategy but subject to certain specific restrictions. In pursuing its investment strategy, the Company generally aims to adhere to the following investment restrictions:

- *Diversification* – the net amount invested by the Company in the investments of any one issuer (on a look through basis) will not exceed 20% of the portfolio of the Company, as determined at the time of such investment other than securities issued or guaranteed by the government of Canada, the government of the United States or a province, state or territory thereof.
- *Foreign Exposure* – the net amount invested by the Company in securities outside of Canada and the United States will not exceed 50% of the net asset value of the Company, as determined at the time of such investment.
- *Liquidity* – the nature of the Company's business allows for investments in public and private securities, and there are no specific restrictions on the liquidity of the assets in which the Company may invest. However, management of the Company will seek to ensure that the Company's investment portfolio has sufficient liquidity to satisfy any borrowing obligations, to manage the dividend policy, if any, adopted by the board of directors (the "Board") of the Company from time to time and any share buy-back arrangements.
- *Hedging* – the Company may use derivatives to hedge credit risk, its exposure to changes in interest rates and currency fluctuations and to gain exposure to individual securities and markets instead of directly buying the securities. The Company may use treasury futures and/or government bonds to hedge against changes in interest rates. The Company may use credit default swaps and credit default indices to hedge credit risk.

Loan Monitoring and Risk Assessment

During 2020 and into 2021 until the acquisition of Ability, the number of loans in the Company's loan portfolio decreased as part of the Company's continued expansion of its focus from a lending-oriented credit platform to an alternative asset management platform in the United States. In December 2021, the Company divested a majority of its loan portfolio warehoused for the 2018-1 CLO, a collateral loan obligation fund of which ML Management is the investment manager.

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the three and nine months ended September 30, 2024 and 2023

As of September 30, 2024, other than the Company's legacy debt holdings in Cline Mining Corporation ("Cline") which the Company has marked as nil realizable value on its books as of the date of this MD&A, the Company's asset management segment loan portfolio consisted of \$13.6 million advanced as a secured loan by the Company to SCIM.

Interest is typically paid quarterly or semi-annually on the Asset Management Segment Loans and the Insurance Segment Loans (as defined and described below) (collectively, the "Loans") and principal repayments are typically bullet in nature at maturity. As of the date of this MD&A, there have been negligible defaults in respect of the Loans and predominantly all borrowers in respect of the Loans remain current on their interest payments.

As part of the Company's quarterly monitoring and valuation process for its Loans, the Company maintains a "watch list" and assigns a risk rating of 1-5 for each Loan (other than the SCIM Facility) as an internal metric to gauge potential credit risk (1 being the lowest level of risk; 5 being the highest level of risk, with a risk rating of 1 or 2 indicating that the investment is performing in-line with or above expectations). The risk rating scale and criteria are outlined below:

Risk Rating	Criteria
1	Borrower is performing above expectations and the trends and risk factors since origination or acquisition are generally favorable
2	Borrower is generally performing as expected and the risk factors are similar to the risk at the time of origination or acquisition
3	Borrower performing below expectations and the risk factors increased since origination or acquisition
4	Borrower performing materially below expectations and the risk factors increased materially since origination or acquisition. Borrower generally breaches debt covenants and loan payments(s) may be past due
5	Borrower performing significantly below expectations and the risk factors increased significantly since origination or acquisition. Borrower breached most or all debt covenants, loan payments(s) are significantly past due. Principal not expected to be repaid in full

As of the date of this MD&A, all of the Loans (other than the SCIM Facility, which has not been rated) are rated either 1 or 2. None of the Loans are on the watchlist other than the Company's legacy debt holdings in Cline, which had a direct offset in the payment on the CVRs (as hereinafter defined) until the expiry and cancellation of the CVRs on October 19, 2023.

On October 19, 2023, the Company's contingent value rights ("CVRs") issued on October 19, 2018 expired in accordance with their terms and were cancelled and accordingly the possibility of further distributions in respect of the CVRs ceased. As of October 19, 2023, the Company had distributed an aggregate of C\$1.6 million to the holders of CVRs and the Company continued to hold its debt and equity securities of Cline. Cline's primary asset are the NECC Notes (as hereinafter defined) issued to it by New Elk Coal Company ("NECC"). On February 21, 2023, NECC as well the guarantor under the NECC Notes filed for Chapter 11 protection. The value of securities in Cline held by its various funds were written down to reflect the increased uncertainty of future cash flows to Cline from the NECC Notes. The CVR's are currently marked as nil realizable value. Given the CVRs have expired and were cancelled, the possibility of further distributions in respect of the CVRs ceased. The Company continues to hold its debt and equity securities of Cline at a fair value of nil as at September 30, 2024.

On February 27, 2023, Marret Asset Management Inc. ("Marret Asset Management") announced that NECC and three other entities indirectly owned and controlled by Allegiance Coal Limited ("Allegiance"), including the guarantor of obligations of NECC to Cline under secured notes issued by NECC to Cline (the "NECC Notes"), which is Cline's primary asset, had filed for Chapter 11 protection on February 21, 2023 (the "NECC Bankruptcy"). On February 28, 2023, Marret Asset Management announced that it was taking an 82% write-down in the value of securities in Cline held by its various funds to reflect the increased uncertainty of future cash flows to Cline from the NECC Notes. As a result of the NECC Bankruptcy, there was an increased risk that no further events would occur prior to the expiry and cancellation of the CVRs on October 19, 2023 that would result in a possibly payment being made in respect of the CVRS, and no such event occurred prior to such expiry and cancellation. Accordingly, until the expiry and cancellation of the CVRs on October 19, 2023, the value, if any, of the CVRs was speculative, and the CVRs may ultimately have had no value and therefore the risk rating was rated at 5.

ML Management, a wholly-owned subsidiary of the Company, is the investment advisor to certain external investment vehicles, including collateralized loan obligations, business development companies and interval funds, each of which hold their own portfolio of loans. As the Company's economic interest is derived from the management of such vehicles, such underlying loans do not form part of the Company's loan portfolio.

Asset Management – Other

In December 2020, the Company, through its indirect wholly-owned subsidiary, MLCSC Holdings LLC acquired a minority stake in SCIM, which manages Portman Ridge Finance Corp., a United States business development company, and ACIF. The Company receives periodic distributions from SCIM and recognizes its share of profit or loss in SCIM.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Insurance

Our insurance business is operated by Ability, which we acquired in the fourth quarter of 2021. Ability's financial results are reported as the insurance segment which also includes the economic benefits of the Cornhusker CLOs.

Ability is a Nebraska domiciled insurer and reinsurer of long-term care policies and annuity products. Upon closing of the acquisition of Ability, ML Management entered into an investment management agreement with Ability (the "Ability IMA") to manage certain of Ability's assets that are within the scope of ML Management's expertise in providing investment management advisory services (the assets of Ability managed by ML Management referred to herein as the "Managed Ability Portfolio"). The acquisition of Ability by the Company combines two products that the Company believes are, and will continue to be, in high demand – insurance solutions and asset management. The Company's acquisition of Ability brought additional capital, strengthening of the investment portfolio, stability and continuity of liability management, and new growth opportunities that will provide increased security to policyholders. The acquisition positioned the Company for a new stage of growth with a commitment for immediate and future capital, product diversification, asset management opportunities, de-risking legacy assets, and enhancing risk based capital ("RBC") ratios. The stronger capital base and alignment allows the Company to scale asset and liability origination for the benefit of Ability's policyholders as well as the Company and its shareholders.

Pursuant to the Ability IMA, ML Management has the following rights, powers and authority in connection with its duties thereunder: (i) authority and power to invest and reinvest the Managed Ability Portfolio in investments, in accordance with predetermined guidelines; (ii) authority and power to, in its reasonable discretion, extend, renew and/or dispose of potential and existing investments within the Managed Ability Portfolio, and to make all decisions and take all actions necessary or convenient in respect of the origination, investigation, structuring, financing, acquisition, monitoring, syndication, and remarketing of investments and additional investments, in each case, in accordance with the predetermined guidelines; (iii) prepare, review and supervise the preparation and review of all agreements, certificates, amendments, notices, instruments, and other documents required to originate, acquire, manage, finance, syndicate, remarket or dispose of any investment or potential investment in the Managed Ability Portfolio; (iv) appoint sub-advisers to invest and reinvest the Managed Ability Portfolio in investments, in each case, in accordance with the predetermined guidelines; (v) originate, manage, service, administer and make collections on investments within the Managed Ability Portfolio; and (vi) perform other reasonable and customary actions deemed appropriate by ML Management in connection with the Managed Ability Portfolio. The Managed Ability Portfolio is held primarily in the United States and is predominantly comprised of USD-denominated assets based in the United States. As of September 30, 2024, the Managed Ability Portfolio is comprised of approximately \$628.5 million of assets representing approximately 59% of Ability's total investment assets of \$1,058.8 million or 100% excluding the modified coinsurance and funds withheld assets. The Company's insurance segment also includes a loan portfolio, and as of September 30, 2024, such loan portfolio consisted of approximately \$265.8 million in loans to private companies and approximately \$148.0 million of mortgage loans, totaling \$413.8 million (the "Insurance Segment Loans"), or approximately 39% of the entire portfolio. The Insurance Segment Loans are, collectively, of a nature such that Ability continues to satisfy its investment requirements in accordance with the state of Nebraska Insurers Investment Act. Pursuant to the Ability IMA, not all assets under management are fee earning; further, for fee-eligible assets, the basis for charging fees is not necessarily fair market value.

Ability's long-term care portfolio's morbidity risk has been largely reinsured to third-parties. Ability is also no longer insuring new long-term care risk and will continue to expand and diversify its business including through the reinsurance of annuity products which commenced in the second quarter of fiscal 2022.

Long-term care insurance policies reimburse policyholders a daily amount, upon meeting certain requirements, for services to assist with daily living as they age.

Annuities are a contract with an insurer where individuals agree to pay a certain amount of money, either in a lump sum or through installments, which entitles them to receive a series of payments at a future date.

Effective April 1, 2022, the Company, through Ability, closed a reinsurance agreement with Atlantic Coast Life Insurance Company ("ACL") pursuant to which the Company assumed a 20% quota share coinsurance of up to \$150.0 million of premium of multi-year guaranteed annuity ("MYGA") policies. Effective July 1, 2022, Ability closed on an additional reinsurance agreement with Sentinel Security Life Insurance Company ("SSL") to assume a 20% quota share coinsurance of up to \$100.0 million of premium of MYGA policies. These quota share coinsurance agreements were met as of July 10, 2023. On January 10, 2024, the Company, through Ability, amended the reinsurance agreement with ACL and with SSL, pursuant to which Ability will assume a 20% quota share coinsurance of premium of MYGA policies issued and approved on or after October 1, 2023. These reinsurance agreements have been terminated, effective June 30, 2024.

Recent Developments

Subsequent Events

On October 31, 2024, the Company announced that it, through certain subsidiary entities, agreed to indirectly acquire a minority investment in Runway Growth Capital LLC ("Runway"), a private markets alternative asset manager focused on underwriting debt investments to late-stage venture growth companies.

On October 31, 2024, RGC Group Acquisition LLC ("Merger Parent") entered into an agreement and plan of merger (the "Purchase Agreement") with, inter alia, Runway and RGC Group Merger Sub LLC ("Merger Sub"), pursuant to which, through a series of transactions, the Company and SOF III, a Cayman Islands limited partnership managed by BC Partners; will acquire all of the issued and outstanding capital stock of Runway. Additionally, Merger Parent shall acquire all of the issued and outstanding capital stock of Runway Management Services for nominal consideration from the principals thereof (collectively, the "Acquisition").

On November 7, 2024, the Board declared a cash dividend in the amount of C\$0.02 per common share to be paid on November 29, 2024 to shareholders of record on November 22, 2024.

Current environment updates

Uncertainty with respect to the economic effects of rising interest rates in response to inflation, the war between Russia and Ukraine, the Israeli-Palestinian conflict in the Middle East and other geopolitical events has introduced significant volatility in the financial markets, and the effect of the volatility could materially impact the Company's market risks, including those discussed in Note 18 of the interim consolidated financial statements for the three and nine months ended September 30, 2024.

All of these impacts could negatively affect the Company's financial outlook, results and operations.

Future Outlook

The Company continues to expand its focus from a lending-oriented credit platform to an alternative asset management platform in the United States. Through its subsidiaries, the Company acquired certain investment management contracts and/or the economic benefit thereof thereby providing a growing stream of asset management fee income. The investment management agreements entered into will further generate steady recurring fee revenue and operating cash flow, which we expect to result in more capital and stronger margins and are expected to further grow the alternative asset management platform.

On July 5, 2023, the Company completed the Ovation Acquisition pursuant to which the Company acquired all of the membership interests of Ovation and certain assets from the Ovation Advisor, and in connection therewith ML Management became the investment advisor to the platform. Ovation's platform is focused on investments in commercial lending, real estate lending, consumer finance and litigation finance. In connection with the Ovation Acquisition, the Company established a formal office in Austin, Texas and retained the existing Ovation team, which is expected to further bolster the Company's presence in the United States. On July 25, 2024, Ovation announced the determination to dissolve the OAIF in accordance with the limited partnership agreement of the OAIF. The Ovation team is committed to working through an orderly liquidation of OAIF's assets and will continue efforts to generate attractive yields during this liquidation.

The Company may consider extending the maturity date of its managed CLOs as the reinvestment period expires or have expired, and/or opportunistically launch new collateralized loan obligations, which would create new streams of management fee income.

Key Performance Data

Earnings per Share

The quarter-over-quarter and year-over-year percentage changes in earnings per share ("EPS") are the Company's key measures for analyzing earnings growth.

Basic EPS was \$(0.68) for the three months ended September 30, 2024, a decrease of \$(0.82) from \$0.14 for the three months ended June 30, 2024. Adjusted basic EPS was \$(0.67) for the three months ended September 30, 2024, a decrease of \$(0.82) from \$0.15 for the three months ended June 30, 2024. Diluted EPS was \$(0.68) for the three months ended September 30, 2024, a decrease of \$(0.82) from \$0.14 for the three months ended June 30, 2024. Adjusted diluted EPS was \$(0.67) for the three months ended September 30, 2024, a decrease of \$(0.82) from \$0.15 for the three months ended June 30, 2024. The decrease in EPS for the three months ended September 30, 2024 resulted primarily from an increase in net insurance finance expenses and an increase in realized and unrealized gains (losses) on embedded derivative - funds withheld under the insurance segment when compared to the three months ended June 30, 2024. This decrease in EPS was partially offset by net gains in investment activities under the insurance segment and improved insurance service results for the three months ended September 30, 2024 in comparison to the three months ended June 30, 2024. The increase in net insurance finance expenses for the three months ended September 30, 2024 was attributable to significant decreases in risk-adjusted market interest rates during the three months ended September 30, 2024 in comparison to an increase experienced during the three months ended June 30, 2024. Consequently, reported net income available to holders of common shares for the three months ended September 30, 2024 decreased by \$21.2 million quarter-over-quarter. See "Risk Factors" for details on how changes to IFRS 17 have had and could continue to have a material impact on our financial results.

Basic EPS was \$(0.04) for the nine months ended September 30, 2024, an increase of \$0.57 from \$(0.61) for the nine months ended September 30, 2023. Adjusted basic EPS was \$0.02 for the nine months ended September 30, 2024, an increase of \$0.46 from \$(0.44) for the nine months ended September 30, 2023. Diluted EPS was \$(0.04) for the nine months ended September 30, 2024, an increase of \$0.57 from \$(0.61) for the nine months ended September 30, 2023. Adjusted diluted EPS was \$0.02 for the nine months ended September 30, 2024, an increase of \$0.46 from \$(0.44) for the nine months ended September 30, 2023. The increase in EPS for the nine months ended September 30, 2024 resulted primarily from improvement in insurance service result, an increase in net gains from investment activities under insurance segment, increase in management fees under the asset management segment, and decrease in general, administrative and other expenses under the insurance segment when compared to the nine months ended September 30, 2023. This increase in EPS was partially offset by an increase in net insurance finance expenses when compared to the nine months ended September 30, 2023. The improvement in insurance service results for the nine months ended September 30, 2024 was attributable to the decrease in the reinsurance CSM amortization, related to long term care business, when compared to the nine months ended September 30, 2023, due to change in the CSM amortization methodology. Furthermore, in the third quarter of 2024, the loss on onerous MYGA contracts decreased compared to the same period last year, owing to the cessation of new MYGA business during the current quarter and also due to the in-force update related to the long term care business. Reported net income available to holders of common shares for the nine months ended September 30, 2024 increased by \$13.2 million year-over-year. See "Risk Factors" for details on how changes to IFRS 17 have had and could continue to have a material impact on our financial results.

Earnings per share (EPS) is calculated by dividing net income or loss attributable to common shareholders by the average number of common shares outstanding. Diluted earnings per share is calculated in the same manner, with further adjustments made to reflect the dilutive impact of instruments convertible into the Company's common shares. Adjusted EPS is calculated in the same manner using adjusted net income or loss.

Return on Equity

Reported return on equity ("ROE") was (30%) for the three months ended September 30, 2024 and adjusted ROE was (29%), compared with 5% and 6%, respectively, for the three months ended June 30, 2024. Reported and adjusted ROE decreased in the three months ended September 30, 2024, primarily due to a decrease in reported net income available to holders of common shares and decrease in average common shareholder's equity. The decrease of \$21.2 million in reported net income available to holders of common shares and a decrease of \$21.2 million in adjusted net income available to holders of common shares for the three months ended September 30, 2024, compared to the three months ended June 30, 2024 was primarily attributable to an increase in net insurance finance expense as a result of interest rate changes, partially offset by higher net investment gains. Average common shareholder's equity decreased \$7.0 million or (10.5)% from the three months ended June 30, 2024, primarily resulting from a decrease in net income available to holders of common shares.

Return on shareholders' equity (ROE) is calculated as net income or loss as a percentage of average shareholders' equity. Common shareholders' equity is comprised of common share capital, warrants, contributed surplus, deficit and cumulative translation adjustment. Adjusted ROE is calculated in the same manner using adjusted net income or loss.

MANAGEMENT'S DISCUSSION AND ANALYSIS
for the three and nine months ended September 30, 2024 and 2023

Non-IFRS Measures and Non-IFRS Ratios

Other than Key Performance Data above and the adjusted results, Fee related earning ("FRE") and Spread related earnings ("SRE") as discussed below, the results in the MD&A are presented on an IFRS basis. Unless otherwise indicated, all amounts are in USD and have been derived from the interim consolidated financial statements of the Company prepared in accordance with IFRS. Certain results and measures, including FRE and SRE, are also presented on an adjusted non-IFRS basis which excludes the impact of certain items, as set out in the tables below. Management assesses performance on a reported basis and on an adjusted non-IFRS basis, and considers both to be useful in assessing underlying ongoing business performance and individual asset management and insurance segments. The adjusted bases, FRE and SRE align with how the chief operating decision maker reviews and evaluates the business; however, the adjusted non-IFRS bases, FRE and SRE should not be viewed as having greater prominence than the IFRS basis of accounting. The most directly comparable financial measures disclosed in the Company's financial statements would be the consolidated net income (loss) for the Company and its individual segment results - see note 16 of the accompanying financial statements for segment results. Corporate level expenses are included within the asset management segment at the consolidated level. Presenting results on both bases provides readers with a better understanding of how management assesses results. It also permits readers to assess the impact of certain specified items on results for the periods presented, and to better assess results excluding those items that may not be reflective of ongoing results. As such, the presentation may facilitate readers' analysis of trends. Adjusted results, FRE and SRE measures are considered non-IFRS measures and non-IFRS ratios and, as such, do not have standardized meanings under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other companies and should not be viewed in isolation from, or as a substitute for, IFRS results.

	Three Months Ended			Nine Months Ended	
	September 30, 2024	June 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Reported Results ⁽¹⁾					
Asset management					
Revenue	\$ 3,826	\$ 3,394	\$ 3,186	\$ 11,250	\$ 8,108
Expenses	7,481	6,651	6,868	21,747	18,841
Net income (loss) - asset management	(3,655)	(3,257)	(3,682)	(10,497)	(10,733)
Insurance					
Revenue ⁽²⁾	31,476	15,746	18,443	64,777	38,296
Expenses	45,199	8,642	(1,482)	54,663	41,410
Net income (loss) - insurance	(13,723)	7,104	19,925	10,114	(3,114)
Income before income taxes	(17,378)	3,847	16,243	(383)	(13,847)
Provision for income taxes	(266)	(265)	(331)	(587)	(348)
Net income (loss)	\$ (17,644)	\$ 3,582	\$ 15,912	\$ (970)	\$ (14,195)
Basic EPS	\$ (0.68)	\$ 0.14	\$ 0.62	\$ (0.04)	\$ (0.61)
Diluted EPS	\$ (0.68)	\$ 0.14	\$ 0.61	\$ (0.04)	\$ (0.61)
Adjusting Items					
Asset management					
Transaction costs ⁽³⁾	(2)	—	(872)	(253)	(2,308)
Acquisition integration costs ⁽⁴⁾	—	—	(375)	(250)	(1,125)
Non-cash items ⁽⁵⁾	(346)	(346)	(139)	(1,038)	(419)
Impact of adjusting items on expenses	(348)	(346)	(1,386)	(1,541)	(3,852)
Adjusted Results					
Asset management					
Revenue	\$ 3,826	\$ 3,394	\$ 3,186	\$ 11,250	\$ 8,108
Expenses	7,133	6,305	5,482	20,206	14,989
Net income (loss) - asset management	(3,307)	(2,911)	(2,296)	(8,956)	(6,881)
Income before income taxes	(17,030)	4,193	17,629	1,158	(9,995)
Provision for income taxes	(266)	(265)	(331)	(587)	(348)
Net income (loss)	\$ (17,296)	\$ 3,928	\$ 17,298	\$ 571	\$ (10,343)
Basic EPS	\$ (0.67)	\$ 0.15	\$ 0.68	\$ 0.02	\$ (0.44)
Diluted EPS	\$ (0.67)	\$ 0.15	\$ 0.67	\$ 0.02	\$ (0.44)

(1) Certain comparative figures have been reclassified to conform with the current year's presentation, including the reclassification of "Net realized and unrealized gain (loss)" to "Revenue"

(2) Insurance Revenue line item is presented net of insurance service expenses and net expenses from reinsurance contracts held.

(3) Transaction costs are related to business acquisitions and strategic initiatives transacted by the Company.

(4) Acquisition integration costs are consulting and administration services fees related to integrating a business into the Company. Acquisition integration costs are recorded in general, administrative and other expenses.

(5) Non-cash items include amortization of acquisition-related intangible assets and impairment of goodwill, if any.

MANAGEMENT'S DISCUSSION AND ANALYSIS
for the three and nine months ended September 30, 2024 and 2023

Return on Equity

	Three Months Ended			Nine Months Ended	
	September 30, 2024	June 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Net income (loss)	\$ (17,644)	\$ 3,582	\$ 15,912	\$ (970)	\$ (14,195)
Adjusted net income (loss) ⁽¹⁾	(17,296)	3,928	17,298	571	(10,343)
Average common shareholders' equity	59,544	66,555	43,423	59,455	45,821
Return on equity	-30%	5%	37%	-2%	-31%
Adjusted return on equity	-29%	6%	40%	1%	-23%

(1) Refer to footnotes (3) through (5) in table above for adjusting items.

Fee Related Earnings

Fee Related Earnings ("FRE") is a non-IFRS financial measure used to assess the asset management segment's generation of profits from revenues that are measured and received on a recurring basis and are not dependent on future realization events. The Company believes this measure is useful to shareholders as it provides additional insight into the profitability of the Company's fee generating asset management business and other recurring revenue streams. FRE is the sum of all recurring fees underpinned by asset management activities including but not limited to: (i) management and servicing fees, (ii) interest and dividend income attributable to investment management activity, (iii) transaction and monitoring fees, and (iv) performance fees received from certain managed funds, less (x) fee related compensation expense, excluding equity-based compensation, and (y) other associated operating expenses, which excludes amortization of acquisition-related intangible assets and interest and other credit facility expenses.

The Company calculates FRE, and reconciles FRE to net income from its asset management activities, as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Net income (loss) and comprehensive income (loss)	\$ (17,644)	\$ 15,912	\$ (970)	\$ (14,195)
Adjustment to net income (loss) and comprehensive income (loss):				
Total revenue - insurance ⁽¹⁾	(31,476)	(18,443)	(64,777)	(38,296)
Total expenses - insurance	45,199	(1,482)	54,663	41,410
Net income - asset management ⁽²⁾	(3,921)	(4,013)	(11,084)	(11,081)
<i>Adjustments to non-fee generating asset management business and other recurring revenue stream:</i>				
Management fee from Ability	1,501	1,110	4,459	2,902
Interest income	—	—	(1)	—
Dividend income	(71)	(166)	(296)	(331)
Net gains (losses) from investment activities	169	6	1,006	91
Administration and servicing fees	451	215	1,246	702
Transaction costs	2	872	253	2,308
Amortization of intangible assets	346	139	1,038	419
Interest and other credit facility expenses	1,664	1,555	5,027	4,212
General, administrative and other	1,501	1,009	3,239	4,387
Fee Related Earnings	\$ 1,642	\$ 727	\$ 4,887	\$ 3,609

(1) Includes add-back of management fees paid to ML Management.

(2) Represents net income for asset management, as presented in the Interim Consolidated Statement of Comprehensive Income (Loss).

MANAGEMENT'S DISCUSSION AND ANALYSIS
for the three and nine months ended September 30, 2024 and 2023

	Trailing Twelve Months Ended	
	September 30, 2024	September 30, 2023
Net income (loss) and comprehensive income (loss)	\$ (3,231)	\$ (9,528)
Adjustment to net income (loss) and comprehensive income (loss):		
Total revenue - insurance ⁽¹⁾	(95,624)	(55,702)
Total expenses - insurance	83,340	52,434
Net income - asset management ⁽²⁾	(15,515)	(12,796)
<i>Adjustments to non-fee generating asset management business and other recurring revenue stream:</i>		
Management fee from Ability	5,804	3,642
Interest income	(1)	—
Dividend income	(549)	(331)
Net gains (losses) from investment activities	1,104	25
Administration and servicing fees	1,580	853
Transaction costs	1,666	2,493
Amortization of intangible assets	1,591	381
Interest and other credit facility expenses	6,792	5,382
General, administrative and other	5,057	5,855
Fee Related Earnings	\$ 7,529	\$ 5,504

(1) Includes add-back of management fees paid to ML Management.

(2) Represents net income for the insurance segment, as presented in the Interim Consolidated Statement of Comprehensive Income (Loss).

Fee related earnings ("FRE") was \$1.6 million for the three months ended September 30, 2024 compared with \$0.7 million for the corresponding period in the prior year, an increase of 125.9%. FRE was \$4.9 million for the nine months ended September 30, 2024 compared with \$3.6 million for the corresponding period in the prior year, an increase of 35.4%. FRE was \$7.5 million for the trailing twelve months ended September 30, 2024 compared with \$5.5 million for the trailing twelve months ended September 30, 2023, an increase of 36.8%. FRE increased year over year due to increased management fees from Ability, CLOs, the First Trust Fund, Ovation and OCIF as AUM managed by Mount Logan Management increased, fee-sharing agreements with other parties expired, and improved fund performance. This was partially offset by higher expenses within the asset management segment as it includes increased operating costs associated with the operations of the Ovation Acquisition.

Spread Related Earnings

Effective March 31, 2024, the Company introduced a new non-IFRS financial measure, Spread Related Earnings ("SRE").

The Company uses SRE to assess the performance of the insurance segment, excluding the impact of certain market volatility and other one-time, non-core components of insurance segment income (loss). Excluded items under SRE are investment gains (losses), effects of discount rates and other financial variables on the value of insurance obligations (which is a component of "net insurance finance income/(expense)"), other income and certain general, administrative & other expenses. The Company believes this measure is useful to shareholders as it provides additional insight into the underlying economics of the insurance segment, as further discussed below.

For the insurance segment, SRE equals the sum of (i) the net investment income on the insurance segment's net invested assets (excluding investment income earned on funds held under reinsurance contracts) less (ii) cost of funds (as described below), and (iii) certain operating expenses.

Cost of funds includes the impact of interest accretion on insurance and investment contract liabilities and amortization of losses recognized for new insurance contracts that are deemed onerous at initial recognition. It also includes experience adjustments which represents the difference between actual and expected cashflows and includes the impact of certain changes to non-financial assumptions.

The Company reconciles SRE to net income (loss) before tax from its insurance segment activities, as follows:

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	Three Months Ended								
	Q3-2024	Q2-2024	Q1-2024	Q4-2023	Q3-2023	Q2-2023	Q1-2023	Q4-2022	Q3-2022
Net income (loss) and comprehensive income (loss) before tax	\$ (17,378)	\$ 3,847	\$ 13,148	\$ (1,946)	\$ 16,243	\$ (903)	\$ (29,187)	\$ 4,901	\$ 14,490
Adjustment to net income (loss) and comprehensive income (loss):									
Total revenue - asset management ⁽¹⁾	(3,826)	(3,394)	(4,030)	(3,723)	(3,186)	(2,996)	(1,926)	(2,651)	(2,139)
Total expenses - asset management	7,481	6,651	7,615	7,839	6,868	6,133	5,840	4,132	3,401
Net income - insurance ⁽²⁾	(13,723)	7,104	16,733	2,170	19,925	2,234	(25,273)	6,382	15,752
<i>Adjustments to Insurance segment business:</i>									
Management fees to ML Management	(1,501)	(1,529)	(1,429)	(1,345)	(1,110)	(969)	(823)	(740)	(607)
Net (gains) losses from investment activities ⁽³⁾	(13,267)	887	(2,995)	(10,116)	(2,113)	(1,454)	1,493	(3,418)	12,439
Other Income ⁽⁴⁾	—	—	—	(7,353)	—	—	—	—	—
Net insurance finance (income)/expense ⁽⁵⁾	30,940	(5,442)	(11,769)	14,399	(17,684)	(5,275)	20,650	(924)	(31,286)
Loss on onerous contracts ⁽⁶⁾	(822)	945	6,884	286	2,451	4,214	490	—	—
General, administrative and other ⁽⁷⁾	239	464	447	502	1,289	1,546	144	—	—
Spread Related Earnings	\$ 1,866	\$ 2,429	\$ 7,871	\$ (1,457)	\$ 2,758	\$ 296	\$ (3,319)	\$ 1,300	\$ (3,702)

- (1) Includes the add-back of management fees paid by Ability to ML Management.
- (2) Represents net income before tax for the insurance segment, as presented in the Interim Consolidated Statement of Comprehensive Income (Loss).
- (3) Excludes net (gains) losses from investment activities on assets retained by the Company under funds withheld arrangement with Front Street Re and Vista.
- (4) Represents non-operating income.
- (5) Includes the impact of changes in interest rates and other financials assumptions and excludes interest accretion on insurance contract liabilities and reinsurance contract assets.
- (6) Represents the unamortized portion of future interest accretion and ceded commissions paid at the time of issue of new MYGA insurance contracts. Future interest accretion and ceded commissions are amortized over the average duration of MYGA contracts reinsured which aligns with the recognition of insurance service revenue. Loss on onerous contracts are part of Insurance service expense.
- (7) Represents certain costs incurred by the insurance segment for purposes of IFRS reporting but not the day to day operations of the insurance company.

The following table presents SRE, the performance measure of the insurance segment:

	Three Months Ended	
	September 30, 2024	September 30, 2023
Fixed Income and other investment income, net ⁽¹⁾	\$ 13,538	\$ 15,225
Cost of funds	(9,373)	(10,243)
Net Investment spread	4,165	4,982
Other operating expenses	(2,299)	(2,224)
Spread Related Earnings	\$ 1,866	\$ 2,758
SRE % of Average Net Investments	0.3%	0.5%

- (1) Excludes net investment income from investment activities on assets retained by the Company under funds withheld arrangement with Front Street Re and Vista Life and Casualty Reinsurance Company ("Vista").

Spread related earnings ("SRE") was \$1.9 million for the three months ended September 30, 2024 compared with \$2.8 million for the three months ended September 30, 2023, a decrease of \$0.9 million. The decrease in SRE was driven mainly from decline in investment income, partially offset by lower cost of funds. Investment income decreased primarily due to the write-off of \$1.1 million of accrued investment income on mortgage loans deemed not in good standing during the current quarter. Additionally, the third quarter of 2023 had higher investment income due to an over-accrual of income, which was corrected in the subsequent quarter of 2023. Cost of funds primarily declined due to the decrease in amortization of reinsurance CSM in the current period due to change in the CSM amortization methodology.

SRE as a percentage of average net invested assets was 0.3% for the three months ended September 30, 2024 compared with 0.5% for the three months ended September 30, 2023.

The following table presents the trailing twelve months SRE of the insurance segment:

MANAGEMENT'S DISCUSSION AND ANALYSIS
for the three and nine months ended September 30, 2024 and 2023

	Trailing Twelve Months Ended	
	September 30, 2024	September 30, 2023
Fixed Income and other investment income, net ⁽¹⁾	\$ 50,431	\$ 45,106
Cost of funds	(30,402)	(32,885)
Net Investment spread	20,029	12,220
Other operating expenses	(9,320)	(11,186)
Spread Related Earnings	\$ 10,709	\$ 1,035
SRE % of Average Net Investments	1.8%	0.2%

(1) Excludes net investment income from investment activities on assets retained by the Company under funds withheld arrangement with Front Street Re and Vista Life and Casualty Reinsurance Company ("Vista").

Spread related earnings ("SRE") was \$10.7 million for the trailing twelve months ended September 30, 2024 compared with \$1.0 million for the trailing twelve months ended September 30, 2023, an increase of \$9.7 million. SRE increased year over year due to increased investment income, lower cost of funds, and lower other operating expenses. Investment income increased primarily due to an increase in total insurance investment assets as a result of new MYGA business and improvements in yield across the investment portfolio attributable to deployment of capital in a higher rate environment up through the second quarter of 2024. Cost of funds decreased primarily because of a decrease in the amortization of reinsurance CSM in the current period due to change in the CSM amortization methodology, as well as the one-time benefit of \$4.8 million in the first quarter of 2024 as a result of an in-force update to Long Term Care business. Other operating expenses decreased as a result of efforts to reduce overall operating cost.

SRE as a percentage of average net invested assets was 1.8% for the trailing twelve months ended September 30, 2024 compared with 0.2% for the trailing twelve months ended September 30, 2023.

Significant Events during the Quarter

On August 8, 2024, the Board declared a cash dividend in the amount of C\$0.02 per common share paid on August 30, 2024 to shareholders of record on August 22, 2024.

On August 30, 2024, the Company granted 1,435,700 new restricted share units ("RSUs") under the plan approved by the Company's shareholders on May 30, 2019 and amended on June 7, 2024. The RSUs were granted at a price of C\$2.00 per RSU on their grant date.

Financial Performance Review

This section provides a review of the Company's financial performance for the third quarter of 2024 and should be read in conjunction with the Company's interim consolidated financial statements and accompanying notes for the three and nine months ended September 30, 2024.

Adjusted results in this section are non-IFRS and are discussed in the **Non-IFRS Measures and Non-IFRS Ratios** section above.

Net Income

Reported net loss was \$(1.0) million for the nine months ended September 30, 2024, compared with a net loss of \$(14.2) million in the corresponding period in the prior year. Adjusted net income was \$0.6 million, compared with adjusted net loss of \$(10.3) million in the corresponding period in the prior year. Adjusted net income (loss) in the current and prior year periods excludes transaction costs, acquisition-related costs (including integration costs), and amortization of acquisition-related intangible assets for the asset management segment.

The increase in reported net income and adjusted net income resulted primarily from a change in the insurance service result and gains from investment activities during the nine months ended September 30, 2024 in comparison to the corresponding period in the prior year.

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for the three and nine months ended September 30, 2024 and 2023

Asset Management

Revenue

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Management and incentive fee	\$ 3,576	\$ 2,531	\$ 10,902	\$ 5,914
Equity investment earning	74	221	241	1,141
Interest income	274	274	817	813
Dividend income	71	166	296	331
Net gains (losses) from investment activities	(169)	(6)	(1,006)	(91)
Total revenue — asset management	\$ 3,826	\$ 3,186	\$ 11,250	\$ 8,108

Asset management revenue was \$3.8 million for the three months ended September 30, 2024, an increase of \$ 0.6 million, or 20%, compared with \$3.2 million in the corresponding period in the prior year. The increase in revenue was primarily related to management and incentive fees. Management and incentive fees increased \$1.0 million for the three months ended September 30, 2024, from the corresponding period in the prior year, mainly due to the expiration of fee-sharing agreements associated with the CLOs in December 2023, the addition of OCIF management and incentive fees due to performance improvement and increased AUM, and the First Trust Fund continuing to scale with increased AUM. The increase in revenue was partially offset by a decrease in equity investment earnings due to the loss of significant influence over the investment in OCIF in the third quarter of 2023 as well as an increase in unrealized loss relating to equity security investments in comparison to the corresponding period in the prior year.

Asset management revenue was \$11.3 million for the nine months ended September 30, 2024, an increase of \$ 3.1 million, or 38.8%, compared with \$8.1 million in the corresponding period in the prior year. The increase in revenue was primarily driven by increased management and incentive fees. Management and incentive fees increased \$5.0 million for the nine months ended September 30, 2024, from the corresponding period in the prior year, mainly due to added management and incentive fees in relation to the Ovation Acquisition commencing in the second quarter of 2023, the expiration of fee-sharing agreements associated with the CLOs in December 2023, the addition of OCIF management and incentive fees due to performance improvement and increased AUM, and the First Trust Fund continuing to scale with increased AUM. The increase in revenue was partially offset by a decrease in equity investment earnings due to the loss of significant influence over the investment in OCIF in the third quarter of 2023 as well as an increase in unrealized loss relating to equity security investments in comparison to the corresponding period in the prior year.

Expenses

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Administration and servicing fees	\$ 1,372	\$ 1,108	\$ 4,748	\$ 2,496
Transaction costs	2	872	253	2,308
Amortization of intangible assets	346	139	1,038	419
Interest and other credit facility expenses	1,664	1,555	5,027	4,212
General, administrative and other	4,097	3,194	10,681	9,406
Total expenses — asset management	\$ 7,481	\$ 6,868	\$ 21,747	\$ 18,841

Reported expenses were \$7.5 million for the three months ended September 30, 2024, an increase of \$0.6 million, or 8.9%, from the corresponding period in the prior year. Transaction costs are related to costs incurred primarily for professional services in connection with the Company's continued expansion of its alternative asset management platform. Intangible assets include payments made to purchase existing investment management contracts from third-party investment managers, which are amortized over the estimated useful lives of the contracts. Administration and servicing fees increased \$0.3 million, or 23.8%, for the three months ended September 30, 2024 from the corresponding period in the prior year, due to additional administrative costs incurred under the First Trust Fund and an increase in sub-investment management fees. Interest and other credit facility expenses increased \$0.1 million, or 7.0% for the three months ended September 30, 2024 from the corresponding period in the prior year, primarily due to increased borrowings from our refinancing of the Lind Bridge Notes (as defined below) with debenture units in the first quarter of 2024. General, administrative and other expenses increased \$0.9 million, or 28.3%, for the three months ended September 30, 2024 from the corresponding period in the prior year as a result of increased compensation costs arising from RSUs granted and quarterly guaranteed bonus accruals in the third quarter of 2024.

Adjusted expenses were \$7.1 million for the three months ended September 30, 2024, an increase of \$1.7 million, or 30.1%, from the corresponding period in the prior year. Adjusted expenses exclude transactions and acquisition-related costs (including those in connection with the transition services agreement entered into in connection with the Capitala Acquisition, which expired March 31, 2024) and amortization of acquisition-related intangible assets. Acquisition integration costs were \$nil for the three months ended September 30, 2024 compared to \$0.4 million in the corresponding period in the prior year given the Company has not made any new acquisitions since the third quarter of 2023 and existing acquisition integration costs have ceased. This is in line with transaction costs being close to \$nil for the three months ended September 30, 2024 as the Company did not undergo any new transactions during the quarter.

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for the three and nine months ended September 30, 2024 and 2023

Reported expenses were \$21.7 million for the nine months ended September 30, 2024, an increase of \$2.9 million, or 15%, from the corresponding period in the prior year. Transaction costs are related to costs incurred primarily for professional services in connection with the Company's continued expansion of its alternative asset management platform. Intangible assets include payments made to purchase existing investment management contracts from third-party investment managers, which are amortized over the estimated useful lives of the contracts. Administration and servicing fees increased \$2.3 million, or 90.2%, for the nine months ended September 30, 2024 from the corresponding period in the prior year, due to additional headcount, net economic loss attributable to the Company's service agreement with SCIM, additional administrative costs incurred under the First Trust Fund, and an increase in sub-investment management expenses. Interest and other credit facility expenses increased \$0.8 million, or 19% for the nine months ended September 30, 2024 from the corresponding period in the prior year, primarily due to increased borrowings from upsizing our existing credit facility during the second quarter of 2023 and a larger refinancing through the issuance of debenture units during the first quarter of 2024. General, administrative and other expenses increased \$1.3 million, or 13.6%, for the nine months ended September 30, 2024 from the corresponding period in the prior year primarily due to increased compensation costs arising from increase in headcount, RSUs granted and quarterly guaranteed bonus accruals in the third quarter of 2024.

Adjusted expenses were \$20.2 million, for the nine months ended September 30, 2024, an increase of \$5.2 million or 34.8%, from the corresponding period in the prior year. Adjusted expenses exclude transactions and acquisition-related costs (including those in connection with the transition services agreement entered into in connection with the Capitala Acquisition which expired on March 31, 2024) and amortization of acquisition-related intangible assets. Acquisition integration costs were \$0.3 million for the nine months ended September 30, 2024 compared to \$1.1 million in the corresponding period in the prior year.

Insurance

Revenue

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Insurance service result	\$ (1,428)	\$ (6,455)	\$ (6,950)	\$ (20,144)
Net investment income	23,704	26,233	68,996	67,804
Net gains (losses) from investment activities	19,976	574	21,107	4,751
Realized and unrealized gains (losses) on embedded derivative — funds withheld	(10,786)	(2,033)	(18,392)	(14,396)
Other income	10	124	16	281
Total revenue — net of insurance services expenses and net expenses from reinsurance	\$ 31,476	\$ 18,443	\$ 64,777	\$ 38,296

The insurance service result includes (i) insurance revenue, (ii) insurance service expenses and (iii) net expenses from reinsurance contracts held. The insurance service result for the three months ended September 30, 2024 improved by \$5.0 million compared to the corresponding period in the prior year. The improvement in results was primarily attributable to the decrease in the reinsurance CSM amortization in the current period, related to long term care business, compared to the corresponding period in the prior year, due to change in the CSM amortization methodology. Furthermore, in the third quarter of 2024, the loss on onerous MYGA contracts decreased compared to the same period last year, owing to the cessation of new MYGA business during the current quarter.

The insurance service result for the nine months ended September 30, 2024 improved by \$13.2 million when compared to the corresponding period in the prior year mainly attributable to above mentioned reasons and also due to the favorable in-force updates related to the long term care business.

Net investment income for the three and nine months ended September 30, 2024 decreased by \$2.5 million and increased by \$1.2 million, respectively, compared to the corresponding periods in the prior year. Investment income decreased for the three months ended September 30, 2024 primarily due to the write-off of accrued interest on investments deemed not in good standing. Additionally, the third quarter of 2023 had higher investment income due to an over-accrual of income, which was corrected in the subsequent quarter of 2023. Investment income increased primarily due to an increase in total insurance investment assets and improvements in yield across the investment portfolio.

Net gains (losses) from investment activities for the three and nine months ended September 30, 2024 increased by \$19.4 million and \$16.4 million, respectively, when compared to the same periods in the previous year. The increase was mainly due to a decrease in interest rates, which enhanced the market value of existing bonds with higher yield. Consequently, there were higher unrealized gains on these bonds and also on interest rate swaps during the current periods compared to the same periods last year.

Ability pays reinsurance premiums to Front Street and Vista to reinsure long-term care policies written. The reinsurance premium paid to Front Street to cover morbidity risk on the Medico block is in the form of a funds withheld, Yearly Renewable Term ("YRT") reinsurance agreement. The YRT premium due to Front Street is an amount contractually determined and is higher than the underlying premium paid by the policyholders to Ability. Ability also pays Vista a portion, based on a fixed percentage, of premiums received from policy holders for Vista to cover the YRT premium being paid to Front Street. We consider the Front Street agreement to be an important element of the liability management strategy of Ability's long term care business by assuming a significant portion of Ability's policy risk exposure from long-term care.

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Realized and unrealized gains (losses) on embedded derivative - funds withheld represents all investment activity during the period, including unrealized and realized movements, attributable to Front Street related to reinsurance investments held by Ability as collateral. Realized and unrealized gains (losses) on embedded derivative - funds withheld for the three and nine months ended September 30, 2024 increased by \$8.8 million and \$4.0 million, respectively, when compared to the corresponding periods in the prior year. The increase was primarily attributable to the increase in unrealized gain on funds held assets, as a result of decrease in interest rates during the three and nine months ended September 30, 2024.

Expenses

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Net insurance finance (income) expenses	\$ 35,463	\$ (13,432)	\$ 27,247	\$ 9,758
Increase (decrease) in investment contract liabilities	2,600	1,986	7,366	4,400
(Increase) decrease in reinsurance assets	4,588	6,326	12,293	15,897
General, administrative and other	2,548	3,638	7,757	11,355
Total expenses — insurance	\$ 45,199	\$ (1,482)	\$ 54,663	\$ 41,410

Insurance expenses are primarily comprised of (i) net insurance finance (income) expenses, (ii) increase (decrease) in investment contract liabilities, (iii) (increase) decrease in reinsurance assets, and (iv) general, administrative and other expenses related to insurance products and reinsurance transactions including interest expense.

Net insurance finance (income) expenses comprise the change in the carrying amount of the group of insurance contracts under IFRS 17 arising from the effect of changes in discount rates applied to IFRS 17 calculations and from interest accretion over insurance liabilities. Net insurance finance expense for the three and nine months ended September 30, 2024 increased by \$48.9 million and \$17.5 million, respectively when compared to the corresponding periods in the prior year, due to changes in the interest rate environment.

Investment contract liabilities in the Interim Consolidated Statement of Comprehensive Income (Loss) for the three and nine months ended September 30, 2024 increased by \$0.6 million and \$3.0 million, respectively, when compared to the same periods in the previous year. The increase was mainly due to interest accretion on higher investment contract liabilities associated with MYGA. The investment contract liabilities grew due to additional MYGA business assumed during the first half of 2024.

The (increase) decrease in reinsurance assets represents all investment activity during the period, including unrealized and realized movements, attributable to Vista-related reinsurance investments held by Ability as collateral. For the three and nine months ended September 30, 2024, reinsurance assets in the Interim Consolidated Statement of Comprehensive Income (Loss) decreased by \$1.7 million and \$3.6 million, respectively, compared to the same periods in the prior year. This decrease was mainly due to lower unrealized gain on Vista assets during current periods compared to same periods last year, as well as an over-accrual of investment income in third quarter of 2023, which had previously increased reinsurance assets. Additionally, higher investment expenses related to Vista investment assets in the first half of 2024 contributed to the decrease in reinsurance assets for the nine months ended September 30, 2024.

General, administrative and other expenses primarily cover estimated credit losses, interest expense and operating costs such as professional fees related to accounting, legal and actuarial support, audit fees, etc. For the three and nine months ended September 30, 2024, these expenses decreased by \$1.1 million and \$3.6 million, respectively, when compared to the corresponding period in the prior year, due to ongoing efforts to reduce overall administrative cost. In the first nine months of 2023, expenses were mainly higher due to the implementation of IFRS 17 and increased provision for estimated credit losses.

Provision for Income Taxes

Income taxes include those imposed on the Company's foreign subsidiaries and revaluation of deferred tax assets. Income tax expense was \$0.6 million, for the nine months ended September 30, 2024 an increase of \$0.2 million, from the corresponding period in the prior year. Deferred tax assets, measured at the tax rates expected to apply, represents management's estimate of temporary differences that will be able to be realized. Deferred tax assets are recognized only when it is probable that sufficient taxable profit will be available in future periods against which deductible temporary differences may be utilized.

MANAGEMENT'S DISCUSSION AND ANALYSIS
for the three and nine months ended September 30, 2024 and 2023

Financial Condition Review

Asset Management

As at	September 30, 2024	December 31, 2023
ASSETS		
Cash	\$ 2,119	\$ 990
Investments	22,809	26,709
Intangible assets	27,742	28,779
Other assets	6,732	6,593
Total assets — asset management	\$ 59,402	\$ 63,071
LIABILITIES		
Due to affiliates	\$ 14,840	\$ 12,113
Debt obligations	65,383	62,030
Derivatives - debt warrants	195	-
Accrued expenses and other liabilities	1,775	3,494
Total liabilities — asset management	\$ 82,193	\$ 77,637

Total assets of \$59.4 million represents a decrease of \$3.7 million, or (5.8)%, from December 31, 2023. Total liabilities of \$82.2 million represents an increase of \$4.6 million, or 5.9%, from December 31, 2023.

Cash increased \$1.1 million from December 31, 2023, primarily due to payments received for management and incentive fees and distributions, the redemption of OCIF shares, in addition to net proceeds from the issuance of debenture units, offset by the extinguishment of the notes issued by Lind Bridge L.P. (the "Lind Bridge Notes"), expense reimbursements to BC Partners and paydowns on debt facilities. Investments decreased \$3.9 million due to the reduction of investment in associates from the decrease in SCIM carrying value, the redemption of OCIF shares and a decrease in the market value of equity security investments. Other assets primarily includes management fees and incentive fees receivable, deferred tax assets, interest receivables and prepaid expenses. Other assets increased \$0.1 million from December 31, 2023, primarily due to the increase in OCIF incentive fees outstanding at the reporting date.

The Company reimburses BC Partners (or its affiliates) for an allocable portion of compensation paid to the Company's Chief Financial Officer, associated management personnel (based on a percentage of time such individuals devote, on an estimated basis, to the business affairs of the Company), and out-of-pocket expenses. Due to affiliates increased \$2.7 million from December 31, 2023, primarily due to timing of repayment of operating expenses paid by BC Partners on behalf of the Company to third-party providers of goods or services and administrative fees, as well as a decrease in the net economic benefit attributable to the Company's service agreement with SCIM increasing the Company's payable under the contract. Debt obligations increased by \$3.4 million due to the issuance of new debt in the form of debenture units offset by the extinguishment of the Lind Bridge Notes at carrying value and the paydowns on other credit facilities. Accrued expenses and other liabilities primarily includes accrued expenses for third-party providers of goods or services and accrued quarterly guaranteed bonus compensation. Accrued expenses and other liabilities decreased \$1.7 million due to lower transaction costs, transition services agreement costs, and legal fee accruals in comparison to the period ending December 31, 2023,

Insurance

As at	September 30, 2024	December 31, 2023
ASSETS		
Cash and cash equivalents	\$ 104,190	\$ 89,230
Restricted cash posted as collateral	6,820	-
Investments in financial assets	1,058,768	1,008,637
Derivatives	4,568	-
Reinsurance contract assets	446,998	442,673
Intangible assets	2,444	2,444
Goodwill	55,015	55,015
Other assets	28,521	27,508
Total assets — insurance	\$ 1,707,324	\$ 1,625,507
LIABILITIES		
Debt obligations	\$ 14,250	\$ 14,250
Insurance contract liabilities	1,135,999	1,107,056
Investment contract liabilities	225,598	169,314
Funds held under reinsurance contracts	244,004	238,253
Accrued expenses and other liabilities	13,753	30,116
Total liabilities — insurance	\$ 1,633,604	\$ 1,558,989

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the three and nine months ended September 30, 2024 and 2023

Total assets of \$1.7 billion represents an increase of \$81.8 million, from December 31, 2023. Total liabilities of \$1.6 billion represents an increase of \$74.6 million, from December 31, 2023.

Cash and cash equivalents including restricted cash posted as collateral increased by \$21.8 million as a result of the new MYGA business during the first half of 2024. Investments in financial assets increased by \$50.1 million during the nine months ended September 30, 2024, driven by new MYGA business in first half of 2024 and an increase in the market value due to lower interest rates and yield. Other assets primarily include accrued investment income, receivable for investments sold, and guaranty funds on deposit. Other assets increased by \$1.0 million from December 31, 2023 primarily due to an increase in the receivables for investments sold.

Reinsurance contract assets represents the benefits derived from the reinsurance arrangement for Long Term Care policies. Reinsurance contract assets increased by \$4.3 million from December 31, 2023. The increase was primarily attributable to an increase in the present value of recoverables, driven by reduction in interest rates. This increase was partially offset by the actual recoveries of claims.

Insurance contract liabilities represents liabilities calculated under IFRS 17 related to Long Term Care and MYGA business. Insurance contract liabilities increased by \$28.9 million from December 31, 2023, primarily driven by the decrease in interest rates which resulted in an increase in present value of liabilities.

Investment contract liabilities reflect the non-insurance classified MYGA contracts due to policyholders for their stable guaranteed yield. Investment contract liabilities increased by \$56.3 million from December 31, 2023 due to underwriting of new MYGA policies during the first half of 2024 and an increase in interest owed to policyholders which was partially offset by claims payment.

Funds held under reinsurance represents the offsetting liability for the fair value of investments held as reinsurance collateral under the funds withheld reinsurance agreement with Front Street Re. Funds held under reinsurance increased by \$5.8 million from December 31, 2023, primarily due to accrual of income on the investments held.

Accrued expenses and other liabilities primarily include payables for investments purchased and other accrued expenses. Accrued expenses and other liabilities decreased by \$16.4 million, from December 31, 2023, driven primarily from settlement of payables related to MYGA policies against the new MYGA business assumed during the first half of 2024. This decrease was partially offset by slight increase in investment trade payables.

Equity

As at	September 30, 2024	December 31, 2023
Common shares	\$ 115,897	\$ 115,607
Warrants	1,129	1,129
Contributed surplus	8,030	7,240
Surplus (Deficit)	(52,269)	(50,166)
Cumulative translation adjustment	(21,858)	(21,858)
Total equity	\$ 50,929	\$ 51,952

Total equity decreased \$1.0 million from December 31, 2023, primarily due to a net increase in retained deficit.

Summary Quarterly Earnings Trends

Summary Statement of Comprehensive Income and Quarterly Financial Measures ^{(1) (2) (3)}

For the three months ended	Q3-2024	Q2-2024	Q1-2024	Q4-2023	Q3-2023	Q2-2023	Q1-2023	Q4-2022	Q3-2022
Total revenue — asset management	\$ 3,826	\$ 3,394	\$ 4,030	\$ 3,723	\$ 3,186	\$ 2,996	\$ 1,926	\$ 2,651	\$ 2,139
Total revenue — insurance	31,476	15,746	17,555	30,847	18,443	9,667	10,186	17,406	(9,468)
Total revenue	35,302	19,140	21,585	34,570	21,629	12,663	12,112	20,057	(7,329)
Total expenses — asset management	7,481	6,651	7,615	7,839	6,868	6,133	5,840	4,132	3,401
Total expenses — insurance	45,199	8,642	822	28,677	(1,482)	7,433	35,459	11,024	(25,220)
Total expenses	52,680	15,293	8,437	36,516	5,386	13,566	41,299	15,156	(21,819)
Income before income taxes	(17,378)	3,847	13,148	(1,946)	16,243	(903)	(29,187)	4,901	14,490
Income tax (expense) / recovery deferred	(266)	(265)	(56)	(315)	(331)	248	(265)	(235)	149
Total comprehensive income (loss)	(17,644)	3,582	13,092	(2,261)	15,912	(655)	(29,452)	4,666	14,639
Basic earnings per share	\$ (0.68)	\$ 0.14	\$ 0.51	\$ (0.09)	\$ 0.62	\$ (0.03)	\$ (1.33)	\$ 0.21	\$ 0.66
Diluted earnings per share	\$ (0.68)	\$ 0.14	\$ 0.50	\$ (0.09)	\$ 0.61	\$ (0.03)	\$ (1.33)	\$ 0.21	\$ 0.65

- (1) Additional segmented information is included in Note 16 to our interim consolidated financial statements for the three and nine months ended September 30, 2024.
- (2) Certain comparative figures have been reclassified to conform with the current period's presentation.
- (3) The Company has adopted IFRS 17 retrospectively. The transition approach was determined at the group of insurance contracts level and affected the approach to calculating the contractual service margin ("CSM") on initial adoption of IFRS 17 and affected the total revenue and expenses for the insurance segment.

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the three and nine months ended September 30, 2024 and 2023

Caution

Information that is derived from unaudited financial information, including information as at and for the interim periods, includes all adjustments necessary for a fair presentation of such information. All such adjustments are of a normal and recurring nature. Interim operating results are not necessarily indicative of actual results for the full fiscal year.

Comparison of Q3 2024 results with Q3 2023

Asset management

Total revenue increased \$0.6 million primarily related to the increase in management and incentive fees from OCIF and the First Trust Fund due to increased AUM, and the expiration of fee-sharing agreements associated with the CLOs, partially offset by lower equity investment earnings on SCIM and unrealized losses on equity security investments. Total expenses increased \$0.6 million due to general, administrative and other expenses which increased primarily as a result of increased compensation costs related to RSUs granted and quarterly guaranteed bonus accruals. Other contributions to the increase include interest and other credit facility expenses which increased due to increased borrowings, as well as administrative and servicing fees which increased due to additional costs incurred under the First Trust Fund and an increase in sub-investment management fees.

Insurance

Total revenue increased by \$13.0 million, primarily due to a \$19.4 million increase in net gains from investment activities. This increase was largely driven by unrealized gain on bonds and interest rate swaps, resulting from lower treasury yields in the current quarter compared to the corresponding period in the prior year. Additionally, a \$5.0 million increase in insurance service result was noted, due to lower amortization of reinsurance CSM and favorable claims experience in the third quarter of 2024. These increases were partially offset by an \$8.8 million increase in realized and unrealized gains (losses) on embedded derivatives, which resulted from an unrealized gain on funds held assets, again due to lower treasury yields during the current quarter. Furthermore, there was a \$2.5 million decrease in net investment income, owing to the write-off of accrued interest deemed not in good standing. The third quarter of 2023 had higher investment income due to an over-accrual of income, which was corrected in the subsequent quarter of 2023.

Total expenses increased by \$46.7 million primarily due to a \$48.9 million increase in net insurance finance expense driven by lower interest rates in the current quarter, and a \$0.6 million increase in the investment contract liability from interest accretion on MYGA deposit liabilities, which grew in the first half of 2024. These increases were partially offset by a \$1.7 million decrease in reinsurance assets related to Vista, due to a lower unrealized gain in current quarter compared to same quarter last year, and higher investment income on Vista assets last year due to the receipt of interest income on one of the mortgage loans for which no interest accrual was done in prior periods. Additionally, there was a \$1.1 million reduction in general, administrative & other expenses from efforts to reduce administrative cost. Third-quarter expenses in 2023 were also higher due to costs incurred from the implementation of IFRS 17.

Comparison of Q3 2024 results with Q2 2024

Asset management

Total revenue increased \$0.4 million quarter over quarter primarily related to unfavorable market fluctuations in the second quarter resulting in significant unrealized losses from investments activities. Total expenses increased \$0.8 million due to general, administrative and other expenses, primarily increased by RSU related compensation and quarterly bonus accruals.

Insurance

Total revenue increased by \$15.7 million quarter-over-quarter, primarily due to a \$21.5 million increase in net gains from investment activities. This increase was largely driven by unrealized gain on bonds and interest rate swaps, resulting from lower treasury yields in the current quarter compared to the previous quarter. Additionally, there was a \$1.0 million improvement in insurance service result due to higher loss recovery for the LTC business and a lower MYGA loss following the cessation of new MYGA business, partially offset by higher insurance service expenses for the LTC business. Moreover, net investment income increased by \$0.2 million. These increases were partially offset by \$7.0 million increase in realized and unrealized gains (losses) on embedded derivatives, attributed to an unrealized gain on funds held assets due to the lower treasury yield during the current quarter.

Total expenses increased by \$36.6 million, mainly driven by a \$36.4 million increase in net insurance finance expenses due to a decrease in interest rates this quarter compared to the previous quarter. Additionally expenses increased by \$0.4 million due to higher net investment income on assets held by Company under Modco agreement with Vista, in the current quarter, represented by (increase) decrease in reinsurance assets. There was also a \$0.1 million increase in investment contract liabilities from increased interest accretion on MYGA policies. These increases were partially offset by a \$0.4 million reduction in general, administrative and other expenses mainly due to a lower estimated credit loss provision this quarter compared to the previous quarter.

Liquidity and Capital Resources

Capital management

The Company's objectives when managing capital are:

- to ensure that the Company maintains the level of capital necessary to meet its ongoing obligations;

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- to allow the Company to respond to changes in economic and/or marketplace conditions by maintaining its ability to purchase new investments;
- to give shareholders sustained growth in shareholder value by increasing shareholders' equity; and
- to maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

We actively manage our capital to meet these objectives in support of our overall business strategy.

Liquidity and financing strategy

We manage our liquidity and capital requirements by focusing on our cash flows before the consolidation of our entities and the effect of changes in short-term assets and liabilities, which we anticipate will be settled for cash within one year and maintaining access to sufficient liquidity through various sources. The overall liquidity framework and cash management approach of our insurance business are also based on building an investment portfolio that is cash flow matched, providing cash inflows from insurance assets that meet Ability's expected cash outflows to pay its liabilities. Our primary cash flows activities typically involve: (i) generating cash flow from operations; (ii) generating income from investment activities, by investing in investments that generate yield (namely interest and dividends), as well as through the sale of investments and other assets; (iii) funding capital commitments that we have made; (iv) developing and funding new investment strategies, investment products, and other growth initiatives, including acquisitions of other investments and businesses; and (v) paying borrowings, interest payments, and repayments under credit agreements and other debt obligations.

Our primary sources of liquidity consist of amounts received from: (i) our operating activities, including management fees; (ii) realizations of performance fees from our managed funds; (iii) interest and dividends from investments that generate yield; (iv) in our insurance business, cash inflows in respect of new premiums, policyholder deposits, and reinsurance transactions; (v) realizations on investment sales and principal repayments; and (vi) borrowings under our credit facilities. In addition, we may generate cash proceeds from sales of our equity securities.

On October 20, 2022, Lind Bridge L.P. ("Lind Bridge"), a limited partnership controlled by the Company, as borrower, issued a promissory note to a third-party lender (the "Initial Lind Bridge Note") for \$7.5 million. The Initial Lind Bridge Note bears interest at a rate per annum of 7.5% on the unpaid principal amount and matures on October 20, 2029. On August 14, 2023, Lind Bridge issued an additional promissory note to a third-party lender for \$5 million (the "Subsequent Lind Bridge Note" and collectively the "Lind Bridge Notes"). The Subsequent Lind Bridge Note bears interest at a rate per annum of 7.5% on the unpaid principal amount and matures on April 1, 2025. The Company has guaranteed the obligations of Lind Bridge under the Lind Bridge Notes. The proceeds of the Lind Bridge Notes were used to support the reinsurance of additional annuities in Ability and maintain required statutory surplus. During the first quarter of 2024, the Company repaid the indebtedness under the Lind Bridge Notes in full, resulting in prepayments on the Subsequent Lind Bridge Note at an effective interest rate of 16% per annum.

The Lind Bridge Notes were extinguished with consideration at the carrying amount of the financial liabilities, resulting in no gain or loss. The Company raised \$18.8 million new debt through the issuance of 18,752 debenture units ("Debenture Units") on a non-brokered private placement basis (the "Debenture Unit Offering"). Each Debenture Unit consists of: (i) one 8.85% paid-in-kind unsecured debenture of the Company in the principal amount of \$1,000 maturing on the date that is eight (8) years from the issuance thereof, and (ii) 50 common share purchase warrants of the Company, each of which is exercisable to acquire one common share of MLC at a price of C\$2.75 per share for a period of eight (8) years, from the issuance thereof, provided that the warrants are not permitted to be exercised within the first twelve (12) months from the issuance thereof.

Working capital

Working capital is the excess of current assets over current liabilities. The Company defines working capital as the sum of cash, restricted cash, investments that mature within one year of the reporting date, management fees receivable, receivables for investments sold, accrued interest and dividend receivables, and premium receivables, less the sum of debt obligations, payables for investments purchased, amounts due to affiliates, reinsurance liabilities, and other liabilities that are payable within one year of the reporting date.

As at September 30, 2024, the Company had working capital of \$226.9 million, reflecting current assets of \$244.1 million, offset by current liabilities of \$17.2 million, as compared with working capital of \$183.4 million as at December 31, 2023, reflecting current assets of \$230.8 million, offset by current liabilities of \$47.4 million. The increase in working capital was attributed to an increase in cash and cash equivalents from new MYGA business in the first half of 2024, as well as the settlement of payables related to MYGA against the new MYGA policies assumed. Additionally, there was an increase in cash within the asset management segment from increased management and incentive fee receipts, the redemption of OCIF shares, and net proceeds from the issuance of debenture units, as well as a decrease in due to affiliates and accrued expenses. The decrease in due to affiliates is due to a reclassification of the maturity of these balances from current to unspecified, and the decrease in accrued expenses was driven by lower transaction costs, transition services agreement costs, and legal fee accruals.

Off-balance sheet arrangements

Investment commitments

In the normal course of business, the Company may enter into commitments to fund investments, which are not reflected in the consolidated financial statements. There were \$10.1 million of outstanding investment commitments as at September 30, 2024 (December 31, 2023 – \$1.4 million).

In connection with the Capitala Acquisition, ML Management issued a promissory note to CIA for \$4.0 million, which pursuant to the terms in the agreement, may increase to \$6.0 million, based on the maturity date asset values of a predefined list of assets held by Logan Ridge. Refer to

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Note 12 *Debt Obligations* in the Interim Consolidated Financial Statements for the expected cash outflow on this liability based on the fair value as at September 30, 2024

Service agreements

Service agreements

In connection with the Capitala Acquisition, ML Management entered into a transition services agreement with CIA to provide certain non-investment advisory services upon reasonable request. There were no outstanding service fees as at September 30, 2024 (December 31, 2023 – \$0.3 million) given the transition services agreement expired on March 31, 2024. In addition, ML Management entered into an independent contractor agreement to provide certain services as specified in the agreement. There were no outstanding service fees as at September 30, 2024 (December 31, 2023 – \$nil). These service fees for which services are not rendered are not reflected in the consolidated financial statements.

Capital

Our total capital consists of debt obligations and total shareholders' equity. As at September 30, 2024, our total capital was \$131.6 million., an increase of \$2.1 million from December 31, 2023.

Capital Transactions

As at September 30, 2024, there were 25,797,739 common shares issued and outstanding (December 31, 2023 – 25,733,735). There were no preference shares outstanding as at September 30, 2024 (December 31, 2023 – nil). On March 15, 2024, the Company issued 64,004 common shares (net of shares withheld for tax) in respect of RSUs (inclusive of Dividend Equivalent Units ("DEUs")) that vested. There were no other shareholder transactions for the nine months ended September 30, 2024.

Regulatory Capital Requirements

Regulatory capital requirements for Ability are determined in accordance with guidelines issued by the National Association of Insurance Commissioners ("NAIC"). The RBC requirement is a statutory minimum level of capital that is based on two factors: an insurance company's size, and the inherent riskiness of its financial assets and operations. That is, the company must hold capital in proportion to its risk. The minimum RBC ratio for Ability is 200% and Ability must have a ratio in excess of 300% to be able to write new business. Ability's RBC ratio is tested annually at the end of Ability's financial year. Further, Ability's RBC ratio was in excess of the minimum requirement as at September 30, 2024. From time to time during a particular financial year, Ability may take steps to increase its RBC ratio to ensure it remains above the minimum requirement or exceeds the ratio required to write new business, which steps may include, among other things, securing additional funding. Ability's minimum capital requirements do not require a minimum level of cash to be held. Ability does not have to include cash as part of its regulatory capital provided the minimum capital requirements are satisfied.

Dividends

The declaration and payment of shareholder dividends and the amount thereof are at the discretion of the Board and depend upon various factors, including the results of operation, financial condition and, future prospects of the Company, and taking into account regulatory restrictions on the payment of shareholder dividends.

In any given period, actual cash flow from operations may differ from the amount of distributions paid to the Company's shareholders as a result of, among other things, timing differences between the receipt by the Company of proceeds from management and servicing arrangements and the sale of investments as well as premiums received that relate to insurance contracts, together with the timing for the redeployment of such proceeds and the payment of claims related to insurance contracts, in relation to the dates of declaration and payment of dividends. Distributions in excess of cash flow from operations represent an economic return of capital, rather than a return on capital, since they represent cash payments in excess of cash generated by the Company's continuing operations during the period.

The Company has from time-to-time paid distributions in the form of dividends that are in excess of cash flow from operations, which represent an economic return of capital. For the three months ended September 30, 2024, distributions paid by the Company did not exceed cash flow from operations.

Related Party Transactions

Servicing Agreement

BC Partners, as servicing agent (the "Servicing Agent") performs (or oversees, or arranges for, the performance of) the administrative services necessary for the operation of the Company, including, without limitation, office facilities, equipment, bookkeeping and recordkeeping services and such other services the Servicing Agent, subject to review by the Board, shall from time to time deem necessary or useful to perform its obligations under the Servicing Agreement, subject to certain exclusions as agreed to between the Company and the Servicing Agent from time to time. The Servicing Agent is authorized to enter into sub-administration agreements as determined to be necessary in order to carry out the administrative services. The Servicing Agreement is subject to annual renewal.

The Company reimburses BC Partners for an allocable portion of compensation paid by the Servicing Agent (or its affiliates) to the Company's Chief Financial Officer, associated management personnel (based on a percentage of time such individuals devote, on an estimated basis, to the business affairs of the Company), and out-of-pocket expenses. While the Servicing Agent performs certain administrative functions for the Company, the management functions of the Company are wholly performed by the Company's management team.

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For the three months ended September 30, 2024, the Company incurred administrative fees of \$1.1 million (September 30, 2023 – \$0.9 million). For the nine months ended September 30, 2024, the Company incurred administrative fees of \$3.0 million (September 30, 2023 – \$2.7 million). As at September 30, 2024, administrative fees payable to BC Partners was \$2.3 million (December 31, 2023 – \$1.3 million).

Transactions with Affiliates - servicing fees

The Company, through US Holdings, a wholly-owned subsidiary of the Company, provides certain administrative services to SCIM in respect of the management of ACIF in exchange for a servicing fee. Servicing fees are determined quarterly based on an amount equal to the aggregate base management fee and incentive fees received by SCIM from ACIF in respect of such quarter, net of debt servicing expense, a quarterly fee to be retained by SCIM comprised of a specified amount, plus an allocable portion of the compensation of SCIM's investment professionals in connection with their performance of investment advisory services for ACIF (collectively, the "Retained Benefits"). In addition, SCIM is reimbursed by US Holdings quarterly for certain expenses it incurs in connection with the investment advisory services provided to ACIF. Pursuant to this arrangement, the Company receives the net economic benefit derived by SCIM under the ACIF Advisory Agreement, subject to the holdback of the Retained Benefits and expense reimbursements. For the three months ended September 30, 2024, the Company incurred servicing fees of \$(0.4) million (September 30, 2023 – \$0.6 million). For the nine months ended September 30, 2024, the Company incurred servicing fees of \$(1.9) million (September 30, 2023 – \$1.0 million).

Potential Conflicts of Interest

The Company's senior management team is comprised of substantially the same personnel as the senior management team of BC Partners, and such personnel may serve in similar or other capacities for BC Partners or to future investment vehicles affiliated with BC Partners. As a result, such personnel provide investment advisory services to the Company and certain investment vehicles considered affiliates of BC Partners.

Compensation of Key Management Personnel

The Company's key management personnel are those personnel who have the authority and responsibility for planning, directing and controlling the activities of the Company. Directors (both executive and non-executive) are considered key personnel. Certain directors and officers of the Company are affiliated with BC Partners. For the 2024 fiscal year, the Chief Executive Officer (the "CEO") and Co-Presidents will receive no cash salary or bonuses of any kind. Instead, their compensation will be 100% equity-based compensation granted pursuant to the Company's security-based compensation arrangements that vests over time for services rendered, which will be calculated and granted in 2024. The CEO and Co-presidents had a total of 710,629 RSUs, inclusive of DEUs outstanding as at September 30, 2024 (December 31, 2023 – 165,664), which will vest over two to three years. There were 595,000 RSUs and 3,408 DEUs declared and issued to the CEO and Co-presidents during the nine months ended September 30, 2024 (September 30, 2023 – nil RSUs and 3,553 DEUs). No person or employee of the Servicing Agent or its affiliates that serves as a director of the Company receives any compensation from the Company for his or her services as a director.

Common shares held by directors and officers of the Company who are affiliated with BC Partners at September 30, 2024 were 779,681 (December 31, 2023 – 645,370).

Other Transactions with BC Partners or its Affiliates

The Servicing Agent may, from time to time, pay amounts owed by the Company to third-party providers of goods or services, and the Company will subsequently reimburse the Servicing Agent for such amounts paid on its behalf. Amounts payable to the Servicing Agent are settled in the normal course of business without any formal payment terms. As at September 30, 2024, operating expenses reimbursable to BC Partners for amounts paid on behalf of the Company was \$11.7 million (December 31, 2023 – \$11.4 million).

The Company may, from time to time, enter into transactions in the normal course of operations with entities that are considered affiliates of BC Partners. At September 30, 2024, the Company held investments with affiliates of BC Partners totaling \$22.2 million (December 31, 2023 – \$25.0 million) and the insurance segment held investments in affiliates of BC Partners totaling \$24.2 million (December 31, 2023 – \$24.7 million).

Critical Accounting Estimates

The most significant assets and liabilities for which we must make estimates include: financial instruments measured at fair value; impairment of securities; income taxes and deferred tax assets; goodwill and intangible assets; insurance-related liabilities; and provisions. Note 3 of the annual consolidated financial statements for the year ended December 31, 2023 provide further details on these estimates and judgments made in determining the fair value of financial instruments. Actual results may differ from those estimates, and such differences could be material.

Financial Instruments Measured at Fair Value

The Company's classification of financial assets is based on the business model for managing the portfolio of assets and the contractual cash flow characteristics of these financial assets. Debt securities held within a business model with the objective of realizing cash flows through sale and meets the definition of held for trading, rather than holding to collect the contractual cash flows, are classified and measured at fair value through profit or loss ("FVTPL"). Debt securities with contractual cash flows that meet the "solely payment of principal and interest" test and are managed on a "hold to collect" basis and measured at amortized cost. These financial assets are recognized initially at fair value plus or minus direct and incremental transaction costs, and are subsequently measured at amortized cost, using the effective interest method, net of

an allowance for expected credit losses ("ECL"). Equity investments are generally carried at fair value through profit or loss. These values are periodically assessed by management of the Company to ensure that they are reasonable.

Investments held that are traded in an active market, through recognized public stock exchanges, over-the-counter markets, or through recognized investment dealers are valued at their closing sale prices. Investments held that are not traded in an active market are valued based on the results of valuation techniques using observable market inputs, if available, on such basis and in such manner established by management. The fair value of certain securities may be estimated using valuation techniques based on assumptions that are not supported by observable market inputs. Investments for which reliable quotations are not readily available are valued at fair value, as determined using management's best estimates thereof pursuant to procedures established by the Company. These values are periodically assessed by management of the Company to ensure that they are reasonable.

Management undertakes a multi-step valuation process, which includes, among other procedures, the following:

- The Company's quarterly valuation process begins with each investment being initially valued by the investment professionals responsible for the portfolio investment. The Company may utilize an independent valuation firm from time to time to provide valuation on material illiquid securities.
- Management will review the recommended valuations and determine the fair value of each investment. Valuations that are not based on readily available market quotations will be valued in good faith based on, among other things, the input of management and, where applicable, other third-parties.

Additional information regarding fair value measurements is included in Note 6 of the interim consolidated financial statements for the quarter ended September 30, 2024.

Impairment of Securities

We have investments in associates, which we review at each quarter-end reporting period in order to identify and evaluate those that show indications of possible impairment. For these investments, a significant or prolonged decline in the fair value of a security to an amount below its cost is objective evidence of impairment.

Debt securities measured at amortized costs are assessed for impairment using the ECL model. The Company, excluding Ability's investments in mortgage loans, elects to measure the allowance for its net investment in loans carried at amortized cost at an amount equal to lifetime ECLs under a simplified approach that does not require the Company to track changes in credit risk. Other than Ability's mortgage loans, the Company has only one loan investment measured at amortized cost, and therefore, the simplified approach adequately approximates ECL. For Ability's investment in mortgage loans, the allowance for credit losses is measured at a 12-month expected credit loss unless there is a significant increase in credit risk.

Additional information regarding accounting for debt securities measured at amortized cost, other securities, the related allowance for credit losses and the determination of fair value is included in Note 3 of the annual consolidated financial statements for the year ended December 31, 2023 and Note 6 of the interim consolidated financial statements for the quarter ended September 30, 2024.

Insurance Contract Liabilities

Policy liabilities for IFRS are valued in Canada under standards established by the Actuarial Standards Board. These standards are designed to ensure we establish an appropriate liability on the Consolidated Statements of Financial Position to cover future obligations to all our policyholders. The assumptions underlying the valuation of policy liabilities are required to be reviewed and updated on an ongoing basis to reflect recent and emerging trends in experience and changes in risk profile of the business. In conjunction with prudent business practices to manage both product and asset related risks, the selection and monitoring of appropriate valuation assumptions is designed to minimize our exposure to measurement uncertainty related to policy liabilities.

Policy liabilities have two major components: a best estimate amount and a provision for adverse deviation. The best estimate amount represents the estimated value of future policyholder benefits and settlement obligations to be paid over the term remaining on in-force policies, including the costs of servicing the policies. The best estimate amount is reduced by the future expected policy revenues, before any consideration for reinsurance ceded. To determine the best estimate amount, assumptions must be made for a number of key factors, including future mortality and morbidity rates, investment returns, lapse, operating expenses, and certain taxes (other than income taxes and includes temporary tax timing and permanent tax rate differences on the cash flows available to satisfy policy obligations).

Reinsurance is used to transfer part or all of a policy liability to another insurance company at terms negotiated with that insurance company. A separate asset for reinsurance ceded is calculated based on the terms of the reinsurance treaties that are in-force, with deductions taken for the credit standing of the reinsurance counterparties where appropriate. To recognize the uncertainty involved in determining the best estimate actuarial liability assumptions, a provision for adverse deviation ("PfAD") is established. The PfAD is determined by including a margin of conservatism for each assumption to allow for possible mis-estimation of, or deterioration in, future experience in order to provide greater comfort that the policy liabilities will be sufficient to pay future benefits. The Canadian Institute of Actuaries establishes suggested ranges for the level of margins for adverse deviation based on the risk profile of the business. Our margins are set taking into account the risk profile of our business. The effect of these margins is to increase policy liabilities over the best estimate assumptions. The margins for adverse deviation

decrease the income that is recognized at the time a new policy is sold and increase the income recognized in later periods as the margins release as the remaining policy risks reduce.

Best Estimate Assumptions

We follow established processes to determine the assumptions used in the valuation of our policy liabilities. The nature of each risk factor and the process for setting the assumptions used in the valuation are discussed below.

Mortality

Mortality relates to the occurrence of death. Mortality assumptions are based on our internal as well as industry past and emerging experience and are differentiated by sex, underwriting class and policy type. We make assumptions about future mortality improvements using historical experience derived from population data. Reinsurance is used to offset some of our direct mortality exposure on in-force life insurance policies with the impact of the reinsurance directly reflected in our policy valuation for the determination of policy liabilities net of reinsurance. Actual mortality experience is monitored against these assumptions separately for each business.

Morbidity

Morbidity relates to the occurrence of accidents and sickness for the insured risks. Morbidity assumptions are based on our internal as well as industry past and emerging experience. Our morbidity risk exposure relates to future expected claims costs for long-term care insurance is significantly ceded through reinsurance.

Lapse

Policy lapses represent the termination of policies due to non-payment of premiums by policyholders. Policy termination and premium persistency assumptions are primarily based on our recent experience adjusted for expected future conditions. Actual experience is monitored against our assumptions.

Expenses and Taxes

Operating expense assumptions reflect the projected costs of maintaining and servicing in-force policies, including associated overhead expenses. Actual expenses are monitored against our assumptions.

Provision for Adverse Deviation

The total provision for adverse deviation is the sum of the provisions for adverse deviation for each risk factor. Margins for adverse deviation are established for each assumption or factor used in the determination of the best estimate actuarial liability. The margins are established based on the risk characteristics of Ability's long term care and annuity businesses.

Margins for interest rate risk are included by testing a number of scenarios of future interest rates. The margin can be established by testing a limited number of scenarios, some of which are prescribed by Canadian Actuarial Standards of Practice, and determining the liability based on the worst outcome. Alternatively, the margin can be set by testing many scenarios, which are developed according to actuarial guidance. Under this approach the liability would be the average of the outcomes above a percentile in the range prescribed by the Canadian Actuarial Standards of Practice.

Additional information on insurance-related liabilities is included in Note 13 of the interim consolidated financial statements for the three and nine months ended September 30, 2024, and information on insurance risk is included in the **Risk Factors** section.

Income Taxes and Deferred Tax Assets

The provision for income taxes is calculated based on the expected tax treatment of transactions recorded in either the consolidated statements of comprehensive income (loss) or the consolidated statements of changes in equity. In determining the provision for income taxes, we interpret tax legislation, case law and administrative positions and, based on our judgment, we record the estimate of the amount required to settle tax obligations. We also make assumptions about the expected timing of the reversal of deferred tax assets. If the interpretations and assumptions differ from those of tax authorities or if the timing of reversals are not as expected, the provision for income taxes could increase or decrease in future periods. The amount of any such increase or decrease cannot be reasonably estimated.

Deferred tax assets are recognized only when it is probable that sufficient taxable profit will be available in future periods against which deductible temporary differences or unused tax losses and tax credits may be utilized. We are required to assess whether it is probable that deferred income tax assets will be realized. Factors used to assess the probability of realization are past experience of income and capital gains, forecasts of future net income before taxes, and the remaining expiration period of tax loss carry forwards and tax credits. Changes in assessment of these factors could increase or decrease the provision for income taxes in future periods.

If income tax rates increase or decrease in future periods in a jurisdiction, the provision for income taxes for future periods will increase or decrease accordingly. Furthermore, deferred tax assets will increase or decrease as income tax rates increase or decrease, respectively, and will result in an income tax impact. For example, an increase in the Canadian or U.S. federal tax rate would increase our respective deferred tax asset, which would result in one-time corresponding tax benefits to income. In addition, an increase in the Canadian or U.S. federal tax rate would decrease our annual net income. The size of this annual net income decrease and any impact on the respective deferred tax asset is

uncertain at this point and will be dependent on many factors, including the tax rates enacted and their timing, phase-in provisions and details regarding any legislation and its interpretation.

Additional information regarding accounting for income taxes is included in Note 15 of the interim consolidated financial statements for the quarter ended September 30, 2024.

Goodwill and Intangible Assets

Goodwill is assessed for impairment at least annually. This assessment includes a comparison of the carrying value and the recoverable amount at the cash generating unit ("CGU"). If the carrying value were to exceed the recoverable amount of the CGU, an impairment calculation would be performed. The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use.

Intangible assets with definite lives are amortized to income on a straight-line basis over the estimated useful life. We test intangible assets with definite lives for impairment when circumstances indicate that the carrying value may not be recoverable.

Intangible assets with indefinite lives are tested annually for impairment. If an intangible asset is determined to be impaired, it will be written down to its recoverable amount, the higher of value in use and fair value less costs to sell, when this is less than carrying value.

Additional information regarding the composition of goodwill and intangible assets is included in Note 9 of the interim consolidated financial statements for the quarter ended September 30, 2024.

Management's Report on Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure Controls and Procedures

The Company has established, and is maintaining, disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is disclosed in annual filings, interim filings or other reports and recorded, processed, summarized and reported within the time periods specified as required by securities regulations. Management has evaluated the operating effectiveness of the Company's disclosure controls and procedures as at September 30, 2024 and believes that they are sufficient to provide reasonable assurance that the Company's disclosures are compliant with securities regulations.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. The control framework used to design the internal control over financial reporting is the Committee of Sponsoring Organizations of the Treadway Commission internal control framework. Management has designed such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Because of its inherent limitations, the Company's internal control over financial reporting can provide only reasonable assurance and may not prevent or detect all possible misstatements or frauds. 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 policies or procedures may deteriorate.

Management has evaluated the effectiveness of the Company's internal control over financial reporting and concluded that such internal controls over financial reporting was effective as at September 30, 2024.

Changes in Internal Control over Financial Reporting

There were no changes in internal controls over financial reporting during the quarter ended September 30, 2024 that may have materially affected, or are reasonably likely to materially affect, the adequacy and effectiveness of our internal control over financial reporting. Such controls and procedures are subject to continuous review and changes to such controls and procedures may require management resources and systems in the future.

Risk Factors

An investment in the securities of the Company is subject to various risks and uncertainties, including those set out below, and in the Annual Information Form which is available for review under the Company's SEDAR+ profile at www.sedarplus.ca. Such risks and uncertainties should be carefully considered by an investor before making any investment decision. If any of the possibilities described in such risks actually occurs, the Company's business, financial condition and operating results could be materially adversely affected. Investors should carefully consider the risks and uncertainties described below as well as the other information contained in this MD&A and in the Annual Information Form. The risks and uncertainties described below are not the only ones the Company may face. The following risks, together with additional risks and uncertainties not currently known to the Company or that the Company may deem immaterial, could impair the Company's business, financial condition and results of operations. The market price of the securities of the Company could decline if one or more of these risks and uncertainties develop into actual events, and investors in the Company's securities may lose all or part of their investment.

Risks Related to the Business – General

Dependence upon key management

The Company depends on the business and technical expertise of its Board and its key personnel. There is little possibility that this dependence will decrease in the near term. As the Company's operations expand, additional management resources will be required. The Company may not be able to attract and retain additional experienced qualified personnel in respect of the Company's insurance solutions business. The failure to attract and retain qualified personnel for the Company's current and expected business plans would have a negative effect on operations and could adversely affect the Company's business, financial condition and results of operations.

Changes to International Financial Reporting Standards could have a material impact on our financial results.

New standards or modifications to existing standards could have a material adverse impact on our financial results. Additionally, any mismatch between the underlying economics of our business and new accounting standards could have significant unintended negative consequences on our business model and potentially affect our customers and our stakeholders as well as our access to capital markets.

In particular, IFRS 17, which is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure that replaced IFRS 4 'Insurance Contracts', became effective as of January 1, 2023 and materially changed the timing of the recognition of earnings from our insurance business and therefore, our shareholders' equity. Risks to the Company of the new standard include, without limitation:

- the Company's capital position and income for accounting purposes could be influenced by prevailing market conditions, resulting in volatility of reported results, which may require changes to business strategies such as changes to hedging and investment strategy, product strategy and the use of reinsurance and, as a result, could impact our exposures to other risks such as counterparty risk and liquidity risk;
- the implementation of IFRS 17 could have a material effect on tax positions and other financial metrics that are dependent upon IFRS accounting values;
- the requirements of IFRS 17 are complex and have necessitated significant enhancements to our finance infrastructure and processes, including the development and implementation of necessary technology systems solutions. IFRS 17 introduces complex estimation techniques, computational requirements and disclosures which necessitate a significant transformation to our systems along with actuarial and financial reporting processes. Significant efforts are required to integrate a system solution into the financial reporting environment, perform impact studies, and assess the potential impact to our stakeholders;

Limited operating history for the Company's current strategy

In October 2018, the Company changed its investment strategy from a focus on natural resource lending to a broader lending-oriented credit platform with an increasing focus on the alternative asset management business. The Company did not previously have any record of operating under an investment strategy with a focus on a broader lending-oriented credit platform or as an asset management and investment firm. With the recent acquisition of Ability, the Company has continued its transition from a balance sheet oriented investment vehicle to a hybrid asset management business and insurance solutions business. As such, the Company is subject to all of the business risks and uncertainties associated with the broadening of its businesses, including the risk that the Company will not achieve its financial objectives as estimated by management. Furthermore, past successes of the Board and management in other ventures do not guarantee future successes or the success of the Company in executing its current strategy. The Company may alter its business strategies at any time without notice to its shareholders and there is no guarantee that such changes will yield similar or improved results.

No assurance of profitability

There is no assurance that the Company will earn profits in the future, or that profitability will be sustained. There is no assurance that future revenues will be sufficient to generate the funds required to continue the Company's operations. If the Company does not have sufficient capital to fund its operations, it may be required to reduce its operations accordingly.

Risks of fluctuations in the value of the Company and its shares

The net asset value and market value of the Company's shares will fluctuate with changes in, among other things, the value of the Company's investments, changes in the amount of the Company's dividends, adverse market reaction to any acquisitions or other transactions, a lack of liquidity in the trading of the Company's common shares and fluctuations in currency exchange rates. Such changes in value may occur as a result of various factors, including general economic and market conditions, the performance of companies who have borrowed from the Company, the performance of the Company relative to entities engaged in similar businesses and changes in interest rates which may affect the value of interest-bearing securities owned or managed by the Company or interest-sensitive products sold by the Company. An investment in the Company is speculative and may result in the loss of a shareholder's investment in the Company. Only shareholders who are experienced in high risk investments and who can afford to lose their investment should consider an investment in the Company.

The Company is exposed to risks associated with changes in market rates

The Company is subject to financial market risks, including changes in interest and currency exchange rates. Weak economic and global financial market conditions and uncertainties with respect to the war in Ukraine, the Israeli-Palestinian conflict in the Middle East, inflation, recession risk, higher interest rates, Brexit and US-China trade relationships could result in a challenging business environment. General interest and currency exchange rate fluctuations may have a substantial negative impact on the Company's investments and investment

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opportunities and, accordingly, have a material adverse effect on its ability to achieve its investment objectives and its target rate of return on invested capital. In addition, an increase in interest rates would make it more expensive to use debt for the Company's financing needs, if any.

Financing risks

Additional funding will be required for the Company to acquire and source new loans and expand its alternative asset management and insurance businesses. There is no assurance that any such funds will be available or available on favorable terms. Failure to obtain additional financing, if required, on a timely basis, could cause the Company to reduce or delay its proposed operations. The primary source of funds currently available to the Company is derived from the issuance of equity and the incurrence of debt. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Ability's capital requirements will depend on the rate of its sales growth, reserve levels and the level of risk in the insurance products and the investment assets. Additional funding may be required to maintain Ability's statutory capital and surplus. Adverse market conditions may affect the availability and cost of additional funding, which will impact Ability's profitability, liquidity, and growth prospects.

Liquidity risk

Our liquidity needs could increase for a variety of reasons, many of which are outside of our control. For example, Ability is subject to certain capital requirements, and if its capital declines below desired or required levels as a result of future impairments of investments, losses or other conditions, including changes in regulatory capital requirements, the Company may be required to make additional investments in Ability. As a result, the Company may be required to commit resources to Ability even if doing so is not otherwise in the interests of Mount Logan or its shareholders or creditors, reducing the amount of funds available to meet its obligations.

In addition, the Company relies on interest, dividends, distributions and other payments from its subsidiaries to fund dividends as well as to satisfy its debt and other obligations. The Company's subsidiaries, including Ability, may be subject to certain capital adequacy or other liquidity, regulatory or contractual restrictions on its ability to provide such payments, including any local regulatory stress test requirements and inter-affiliate arrangements. Limitations on the payments that the Company receives from its subsidiaries could also impact its liquidity.

There may be conflicts of interest related to obligations that management has to other clients

Certain of the Company's directors and officers serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business (notably BC Partners) as the Company does, 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 the Company's best interests or in the best interest of its stakeholders. The Company's investment objective may overlap with the investment objectives of such investment funds, accounts or other investment vehicles. Certain of the directors, officers and employees of the Company and its affiliates will have conflicts of interest in allocating their time between the Company and other activities in which they are or may become involved, including the management of BC Partners' affiliated funds. Directors and officers of the Company with conflicts of interest will be subject to and required to comply with the procedures set out in the *Business Corporations Act* (Ontario) and other applicable legislation, regulations, rules and policies.

The Company may acquire various financial instruments for purposes of "hedging" or reducing its risks, which may be costly and ineffective and could reduce its cash available for distribution to its shareholders

The Company may seek to hedge against interest rate and currency exchange rate fluctuations and credit risk by using financial instruments such as futures, options, swaps and forward contracts. These financial instruments may be purchased on exchanges or may be individually negotiated and traded in over-the-counter markets. Use of such financial instruments for hedging purposes may present significant risks, including the risk of loss of the amounts invested. Defaults by the other party to a hedging transaction can result in losses in the hedging transaction. Hedging activities also involve the risk of an imperfect correlation between the hedging instrument and the asset being hedged, which could result in losses both on the hedging transaction and on the instrument being hedged. Use of hedging activities may not prevent significant losses and could increase the Company's losses. Further, hedging transactions may reduce cash available to pay distributions to its shareholders.

Capital markets and the economy may experience periods of disruption and instability. These market and economic conditions could materially adversely affect the Company's business, financial condition and results of operations

The Canadian, U.S., and global capital markets and economic conditions have in the past and may in the future experience periods of volatility and disruption from changes in interest rates, credit availability, inflation rates, uncertainty, legal and regulatory changes, trade barriers, commodity prices, fluctuation in currency exchange rates, and political conditions. While credit markets and the economy have experienced relative stability since the global financial crisis from 2007-2009, there can be no assurance that market conditions will remain or improve further in the near future.

The outbreak of the novel coronavirus, or COVID-19, has had a continued adverse impact on economic and market conditions and triggered a period of global economic slowdown. The possibility of other future pandemics, presents material uncertainty and risk with respect to our and our portfolio companies' performance and financial results.

Such periods of disruption may be accompanied by depressed levels of consumer and commercial spending, a lack of liquidity in debt capital markets, significant write-offs in the financial services sector and the re-pricing of credit risk. The Company, its subsidiaries and the portfolio companies in which it invests may be adversely affected by these deteriorations in the financial markets and economic conditions throughout the world.

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A weak economy could impact the quality, quantum and frequency of the deals available to the Company. Adverse economic conditions also may decrease the estimated value of the collateral securing the Company's financing structures. Further or prolonged economic slowdowns or recessions could lead to financial losses in the Company's loan portfolio and a decrease in the Company's net finance income, net income and book value. Any of these events, or any other events caused by turmoil in global financial markets, could have a material adverse effect on the Company.

The insurance market is affected by capital market and global economic conditions. Conditions of perceived or actual stress, volatility and disruption in capital markets and asset classes may decrease the returns and value of the investment portfolio and impact Ability's claim liability. During unfavorable economic conditions policyholders may defer premium payments, surrender policies, or stop paying premiums. Uncertain economic conditions may also discourage potential policyholders from purchasing Ability's products. Claim rates may increase in certain economic conditions which could lead to operating losses and capital increases from Ability's products.

Unstable market and economic conditions and adverse developments with respect to financial institutions and associated liquidity risk may adversely affect our business, liquidity, financial condition and results of operations.

The global economic slowdown, inflation, rising interest rates and the prospects for recession, as well as recent and potential future disruptions in access to bank deposits or lending commitments due to bank failure, could materially and adversely affect our liquidity, our business and financial condition. The recent closures of Silicon Valley Bank and Signature Bank and their placement into receivership with the Federal Deposit Insurance Corporation ("FDIC") created bank-specific and broader financial institution liquidity risk and concerns. Although the Department of the Treasury, the Federal Reserve, and the FDIC jointly released a statement that depositors at Silicon Valley Bank and Signature Bank would have access to their funds, even those in excess of the standard FDIC insurance limits, future adverse developments with respect to specific financial institutions or the broader financial services industry may lead to market-wide liquidity shortages. The failure of any bank in which we deposit our funds could reduce the amount of cash we have available for our operations or delay our ability to access such funds. Any such failure may, increase the possibility of a sustained deterioration of financial market liquidity, or illiquidity at clearing, cash management and/or custodial financial institutions. We do not currently have a commercial relationship with a bank that has failed or is, to our knowledge, otherwise distressed, nor have we experienced delays or other issues in meeting our financial obligations. If other banks and financial institutions enter receivership or become insolvent in the future in response to financial conditions affecting the banking system and financial markets, our ability to access our cash and cash equivalents and investments maybe threatened and could have a material adverse effect on our business and financial condition.

Competitive business environment

The Company's ability to acquire and access new opportunities could be significantly affected by the activities of other industry participants. New competitors may enter the credit, asset management and insurance industries in which the Company operates, or current market participants may significantly increase their activities in these areas. There can be no assurance that the Company will be able to compete effectively with its competitors. If competitors were to engage in aggressive pricing policies, the Company may have difficulty originating new financing opportunities, securing new investment management mandates or, in the case of Ability, offering crediting rates at an appropriate service standard, all of which could have a material adverse effect on the Company. Some of the Company's competitors offer a broader range of financing services than the Company and can leverage their existing relationships to offer and sell products and services that compete directly with the Company's products and services. Further, the Company's competitors may have greater financial, technical, marketing and other resources, and may have greater access to lower cost of capital. As a result of competition, the Company's ability to profitably expand its business lines may decline.

Because the Company's business model depends to a significant extent upon relationships with private equity sponsors, investment banks and commercial banks, the inability of the Company to maintain or develop these relationships, or the failure of these relationships to generate investment opportunities, could adversely affect the Company's business

The Company depends on its and its broader organization's relationships with private equity sponsors, investment banks and commercial banks, and the Company relies to a significant extent upon these relationships to provide it with potential investment opportunities. If the Company or its organizations fails to maintain their existing relationships or develop new relationships with other sponsors or sources of investment opportunities, the Company may not be able to grow its investment portfolio. In addition, individuals with whom the Company or its broader organizations have relationships are not obligated to provide the Company with investment opportunities, and, therefore, there is no assurance that such relationships will generate investment opportunities for the Company.

Inability to realize potential benefits from growth

The Company's inability to realize the potential benefits from its growth strategy may adversely impact its operating results. The Company's ability to realize such benefits will be based on its management of growth and will require it to continue to build its operational, financial and management controls, human resource policies, and reporting systems and procedures. The Company's ability to manage its growth will depend in large part upon a number of factors, including the ability of the Company to rapidly: (i) secure additional sources of funding to fund new loans and asset management opportunities, while maintaining a prudent capital structure for the Company; and (ii) attract and retain qualified personnel in order to continue to develop the Company's pipeline of investment opportunities and provide services that respond to evolving financing needs. The Company's inability to achieve any of these objectives could have a material adverse effect on the Company.

Ability's growth depends on the size of the capital base supporting the growth. Ability may need to seek additional funding, invest additional assets and hire additional personnel in order to facilitate its growth. As Ability grows there is a risk that service quality to its customers declines if it does not commit additional resources. There is a risk that Ability may not be able to realize the potential benefits from growth if it does not

adequately manage the scaling of its business. An inability to realize the benefits from growth may have a material adverse effect on its business.

Changes in laws or regulations governing the Company's operations may adversely affect the Company's business or cause the Company to alter its business strategy

The Company and its portfolio companies and Ability are and will be subject to regulation at the municipal, local, state, provincial, and federal level. New legislation may be enacted, or new interpretations, rulings or regulations could be adopted, including those governing the types of investments the Company is permitted to make and the insurance products sold or anticipated to be sold by Ability, any of which could harm the Company and its shareholders, potentially with retroactive effect. Additionally, any changes to the laws and regulations governing the Company's operations relating to permitted investments may cause the Company to alter its investment strategy to avail itself of new or different opportunities. Such changes could result in material differences to the Company's strategies and may result in the Company's investment focus shifting from the areas of expertise of the Company to other types of investments in which the Company may have less expertise or little or no experience. Thus, any such changes, if they occur, could have a material adverse effect on the Company's financial condition and results of operations.

Any changes in tax regulations or tax reform may have an adverse impact on investors and policyholders

Given the Company expects to have investment holdings in both Canada and the U.S., there is potential that tax changes in Canada or the U.S. could result in adverse effects on the Company's financial results and share price. The Company cannot predict how changes in tax legislation will affect the Company, the Company's business (including Ability), or the business of its portfolio companies but these provisions may in certain circumstances increase the tax burden on, or the cost of tax compliance to, the Company's portfolio companies, which, in turn, could negatively affect their ability to meet their borrowing obligations to the Company or result in reduced asset management fees for the Company. Ability's annuity products offer income tax advantages to policyholders as compared to other savings instruments. Income tax can be deferred on the earnings during the accumulation of an annuity. Tax reforms could change this tax deferral benefit or reduce the taxation of competing products which could adversely affect Ability's annuity product sales and result in more policy surrenders. If Ability's corporate income tax rate was increased, Ability's earning would decrease accordingly.

The Company may experience fluctuations in its quarterly financial results

The Company could experience fluctuations in its quarterly operating results due to a number of factors, including its ability or inability to make investments in companies that meet its investment criteria, the interest rate payable on the debt securities it acquires, the level of its expenses (including the Company's borrowing costs), variations in and the timing of the recognition of realized and unrealized gains or losses, fluctuations in currency exchange rates, the degree to which it encounters competition in its markets and general economic conditions. As a result of these factors, financial results for any previous period should not be relied upon as being indicative of performance in future periods.

A significant portion of the Company's investment portfolio is and will be recorded at fair value as determined in good faith by management and, as a result, there is and will be uncertainty as to the value of the Company's portfolio investments

The Company is required to carry a significant portion of its portfolio investments at market value or, if there is no readily available market value, at fair value as determined by the Company's management. There is no public market for the securities of the privately-held companies in which the Company invests. Most of the Company's investments will not be publicly traded or actively traded on a secondary market. As a result, the Company values these securities quarterly at fair value as determined in good faith by the management team.

Certain factors that may be considered in determining the fair value of the Company's investments include investment dealer quotes for securities traded on the secondary market for institutional investors, the nature and realizable value of any collateral, the portfolio company's earnings and its ability to make payments on its indebtedness, the markets in which the portfolio company does business, comparison to comparable publicly traded companies, discounted cash flow and other relevant factors. As a result, the Company's determinations of fair value may differ materially from the values that would have been used if a ready market for these nontraded securities existed. Due to this uncertainty, the Company's fair value determinations may cause the net asset value of the Company on a given date to materially differ from the value that it may ultimately realize upon the sale of one or more of its investments.

The fair market value determination of the majority of Ability's investments is based on readily available market value. For Ability's investments without readily available market value, fair value will be determined by the Company's management consistent with the methodology described above. The assumptions required to reach the fair market value may change which will impact the fair market value and the net income under IFRS, which may have material adverse impact on the Company's financial position.

No guarantee as to timing or amount of dividends

Holders of the Company's shares do not have a right to dividends on such shares unless declared by the Board. The declaration of dividends is at the discretion of the Board, even if the Company has sufficient distributable cash to pay such dividends. The declaration of any dividend will depend on the Company's financial results, cash requirements, future prospects and other factors deemed relevant by the Board.

Dividends are not guaranteed, and the amount of any dividend may fluctuate or be reduced or eliminated. There can be no assurance as to the levels of dividends to be paid by the Company, if any. The market value of the common shares may deteriorate if the Company is unable to pay dividends in accordance with its intended dividend strategy, or not at all, and such deterioration may be material.

Sustainability of distributions

The Company has from time-to-time paid distributions in the form of dividends that are in excess of cash flow from operations, which represent an economic return of capital. Although the Company expects that its cash flow from operations will improve as the Company continues to grow and integrate its recently acquired insurance operations and expand its asset management platform in the United States, there are no assurances that cash flow from operations in any particular period will be sufficient to maintain cash distributions at current levels, in which case future distributions in the form of dividends may continue to represent, in whole or in part, an economic return of capital. In such circumstances and in order to maintain distributions at their current level, the Company may seek additional capital through public or private debt financings which may involve agreements that include covenants limiting or restricting the Company's ability to take specific actions such as, among others, incurring additional debt or declaring dividends above specified amounts. There can be no assurance that any such financing will be available on commercially reasonable terms or at all.

Notwithstanding the Company does not anticipate suspending cash distributions in the foreseeable future, the Company may not be able to sustain distributions at current levels without realizing increases in cash flow from operations. Such cash flow growth is dependent on the Company's ability to execute on its business plan. The declaration and payment of any distributions will depend on the Company's financial results, cash requirements, future prospects and other factors deemed relevant by the Board. Distributions are not guaranteed, and the amount of any distribution may fluctuate or be reduced or eliminated.

Cash flows/investment income

The Company generates income and cash flows primarily from interest and dividends from its portfolio investments, from financing activities, from investment management activities, from insurance contracts and from proceeds of the disposition of its investments. The availability of these sources of funds and the amount of funds generated from these sources are dependent upon various factors, many of which are outside of the Company's direct control. The Company's liquidity and operating results may be adversely affected if access to the capital markets is hindered, whether as a result of a downturn in market conditions generally or to matters specific to the Company, or if the value of the Company's investments decline, resulting in lesser proceeds on disposition and capital losses for the Company upon disposition.

Foreign exchange risk

A significant portion of the Company's investment portfolio is invested in U.S. dollar-denominated investments. To the extent that such exposure is not hedged, changes in the value of the U.S. dollar could have a negative impact on the Company's reported financial results and overall financial performance.

The Company may require authorizations as it expands the scope of its business

As the Company expands the scope of its business and investment strategy, aspects of its operations may require registration with regulatory authorities in the jurisdictions in which it operates. There can be no assurance that all required approvals or authorizations will be obtained on a timely basis or at all. If such approvals or authorizations are obtained, there can be no assurance that the Company will be successful in obtaining such approvals or authorizations on terms that permit the Company to expand the scope of its business and investment strategy successfully and realize potential benefits.

The Company's growth strategy includes reinsurance of insurance obligations written by unaffiliated insurance companies, and its ability to both consummate and realize the anticipated financial benefits from reinsurance transactions is uncertain.

The Company's insurance segment has grown and intends to continue growing its business through block reinsurance transactions and flow reinsurance. The Company routinely reviews potential reinsurance transactions, some of which may be material. To the extent the Company is unable to consummate suitable reinsurance transaction opportunities on acceptable terms, its future growth may be negatively impacted. Even if the Company does find suitable opportunities on commercially acceptable terms, the Company may not be able to consummate these transactions because of the regulatory approvals required or other considerations. There is no assurance the Company will continue to be successful in these institutional markets. Competition, in particular with respect to transaction pricing, makes it more difficult to identify transactions with terms that are commercially acceptable based on the Company's objectives and analyses. Moreover, the NAIC is considering, and certain states have enacted, insurance business transfer laws that permit insurers to transfer blocks of business to other insurers by operation of law. Such transfers could become a viable alternative structure to block reinsurance transactions and consequently may materially and adversely impact the Company's ability to identify and enter into new block reinsurance transactions. If the Company enters into a reinsurance transaction, there can be no assurance that the transaction will achieve the results expected at the time the transaction is executed.

Litigation Risk

The Company may become a party to litigation from time to time in the ordinary course of business, including, without limitation, claims related to certain types of investment vehicles in the asset management segment, lawsuits related to insurance claim payments, or claims based in allegations of mis-selling in the insurance segment, which could adversely affect Company's business. Defence and settlement costs of legal claims can be substantial, whether they be governmental and regulatory investigations, civil claims, lawsuits or other proceedings, even with respect to claims that have no merit. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could have a material adverse effect on the Company. Litigation may also create a negative perception of Company's business and have an impact on the market price of the Company's common shares. Even if Company is involved in litigation and is successful, the litigation process could take away from management's time, effort and resources. The resolution of any particular legal proceeding to which

the Company may become subject could have a material adverse effect on the Company's business, prospects, financial position and results of operations.

The current political environment may have a material adverse impact on the Company and its portfolio companies.

The current U.S. and Canadian political environments and the resulting uncertainties regarding actual and potential shifts in U.S. and/or Canadian foreign investment, trade, taxation, economic, environmental and other policies under the current administrations, as well as the impact of geopolitical tension, such as a deterioration in the bilateral relationship between the U.S. and China, the Russia-Ukraine conflict and the Israel-Palestine conflict, could lead to disruption, instability and volatility in the global markets. 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 may limit our investment originations and limit our ability to grow and could have a material negative impact on our operating results, financial condition, results of operations and cash flows and the fair values of our debt and equity investments.

The Russian invasion of Ukraine may have a material adverse impact on us and our portfolio companies.

Commencing in 2021, Russian President Vladimir Putin ordered the Russian military to begin massing thousands of military personnel and equipment near its border with Ukraine and in Crimea, representing the largest mobilization since the illegal annexation of Crimea in 2014, and initiated troop movements into the eastern portion of Ukraine. On February 22, 2022, the United States and several European nations announced sanctions against Russia in response to Russia's actions. On February 24, 2022, President Putin commenced a full-scale invasion of Russia's pre-positioned forces into Ukraine, which could have a negative impact on the economy and business activity globally (including in the countries in which the Company invests), and therefore could adversely affect the performance of the Company's investments. Furthermore, the conflict between the two nations and the varying involvement of the United States and other NATO countries could preclude prediction as to their ultimate adverse impact on global economic and market conditions, and, as a result, presents material uncertainty and risk with respect to the Company and the performance of its investments or operations, and the ability of the Company to achieve its investment objectives. Additionally, to the extent that the Company's portfolio companies, service providers or related customer bases have material operations or assets in Russia or Ukraine, they may have adverse consequences related to the ongoing conflict, which may negatively impact the Company. The long-term impacts of the tension between Russia and Ukraine remains uncertain.

The Israeli-Palestinian conflict in the Middle East may have a material adverse impact on us and our portfolio companies.

On October 7, 2023, Hamas initiated an unprovoked invasion of Israel from the Gaza Strip, resulting in thousands of casualties. Israel formally declared war on Hamas in response to the attack and initiated several military operations in an effort to clear militants from the area. The war has triggered a humanitarian crisis, with thousands displaced from their homes and many without food, water or electricity. There remains a risk that the conflict could expand into a wider regional war, which could have an adverse impact on the worldwide economy, financial markets and thus on our business and the business of our portfolio companies. The long-term impact of this conflict remains uncertain.

Deficiencies in the Company's financial reporting and disclosures could adversely impact its reputation

As the Company expands the size and scope of its business, there is a greater susceptibility that its financial reporting and other public disclosure documents may contain material misstatements and that the controls the Company maintains to attempt to ensure the complete accuracy of its public disclosures may fail to operate as intended. The occurrence of such events could adversely impact the Company's reputation and financial condition. In addition, the Company discloses certain metrics that do not have standardized meaning and are based on its own methodologies and assumptions, which is unique to the Company and may reduce comparability with other companies.

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to give the Company's stakeholders assurance regarding the reliability of its financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. However, the process for establishing and maintaining adequate internal controls over financial reporting has inherent limitations, including the possibility of human error. The Company's internal controls over financial reporting may not prevent or detect misstatements in the Company's financial disclosures on a timely basis, or at all. Some of these processes may be new for certain subsidiaries in the Company's structure and in the case of acquisitions may take time to be fully implemented.

The Company's disclosure controls and procedures are designed to provide assurance that information required to be disclosed by the Company in reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified. The Company's policies and procedures governing disclosures may not ensure that all material information regarding the Company is disclosed in a proper and timely fashion, or that the Company will be successful in preventing the disclosure of material information to a single person or a limited group of people before such information is generally disseminated.

Failure to maintain the security of the Company's information and technology systems could have a material adverse effect on the Company

The Company relies on certain information and technology systems, including the systems of others with whom the Company does business, which may be subject to security breaches or cyber-terrorism intended to obtain unauthorized access to proprietary information or personally identifiable information, destroy data or disable, degrade or sabotage these systems, through the introduction of computer viruses, fraudulent emails, cyber-attacks or other means. Such acts of cyber-terrorism could originate from a variety of sources including our own employees or unknown third parties. In the ordinary course of our business, the Company collects and stores sensitive data, including personally identifiable information of the Company's employees and clients. Data protection and privacy rules have become a focus for regulators globally. Although the Company takes various measures to ensure the integrity of its systems and to safeguard against failures or security breaches, there can be no assurance that these measures will provide adequate protection, and a compromise in these systems could go undetected for a significant period of time. If these information and technology systems are compromised, the Company could suffer a disruption in one or more of our businesses and experience, among other things, financial loss; a loss of business opportunities; misappropriation or unauthorized release of

confidential or personal information; damage to our systems and those with whom the Company does business; violations of privacy and other laws, litigation, regulatory penalties or remediation and restoration costs (particularly in light of increased regulatory focus on cyber-security by regulators around the world); as well as increased costs to maintain the Company's systems. This could have a negative impact on the Company's operating results and cash flows and result in reputational damage.

The failure of the Company's information technology systems, or those of our third-party service providers, could adversely impact our reputation and financial performance

The Company operates in businesses that are dependent on information systems and technology, and the Company relies on third-party service providers to manage certain aspects of the Company's businesses, including for certain information systems and technology, data processing systems, and the secure processing, storage and transmission of information. In particular, the Company's financial, accounting and communications processes are all conducted through data processing systems. The Company's information technology and communications systems and those of its third-party service providers are vulnerable to damages or disruption from fire, power loss, telecommunications failure, system malfunctions, natural disasters, acts of war or terrorism, employee errors or malfeasance, computer viruses, cyber-attacks or other events which are beyond the Company's control. The Company's information systems and technology and those of our third-party vendors may not continue to be able to accommodate the Company's growth and the cost of maintaining such systems may increase from its current level, either of which could have a material adverse effect on the Company. Any interruption or deterioration in the performance or failures of the information systems and technology that are necessary for the Company's businesses, including for business continuity purposes, could impair the quality of the Company's operations and could adversely affect the Company's business, financial condition and reputation.

The Company May Lose its Foreign Private Issuer Status in the Future, Which Could Result in Significant Additional Costs and Expenses

The Company may in the future lose its foreign private issuer status under the United States federal securities laws if a majority of the common shares are either directly or indirectly owned by residents of the United States and the Company fails to meet the additional requirements necessary to avoid the loss of its foreign private issuer status, such as if: (i) a majority of the Company's Board or executive officer management team continue to be composed of U.S. citizens or residents; (ii) a majority of the Company's assets continue to be located in the United States; or (iii) the Company's business continues to be administered principally in the United States. If the Company loses its foreign private issuer status, the Company will be required to, among other things: (a) file a registration statement to register its common shares under the *United States Securities Exchange Act of 1934*, as amended (the "Exchange Act"); (b) file annual, quarterly, and current reports in the prescribed form under the Exchange Act; (c) prepare U.S. style proxy statements and comply with U.S. rules governing the solicitation of proxies; and (d) transition from financial reporting in compliance with IFRS to generally accepted accounting principles in the U.S., all effective as at the beginning of the fiscal year following the loss of its foreign private issuer status. Complying with these obligations as at January 1 of the fiscal year following the June 30 testing date for foreign private issuer status would result in significant effort and one-time costs, and further subject the Company to ongoing costs related to its disclosure obligations in the U.S. These increased Exchange Act reporting requirements would significantly increase the Company's audit, legal and administration expenses and may have a material adverse effect on the Company's business, financial condition and results of operations. The Company regularly monitors and considers its risk of losing its foreign private issuer status having regard to, among other things, the Company's financing activities, the potential issuance of common shares to satisfy the purchase price for any potential acquisitions. While as at the date of this MD&A the Company considers the likelihood of it ceasing to be a foreign private issuer as low, there can be no assurances that the Company will maintain its foreign private issuer status, including as a result of public trading in the common shares which is outside of the Company's control.

Risks Related to the Company's Securities

Unsecured Debentures – credit risk and prior ranking indebtedness; no interest payable until maturity

The Debentures are unsecured obligations of the Company and are subordinate in right of payment to all of the Company's existing and future senior indebtedness. In addition, holders of the Debentures are not entitled to receive any interest payments during the term of the Debentures. Any outstanding principal amount of the Debentures plus any accrued and unpaid interest is repayable in cash only upon maturity of the Debentures. Accordingly, the likelihood that purchasers of the Debentures will receive principal and interest payments owing to them under the terms of the Debentures will depend on the Company's financial condition and creditworthiness on the maturity date of the Debentures. If the Company becomes bankrupt, liquidates its assets, reorganizes or enters into certain other transactions, the Company's assets will be available to pay its obligations with respect to the Debentures only after it has paid all of its senior indebtedness in full. There may be insufficient assets remaining following such payments to pay any or all amounts due on the Debentures then outstanding. Whether the Company will have sufficient cash to pay the principal and interest at maturity poses a significant risk to the investment.

No current market for Warrants

There is currently no market through which the outstanding warrants of the Company (the "Warrants") may be sold, and such a market may not develop, therefore, holders may not be able to resell the Warrants. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices and the liquidity of the Warrants. The Company does not intend to apply to list the Warrants on Cboe Canada or any other stock exchange.

The Canadian federal income tax treatment of the CVRs is unclear

There is no legal authority directly addressing the Canadian federal income tax treatment of the CVRs and the consequences of the acquisition, holding and disposition of the CVRs are therefore unclear for such purposes. Former holders are urged to consult their own tax advisors regarding the Canadian federal income tax consequences to them of the acquisition, holding and disposition of CVRs.

Risks Related to the Business – Lending

Credit risks

The assets and other debt securities in which the Company invests are subject to credit and liquidity risk. Any loan investment may become a defaulted obligation for a variety of reasons, including non-payment of principal or interest, as well as covenant violations by the borrower in respect of the underlying loan documents. A defaulted loan may become subject to either substantial workout negotiations or restructuring, which may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of principal, and a substantial change in the terms, conditions and covenants with respect to such defaulted loan. In addition, such negotiations or restructuring may be extensive and protracted over time, and therefore may result in substantial uncertainty with respect to the ultimate recovery on such defaulted loan. In addition, substantial costs and resources in such situations may be imposed on the Company, further affecting the value of the investment. The liquidity in defaulted loans may also be limited, and to the extent that defaulted loans are sold, it is highly unlikely that the proceeds from such sale will be equal to the amount of unpaid principal and interest thereon, which would adversely affect the Company's net asset value and consequently, the market value of the Company's common shares.

Due diligence risks

The due diligence process undertaken by the Company in connection with investments that it makes or wishes to make, may not reveal all relevant facts in connection with an investment. Before making investments, the Company will conduct due diligence investigations that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence investigations, the Company may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence investigations and making an assessment regarding an investment, the Company relies on resources available, including information provided by the target of the investment and, in some circumstances, third party investigations. The due diligence investigations that are carried out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary.

Price declines in the medium- and large-sized corporate debt market may adversely affect the fair value of the Company's portfolio, reducing the net asset value through increased net unrealized depreciation

Conditions in the medium- and large-sized corporate debt market may deteriorate, as seen during the 2008 financial crisis, which may cause pricing levels to similarly decline or be volatile. During the 2008 financial crisis, many institutions were forced to raise cash by selling their interests in performing assets in order to satisfy margin requirements or the equivalent of margin requirements imposed by their lenders and/or, in the case of hedge funds and other investment vehicles, to satisfy widespread redemption requests. This resulted in a forced deleveraging cycle of price declines, compulsory sales, and further price declines, with falling underlying credit values, and other constraints resulting from the credit crisis generating further selling pressure. If similar events again occurred in the medium- and large-sized corporate debt market, the Company's net asset value could decline through an increase in unrealized depreciation and incurrence of realized losses in connection with the sale of the Company's investments, which could have a material adverse impact on the Company's business, financial condition and results of operations.

Financing of mid-market businesses

The Company's loan portfolio consists and is expected to consist primarily of loans provided to mid-market businesses, including privately-owned companies, many of which do not publicly report their financial condition and are not subject to the same accounting rules and securities laws that govern disclosure and financial controls of public companies. Compared to larger, publicly traded companies, loans offered to these types of businesses may carry more inherent risk. Borrowers of the Company may generally have limited access to capital and have higher funding costs. Such businesses may need more capital to expand or compete and may be unable to obtain financing from public capital markets or from traditional sources, such as commercial banks. Mid-market businesses may also have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. Additionally, because many of the borrowers of the Company will not publicly report their financial condition and may not have sophisticated financial controls and oversight, the Company is more susceptible to a client's misrepresentation. The failure of a borrower to accurately report its financial position could result in the Company providing loans to a borrower that does not meet the Company's underwriting criteria, defaults on payments owing to the Company, the loss of some or all of the principal of a loan, or non-compliance by a borrower with applicable covenants. Accordingly, loans offered to these types of businesses involve higher risk than loans offered to larger businesses with greater financial resources or that are otherwise able to access traditional credit sources.

Dependence on the performance of borrower clients

The Company is dependent on the operations, assets and financial health of borrowers to which it directly and indirectly provides capital. If the financial performance of its borrowers decline, cash payments to the Company will likely decline. The failure of any borrower to fulfill its payment obligations to the Company could adversely affect the Company's financial condition and cash flow.

Risks facing borrower clients

Each borrower client is also subject to risks which affects its financial condition. As the Company is not privy to all aspects of its clients' businesses, it is impossible to predict exactly what risks borrowers will face. Nonetheless, typical risks include the following: (i) the success of the Company's borrowers may depend on the management talents and efforts of certain key persons or a small group of persons. The death, disability or resignation of one or more of these persons could have a material adverse effect on a borrower; (ii) borrowers may require

additional working capital to carry out their business activities and to expand their businesses. If such working capital is not available, or is not available on beneficial terms, the financial performance and development of the businesses of the borrowers may be adversely affected; (iii) damage to the reputation of the borrowers' brands could negatively impact consumer opinion of those businesses or their related products and services, which could have an adverse effect on their business; (iv) borrowers may face competition, including competition from companies with greater financial or other resources, more extensive development, manufacturing, marketing, and other capabilities. There can be no assurance that the Company's borrower clients will be able to successfully compete against their competitors or that such competition will not have a material adverse effect on their businesses; (v) borrowers may experience reduced revenues from the loss of one or more customers representing a high percentage of their revenues; (vi) borrowers may experience reduced revenues due to an inability to meet regulatory requirements, or may experience losses of revenues due to unforeseeable changes in regulations imposed by various levels of government; (vii) borrowers may rely on government or other subsidy programs for revenue or profit generation. Changes to or elimination of such programs may have an adverse effect on the borrower; and (viii) borrowers may derive some of their revenues from foreign sources and may experience negative financial results based on foreign exchange losses, hedging costs or foreign investment restrictions.

Prepayment by borrower client

Certain of the loans provided by the Company may be prepayable by the borrowers, subject to prepayment penalties. The Company is unable to predict if or when a borrower will make a prepayment. Typically, a borrower's decision to prepay depends on its continued positive economic performance and the existence of favorable financing market conditions that permit the borrower to replace its existing financing with less expensive capital. As market conditions change frequently, it is difficult to predict if or when a borrower may deem market and business conditions to be favorable for prepayment. Prepayment by a borrower may have the effect of reducing the achievable yield of the loan to a level below that which was anticipated by the Company. Such a reduction may occur when the Company is unable to invest the funds prepaid by the borrower in other transactions with an expected yield greater than or equal to the yield the Company expected to receive from the repaying borrower.

Default by and bankruptcy of a borrower client

A borrower's failure to satisfy its borrowing obligations, including any covenants imposed by the Company, could lead to defaults and the termination of the borrower's loans and enforcement against its assets. In order to protect and recover its investments, the Company may be required to bear significant expenses (including legal, accounting, valuation and transaction expenses) to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting borrower. In certain circumstances, a borrower's default under one loan could also trigger cross-defaults under other agreements and jeopardize that borrower's ability to meet its obligations under a loan agreement it may have with the Company.

Second priority liens on collateral securing debt investments that the Company makes to its 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 the Company

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

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

Collateral securing the Company's loans

Where the loans provided by the Company are secured by a lien on specified collateral of the borrower (particularly inventory, receivables and tangible fixed assets), there is no assurance that the Company will have obtained or properly perfected its liens, or that the value of the collateral securing any particular loan will protect the Company from suffering a partial or complete loss if the loan becomes non-performing and the Company moves to enforce against the collateral. In such event, the Company could suffer losses that could have a material adverse effect. In addition, during its underwriting process, the Company will make an estimate of the value of the collateral. A decrease in the market value of collateral assets at a rate greater than the rate projected by the Company may adversely affect the current realization values of such collateral. The degree of realization risk varies by the business of the borrower and the nature of the security.

Control over borrower clients

The Company will not always be in a position to exercise control over its borrower clients or prevent decisions by the management or shareholders of a borrower that may affect the fair value of the Company's loan, or otherwise affect the ability of the borrower to repay its obligations to the Company. Furthermore, the Company does not intend to take significant equity positions in its borrower clients. The lack of liquidity of debt positions that the Company will typically hold in its borrower clients results in the risk that the Company may not be able to dispose of its exposure to the borrower in the instance where a borrower is underperforming. This could have a material adverse effect on the Company.

Securities of borrower clients

The Company anticipates lending to both public and private companies, which may include bonus features granting the Company securities of the client. The securities issued by private companies will be subject to legal and other restrictions on resale or will be otherwise less liquid than publicly traded securities. To the extent the Company receives any form of securities issued by private companies, it may be difficult for the Company to dispose of such holdings if the need arises. Furthermore, if the Company is required to liquidate all or a portion of the securities it holds in an illiquid company, it may realize significantly less than the value at which it had previously recorded its holdings. In addition, the Company may face restrictions imposed by securities law on its ability to liquidate or otherwise trade in securities of a borrower client, including, where the Company obtains material non-public information regarding such borrower.

Material non-public information

Certain of the Company's directors, officers or employees, and their respective affiliates, may serve as directors of, or in a similar capacity with, its borrowers. In the event that material non-public information is obtained with respect to its borrowers, such persons may become subject to trading restrictions under the internal trading policies of those companies or as a result of applicable law or regulations. As a result, the Company could be prohibited for a period of time from selling the securities of a borrower, to the extent it owns any, and such a prohibition could have a material adverse effect on the Company.

Illiquidity of loans

Due to the nature of the Company's financing strategy and portfolio, certain loans may have lengthy terms and may be outstanding for a substantial period of time before they are repaid or can be liquidated under conditions preferable to the Company or, in some cases, at all. Illiquid investments carry the risk that a buyer may not be found for such investments. Also, certain of the loans expected to be offered by the Company may be subject to legal or contractual restrictions which may impede the Company's ability to dispose of such assets which it might otherwise desire to do. To the extent that there is no liquid trading market for these loans, the Company may be unable to liquidate these assets or may suffer a loss.

Payment in-kind interest

Some of the loans and debt securities made by the Company may contain a payment in-kind, or PIK, interest provision. Loans with a PIK provision carry additional risk as the Company will not receive cash until such time as the "cash payment date" is reached (unless a portion of such loan is sold). If a borrower whose loan contains a PIK provision defaults, the Company may obtain no return on its investment.

Use of leverage and changes in interest rates may affect the Company's cost of capital and net investment income

Since the Company may from time to time use debt to finance a portion of its investments, its net investment income depends, in part, upon the difference between the rate at which it borrows funds and the rate at which it invests those funds. As a result, the Company can offer no assurance that a significant change in market interest rates will not have a material adverse effect on the Company's net investment income. In periods of rising interest rates when the Company has debt outstanding, the Company's cost of funds will increase, which could reduce its net investment income. The Company expects that its long-term fixed-rate investments will be financed primarily with equity and long-term debt. The Company may use interest rate risk management techniques in an effort to limit its exposure to interest rate fluctuations. These activities may limit the Company's ability to participate in the benefits of lower interest rates with respect to the hedged portfolio. Adverse developments resulting from changes in interest rates or hedging transactions could have a material adverse effect on the Company's business, financial condition and results of operations.

The ability of the Company to service any future outstanding debt depends largely on its financial performance and is subject to prevailing economic conditions and competitive pressures. The amount of leverage that the Company employs at any particular time will depend on its assessments of market and other factors at the time of any proposed borrowing. As a result of the Company's use of leverage: (i) the common shares of the Company may be exposed to incremental risk of loss and a decrease in the value of the Company's loan portfolio would have a greater negative impact on the value of the common shares than if the Company did not use leverage; (ii) adverse changes in interest rates could reduce or eliminate the incremental income the Company receives from the proceeds of any leverage; (iii) the Company and, indirectly, its shareholders, bear the entire cost of paying interest and repaying any borrowed funds; (iv) the Company's ability to pay dividends on its common shares may be restricted by covenants or other restrictions imposed by its lenders; (v) the Company's ability to amend its organizational documents or other agreements may be restricted if such amendments would result in a material adverse effect on its lenders; and (vi) the Company may, under some circumstances, be required to dispose of its assets under unfavorable market conditions in order to maintain its leverage, thus causing the Company to recognize a loss that might not otherwise have occurred. The extent to which the gains and losses associated with leveraged investing are increased will generally depend on the degree of leverage employed.

Risks Related to the Business – Asset Management

We expect to derive an increasing amount of our revenues from funds managed pursuant to advisory agreements and collateral management agreements, either by us or another entity in which we have an economic interest relating thereto, that may be terminated

With respect to funds regulated under the United States Investment Company Act of 1940 (the "Investment Company Act"), including Logan Ridge and SCIM with respect to its management of ACIF, each fund's investment management agreement must be approved annually (or, in the case of Logan Ridge, annually after the expiration of its initial two-year term) by such fund's board of directors or by the vote of a majority of the stockholders and the majority of the independent members of such fund's board of directors and, in certain cases, by its stockholders, as required by law. In addition, as required by the Investment Company Act, ACIF has the right to terminate the ACIF Advisory Agreement without penalty upon 60 days' written notice to SCIM and Logan Ridge has the right to terminate the investment advisory agreement without penalty upon 60 days' written notice to ML Management. In addition, we, through ML Management, receive management fees pursuant to the investment management agreement for acting as the investment manager of certain assets of Ability. The Company, through ML Management, also receives management fees in exchange for providing investment advisory services to OAIF and OAIF-A. In the event the ACIF Advisory Agreement is terminated or not renewed, the recourse of US Holdings, the lender under the SCIM Facility and a wholly-owned subsidiary of the Company, would be limited to any residual value associated with the ACIF Advisory Agreement that is received by SCIM. In negotiating the terms of the SCIM Facility, including economic terms, the Company took into consideration, among other things the risk that the ACIF Advisory Agreement is subject to ongoing approvals as described above, as well as the limited recourse available to the Company's if such approvals are not obtained, with the result being that the terms of the SCIM Facility were structured having regard to the Company's assessment of the low likelihood that the ACIF Advisory Agreement may be terminated or not renewed. In that regard, the Company considered, among other things, the general stability of investment advisory agreements and that the termination of such agreements is uncommon in the industry, the performance record of SCIM as a manager, the experience of SCIM's management team in investment management activities, ACIF's historical performance, and the diversified nature of the investor base of ACIF. Notwithstanding the foregoing, there can be no assurance that the ACIF Advisory Agreement, the investment advisory agreement in respect of Logan Ridge, the investment management agreement in respect of Ability or similar agreements that we may enter into in the future will remain in place.

We, through ML Management, receive collateral management fees pursuant to collateral management agreements for acting as the collateral manager of certain of the CLOs. If all the notes issued by one of the CLOs are redeemed, or if the collateral management agreement is otherwise terminated, we will no longer receive collateral management fees from that CLO. In general, a collateral management agreement may be terminated both with and without cause at the direction of holders of a specified supermajority in principal amount of the notes issued by the CLO. Furthermore, such fees are based on the total amount of assets held by the CLO. If the assets held by the CLO are prepaid or go into default, we will receive lower collateral management fees than expected or the collateral management fees may be eliminated.

In addition, collateral management agreements typically provide that if certain over-collateralization tests are failed, the collateral management agreement may be terminated by a vote of the security holders resulting in our loss of management fees from these CLOs.

If any of our CLOs fail to meet over-collateralization tests relevant to the CLO's most senior existing debt, an event of default may occur. Upon an event of default, our ability to manage the CLO may be terminated and our ability to attempt to cure any defaults in the CLO would be limited, which would increase the likelihood of a reduction or elimination of cash flow and returns to us in those CLOs for an indefinite time.

The asset management business is competitive

The asset management business is competitive, with competition based on a variety of factors, including investment performance, business relationships, quality of service provided to investors, investor liquidity and willingness to invest, fund terms (including fees), brand recognition and business reputation. We compete for investors with a number of other asset managers, public and private funds, business development companies, interval funds and others. Numerous factors increase our competitive risks, including:

- a number of our competitors have greater financial, technical, marketing and other resources and more personnel than we do;
- several of our competitors have raised significant amounts of capital, and many of them have similar investment objectives to ours, which may create additional competition for investment opportunities and may reduce the size and duration of pricing inefficiencies that otherwise could be exploited;
- some of our competitors may have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us with respect to our funds;
- some of our competitors may be subject to less regulation and, accordingly, may have more flexibility to undertake and execute certain business or investments than we do and/or bear less compliance expense than we do;
- some of our competitors may have better expertise or be regarded by investors as having better expertise in a specific asset class or geographic region than we do; and
- other industry participants may, from time to time, seek to recruit our investment professionals and other employees away from us.

In addition, the attractiveness of our funds relative to investments in other investment products could decrease depending on economic conditions. This competitive pressure could adversely affect our ability to make successful investments and limit our ability to raise future funds, either of which would adversely impact our business, results of operations and financial condition.

The acquisition of Ovation may not achieve its intended benefits, and certain difficulties, costs or expenses may outweigh such intended benefits

The Company may be unable to realize the anticipated benefits of the Ovation Acquisition. Achieving the anticipated benefits, including the acquisition's impact on the Company's assets under management, fee paying assets under management, book value, fee related earnings and after-tax distributable earnings, is subject to a number of uncertainties, including whether the Ovation business will continue to operate and grow in the manner the Company anticipates. The Ovation Acquisition may result in material difficulties, costs, and expenses, including:

- incremental operating costs arising from the integration of certain standards, controls, procedures and policies, including Ovation's obligations to provide financial reporting as a subsidiary of a public company;
- unknown potential liabilities of Ovation, including those for which the Company may become responsible or take responsibility;
- the potential loss of key employees at Ovation and the costs associated with the Company's efforts to retain or replace them; and
- the significant attention required from the Company's senior management.

A number of the foregoing factors will be outside of the Company's control and any one of them could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could adversely affect the Company's and Ovation's business, financial condition and results of operations. In addition, other events outside of the Company's control, including, but not limited to, political climate, the severity and duration of health pandemics, and regulatory or legislative changes, could also adversely affect the Company's ability to realize the anticipated benefits from the Ovation Acquisition.

As a result of these risks, the Company may fail to realize some or all of the anticipated benefits of the Ovation Acquisition or in an amount sufficient to offset the potential difficulties, costs and expenses arising from the Ovation Acquisition. Accordingly, shareholders of the Company and potential investors should not place undue reliance on the Company's expectation of the anticipated benefits from the Ovation Acquisition.

Inclusion of Ovation's business as a consolidated subsidiary of the Company will result in certain additional risks to the Company, which risks are expected to be material and could have a material adverse effect on the Company's future results of operations and financial condition

Ovation operates its business as a consolidated subsidiary of the Company. Ovation's business and structure pose additional risks to the Company, many of which may be material. These risks include, but are not limited to:

- business operational risks, including regulatory compliance, changes to employee labour laws, 401K plans and benefits, reputational risks resulting from the nature of Ovation's investments;
- risks related to Ovation's growth strategy, including the ability to effectively manage its growth;
- regulatory risks; and
- any gaps in Ovation's risk management policies and procedures, which may leave it exposed to unidentified or unanticipated risk.

Each of these risks could have material adverse effect on the Company's results of operations and financial condition.

The Company requires third-party capital in order to grow its asset management business and the success of the asset management business depends on the Company's ability to appropriately allocate and deploy capital in a manner that produces targeted investment returns

The Company's asset management business depends on the Company's ability to fundraise third-party capital, deploy that capital effectively, and produce targeted investment returns.

The Company's ability to raise third-party capital depends on a number of factors, including many that are outside the Company's control. Poor investment performance could hamper the Company's ability to compete for these sources of capital or force the Company to reduce our management fees. If poor investment returns or changes in investment mandates prevent the Company from raising further capital from its existing partners, the Company may need to identify and attract new investors in order to maintain or increase the size of its private funds, and there are no assurances that the Company will be able to find new investors. Poor investment performance could result in the withdrawal of cash by existing investors in favor of better performing products. The Company's inability to retain existing investors and attract new investors could have an adverse impact on the Company's assets under management, management fees, carried interest, transaction fees, profitability and growth prospects. The Company cannot guarantee it will be able to achieve or maintain any particular level of assets under management and cannot guarantee it will be able to achieve positive relative returns, retain existing clients or attract new clients.

The successful execution of the Company's investing strategy is uncertain as it requires suitable opportunities, careful timing and business judgment, as well as the resources to complete asset purchases and restructure them, if required. There is no certainty that the Company will be able to identify suitable or sufficient opportunities that meet the Company's investment criteria and be able to acquire additional high-quality assets at attractive prices to supplement the growth of the asset management business in the short term, or at all.

If the Company is unable to successfully raise and deploy third-party capital into investments, the Company may be unable to collect management fees, carried interest or transaction fees, which would materially reduce the Company's revenue and cash flows and adversely affect the Company's financial condition. If any of the Company's managed investments perform poorly or experience prolonged periods of volatility, or the Company is unable to deploy capital effectively, the Company's fee-based revenue, cash available for distribution and/or carried interest would decline. In addition, the Company could experience losses on its capital invested in its managed entities. Accordingly, the Company's expected returns on these investments may be less than the Company assumed in forecasting the value of the Company's business.

The asset management industry has experienced significant historical growth which may not continue

The Company's ability to generate revenues will be dependent on the growth of the asset management industry and by the Company's performance within the asset management industry. The asset management industry has experienced significant historical growth which may not continue and adverse economic conditions and other factors, including any significant decline in the financial markets, could affect market acceptance of the Company's services or result in clients withdrawing from the markets or decreasing their level and/or rate of investment. A decline in the growth of the asset management industry or other changes to the industry that discourage investors from investing with the Company and could affect the Company's ability to attract clients and result in a decline in revenues.

The Company is subject to numerous laws, rules, and regulatory requirements which may impact its business, including resulting in financial penalties, loss of business, and/or damage to its reputation in instances of non-compliance

The Company's ability to carry on business is dependent upon its compliance with, and continued registration under, securities legislation in the jurisdictions where it carries on business. Monitoring and responding to the rapidly changing securities regulatory environment requires significant managerial, operational and financial resources. Laws or regulations governing the Company's operations or particular investment products or services could be amended or interpreted in a manner that is adverse to the Company. Any change in the securities regulatory framework or failure to comply with these regulations could result in fines, temporary or permanent prohibitions on the Company's activities or the activities of some of the Company's personnel or reputational harm, which could materially adversely affect the Company's business, financial condition and results of operations.

The Company manages a limited number of funds and investments

The Company manages a limited number of funds and each fund may participate in a limited number of investments. The Company's entitlement to carried interest in respect of a particular fund depends on the returns generated in respect of the limited number of investments made by that fund. A fund's investments may be concentrated within relatively few industries, sectors, countries or regions. The Company and its fund investments may also be exposed to one or more common or systemic risks. The aggregate returns of the Company's funds, and therefore the amount of our carried interest, may be negatively affected by the unfavorable performance of a single investment or small group or type of investments. The unfavorable performance of even a single fund may have a material adverse effect on the Company's business, operations and financial results.

Changes in Asset Management Fees

Investors in future funds may negotiate to pay the Company lower management fees, reimburse the Company for fewer expenses or change the economic terms of the Company's future funds to be less favorable than those of the Company's current funds, reducing our financial opportunity from those asset management activities.

Risks Related to the Business – Insurance

The Company's insurance business is heavily regulated and changes in regulation could reduce the Company's profitability

The Company's insurance and reinsurance subsidiary, Ability, is highly regulated by insurance regulators in the United States and changes in regulations affecting the Ability's insurance business may reduce the Company's profitability and limit its growth.

Ability operates in 42 U.S. states and the District of Columbia. The insurance and reinsurance industry is generally heavily regulated and Ability's operations in each of these jurisdictions are subject to varying degrees of regulation and supervision. The laws and regulations of the jurisdictions in which Ability operates may require Ability to, among other things, maintain minimum levels of statutory capital, surplus and liquidity, meet solvency standards, submit to periodic examinations of its financial condition, and restrict payments of dividends and distributions of capital. Ability is also subject to laws and regulations that may restrict its ability to write insurance and reinsurance policies, make certain types of investments and distribute funds. With respect to investments, Ability must comply with applicable regulations regarding the type and concentration of investments it may make. These restrictions are set forth in investment guidelines that ML Management must comply with when providing investment management to Ability. These restrictions may limit Ability's ability to invest and ML Management's ability to earn fees on those investments. In addition, Ability is subject to laws and regulations governing affiliate transactions. The investment management agreements between ML Management and Ability were approved by applicable insurance regulators, and any changes of such agreements, including with respect to fees, must receive applicable approval. These affiliate transaction rules are particularly important to Ability given its relationship with ML Management.

In connection with the conduct of Ability's insurance and reinsurance business, it is crucial that Ability establish and maintain good working relationships with the various regulatory authorities having jurisdiction over its business. If those relationships and that reputation were to deteriorate, Ability's business could be materially adversely affected. For example, Ability requires various consents and approvals from its regulators, both with respect to transactions Ability enters into and in the ordinary course of the conduct of its business. If Ability fails to maintain good working relationships with its regulators, it may become more difficult or impossible for Ability to obtain those consents and approvals, either on a timely basis or at all.

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the three and nine months ended September 30, 2024 and 2023

Regulations applicable to Ability and interpretations and enforcement of such regulations may change. Insurance regulators have increased their scrutiny of the insurance regulatory framework in the United States. Ability is unable to predict whether, when or in what form legislators will enact legislative and regulatory changes, and Ability cannot provide any assurances that more stringent restrictions will not be adopted from time to time in jurisdictions in which Ability conducts business.

The cost of compliance with existing laws and regulations is high and the cost of compliance with any new regulatory requirements could have a significant and negative effect on Ability's business. Ability may not be able to comply fully with, or obtain desired exemptions from, any such new laws and regulations that govern the conduct of Ability's business. Failure to comply with, or to obtain desired authorizations and/or exemptions under, any applicable laws could result in restrictions on Ability's ability to do business or undertake activities that are regulated in one or more of the jurisdictions in which Ability operates, could impact Ability's potential growth and could subject Ability to fines and other sanctions. In addition, changes in the laws or regulations to which Ability is subject, or in the interpretations thereof by enforcement or regulatory agencies, could have a material adverse effect on Ability's business, results of operations and financial condition.

The acquisition of Ability may not achieve its intended benefits, and certain difficulties, costs or expenses may outweigh such intended benefits

The Company may be unable to realize the anticipated benefits of the Ability acquisition. Achieving the anticipated benefits, including the acquisition's impact on the Company's assets under management, fee paying assets under management, book value, fee related earnings and after-tax distributable earnings, is subject to a number of uncertainties, including whether the Ability business will continue to operate and grow in the manner the Company anticipates. While Ability is expected to continue to operate as a separate business, the acquisition may result in material difficulties, costs, and expenses, including:

- incremental operating costs arising from the integration of certain standards, controls, procedures and policies, including Ability's obligations to provide financial reporting as a subsidiary of a public company;
- unknown potential liabilities of Ability, including those for which the Company may become responsible or take responsibility;
- the potential loss of key personnel involved in the business of Ability and the costs associated with our efforts to retain or replace them;
- disruptions or perceived disruptions resulting from the acquisition that may affect Ability's relationships with its policyholders and counterparties; and
- the significant attention required from the Company's senior management.

A significant portion of the benefit of the Ability acquisition is anticipated to come from ML Management's role as investment manager for Ability. ML Management has not previously managed the entirety of the investment assets of an insurance company or assets of insurance companies at this scale, and the Company may not achieve its objectives. In addition, ML Management's investment management activities will require the assistance of key personnel involved in the business of Ability, with whom the Company has not historically worked.

A number of the foregoing factors will be outside of the Company's control and any one of them could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could adversely affect the Company's and Ability's business, financial condition and results of operations. In addition, other events outside of the Company's control, including, but not limited to, political climate, the severity and duration of health pandemics, and regulatory or legislative changes, could also adversely affect the Company's ability to realize the anticipated benefits from the Ability acquisition. As a result of these risks, the Company may fail to realize some or all of the anticipated benefits of the Ability acquisition or in an amount sufficient to offset the potential difficulties, costs and expenses arising from the acquisition. Accordingly, shareholders of the Company and potential investors should not place undue reliance on the Company's expectation of the anticipated benefits from the acquisition.

In addition, while the Company expects Ability to continue to operate as a separate business with its existing brands and management team following the acquisition, acquiring Ability adds significantly to the scale and scope of the Company's overall business and operations. The Company has never owned an insurance company. Acquiring Ability changes the risks to which the Company is subject and may give rise to new and unexpected operational risks that could offset some of the benefits the Company expects from the acquisition.

Inclusion of Ability's business as a consolidated subsidiary of the Company will result in certain additional risks to the Company, which risks are expected to be material and could have a material adverse effect on the Company's future results of operations and financial condition

Ability operates its business as a consolidated subsidiary of the Company. The Company has not historically engaged in a business similar to Ability and Ability's business and structure pose additional risks to the Company, many of which may be material. These risks include, but are not limited to:

- business operational risks, including, interest rate and credit spread fluctuations and the impact of such changes on interest-sensitive products, the competitive nature of the insurance and reinsurance industry, the illiquidity of certain investment assets and the potential difficulty of selling and/or realizing full value on such assets if necessary and the performance of third-party service providers;
- risks related to Ability's growth strategy, which includes reinsurance of insurance obligations written by unaffiliated insurance companies, the ability to identify attractive insurance markets, reinsurance opportunities, or investments with returns as favorable as those obtained historically, and ability to effectively manage its growth;

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- regulatory risks relating to the insurance and reinsurance industries, including capital regulations, laws or regulations which impose meaningful limitations on its business, fiduciary or best interest standards in connection with the sale of Ability's products, regulations relating to reserves and obligations to pay assessments through guaranty associations, changes in statutory accounting principles, heightened privacy regulations, and uncertainty regarding future changes in regulations;
- risks related to guarantees within certain of Ability's insurance products;
- any gaps in Ability's risk management policies and procedures, which may leave it exposed to unidentified or unanticipated risk; and
- risks associated with the business Ability reinsures and business it cedes to reinsurers.

Each of these risks could have material adverse effect on the Company's results of operations and financial condition.

Ability operates in a highly competitive industry that includes a number of companies, many of which are larger and more well-known, which could limit Ability's ability to increase or maintain market share and/or margins

Ability operates in highly competitive markets and competes with large and small industry participants. Ability faces intense competition, based upon price, terms and conditions, relationships with distribution partners and other clients, quality of service, capital and perceived financial strength (including independent rating agencies' ratings), technology, innovation, ease of use, capacity, product breadth, reputation and experience, brand recognition and claims processing.

Ability's competitors include other insurers, reinsurers and other financial institutions that offer investment products. Many of Ability's competitors are large and well-established, and some have greater market share or breadth of distribution, assume a greater level of risk while maintaining financial strength ratings, or have higher financial strength, claims-paying or credit ratings than Ability does or benefit, by offering various lines of insurance, from diversification of risks and possible positive impacts on capital requirements. Ability's competitors may also have lower operating costs than Ability, which may allow them to price insurance products, reinsurance solutions or acquisitions more competitively. Furthermore, Ability may face greater operational complexity when compared to competitors who offer a more limited range of products due to the breadth of Ability's product offering.

Competition in the industry could result in increased pressure on the pricing of certain of Ability's products and services, and could harm Ability's ability to maintain or increase profitable growth. For example, fixed annuity sales are materially impacted by the crediting rate offered on Ability's fixed annuities compared to that offered by its competitors. There can be no guarantee that Ability will be able or choose to set crediting rates at competitive levels, which may impact sales. Moreover, sales to fiduciaries may be materially impacted by Ability's ability and willingness to offer one of the most competitive crediting rates.

Because of the highly competitive nature of the insurance industry, there can be no assurance that Ability will maintain or grow its market share, continue to identify attractive opportunities in either the individual or institutional markets, or that competitive pressure will not have a material adverse effect on Ability's business, results of operations and financial condition.

Regulatory Capital Requirements in the United States

Ability is subject to external capital requirements in the United States, as required by Nebraska statute. Regulatory capital requirements for Ability are determined in accordance with guidelines issued by the NAIC. The RBC requirement is a statutory minimum level of capital that is based on two factors: an insurance company's size, and the inherent riskiness of its financial assets and operations. That is, the company must hold capital in proportion to its risk. Under those requirements, the amount of statutory capital and surplus maintained by an insurance company is to be determined based on the various risk factors related to it. The minimum RBC ratio for Ability is 200% and Ability must have a ratio in excess of 300% to be able to write new business. Ability's RBC ratio is tested annually at the end of Ability's financial year and was in excess of the minimum requirement as at December 31, 2023. From time to time during a particular financial year, Ability may take steps to increase its RBC ratio to ensure it remains above the minimum requirement or exceeds the ratio required to write new business, which steps may include, among other things, securing additional funding. Failure to meet or exceed the regulatory capital requirements issued by NAIC could significantly limit the Company's ability to write new business.

Differences between policyholder behavior estimates, reserve assumptions and actual claims experience, in particular with respect to the timing and magnitude of claims and surrenders, may adversely affect the insurance segment's results of operations or financial condition

Ability holds reserves to pay future policy benefits and claims. Ability's reserves are estimated based on data and models that include many assumptions and projections, which are inherently uncertain and involve significant judgment, including assumptions as to the levels and/or timing of receipt or payment of premiums, benefits, claims, expenses, interest credits, investment results (including equity and other market returns), mortality, morbidity, longevity and persistency.

While management periodically reviews the adequacy of its reserves and the assumptions underlying those reserves, management cannot determine with precision the amounts that Ability will pay for, or the timing of payment of, actual benefits, claims and expenses or whether the assets supporting policy liabilities, together with future premiums, will grow to the level assumed prior to the payment of benefits or claims. For Ability's reinsurance of fixed-rate annuities, reserves are equal to policyholder account balances before applicable surrender charges, and lapse, surrender rates and persistency assumptions are important assumptions used in calculating these reserves and drivers of profitability with respect to these products. Advances in technology, including predictive medical technology that enables consumers to select products better matched to their individual longevity or mortality risk profile and other medical breakthroughs that extend lives, could cause the insurance segment's future experience to deviate significantly from actuarial assumptions, which could significantly impact the level of reserves and profitability. The resulting acceleration of expense amortization, reduced spread or increased payments could have a material adverse effect on the insurance segment's business, financial condition and results of operations.

If actual experience differs significantly from assumptions or estimates, certain balances included in the insurance segment's balance sheet may not be adequate, particularly deferred acquisition costs, value of business acquired, negative value or business acquired, policy reserves and other actuarial balances. If management concludes that its reserves, together with future premiums, are insufficient to cover future policy benefits and claims, the Company would be required to increase its reserves and incur income statement charges for the period in which it makes the determination, which could have a material adverse effect on the insurance segment's business, financial condition and results of operations. An increase in the statutory reserves of Ability may negatively affect liquidity and capitalization.

Ability's historical growth rates may not be indicative of its future growth, and Ability may not be able to identify attractive insurance markets, reinsurance opportunities or investments with returns that are as favorable as Ability's historical returns and grow new business volumes at historical levels

Ability's historical growth rates may not reflect its future growth rates. While Ability anticipates that it will continue to grow by deepening existing and adding new distribution relationships in Ability's individual market, pursuing attractive reinsurance opportunities and expanding its funding agreement business in the institutional market, taking advantage of investment opportunities to support Ability's growth, developing new products and entering new markets, Ability may not be able to identify opportunities to do so. With future growth, there can be no guarantee that Ability's net underwriting return will be as favorable as its historic returns. Weaker margins may challenge Ability's ability to grow profitably or at the returns targeted. Further, in order to maintain or increase investment returns, it may be necessary to expand the scope of Ability's investing activities to asset classes in which Ability historically has not invested, which may increase the risk of Ability's investment portfolio. If Ability is unable to find profitable growth opportunities, it will be more difficult for Ability to continue to grow, and could negatively affect its results of operations and financial condition.

Ability's future growth depends on its ability to continue to offer and sell products that Ability's customers find attractive. Consumer preferences regarding annuities and life insurance are subject to change. In particular, due to market risks, consumers may not continue to view annuities as an attractive retirement savings product, which would impact Ability's ability to sell such products to its target consumers. In addition, there is no guarantee that younger generations will use life insurance products at the same rate as previous generations as a result of changes in savings habits and demographic shifts. Ability's expected growth is largely concentrated in fixed-rate annuities. However, this product may not continue to grow at historical market levels, and there can be no assurance that consumers will continue to prefer these products. Moreover, sales of Ability's products and continued future growth depend on its ability to offer competitive pricing and attractive policyholder benefits. For example, one factor impacting sales of fixed-rate annuities is the crediting rate Ability offers compared to that offered by its competitors. Crediting rates are based on expected investment returns, policyholder behavior assumptions and other factors that may be beyond Ability's control. Ability expects that overall sales of fixed-rate annuities will continue to be sensitive to changes in pricing, in particular when compared to pricing on comparable products such as bank certificates of deposit. If consumer preferences for Ability's products change, Ability's revenues and results of operations may be materially adversely impacted.

Ability faces risks associated with business it reinsures and business it cedes to reinsurers and which could cause a material adverse effect on Ability's business, results of operations and financial condition

As part of Ability's overall risk management strategy, it cedes business to other insurance companies through reinsurance. Ability's inability to collect from its reinsurers (including reinsurance clients in transactions where Ability reinsures business net of ceded reinsurance) on its reinsurance claims could have a material adverse effect on Ability's business, results of operations and financial condition. Although reinsurers are liable to Ability to the extent of the reinsurance coverage it acquires, Ability remains primarily liable as the direct insurer on all risks that it writes; therefore, Ability's reinsurance agreements do not eliminate its obligation to pay claims. As a result, Ability is subject to the risk that it may not recover amounts due from reinsurers. The risk could arise primarily in two situations: (i) Ability's reinsurers may dispute some of its reinsurance claims based on contract terms, and, as a result, Ability may receive partial or no payment; or (ii) Ability's reinsurers may default on their obligations. While Ability may manage these risks through transaction-related diligence, contract terms, collateral requirements, hedging, and other oversight mechanisms, Ability's efforts may not be successful. A reinsurer's insolvency, or its inability or unwillingness to make payments due to Ability under the terms of the relevant reinsurance agreements, could have a material adverse effect on Ability's business, results of operations and financial condition.

Ability also bears the risk that the companies that reinsure its mortality risk on a yearly renewable term, where the reinsurer may reset the premium and other terms each year, increase the premiums they charge to levels Ability deems unacceptable. If that occurs, Ability will either need to pay such increased premiums, which will affect margins and financial results, or alternatively, Ability will need to limit or potentially terminate reinsurance, which will increase the risks that Ability retains.

Conversely, Ability assumes liabilities from other insurance companies. Changes in the ratings, creditworthiness or market perception of such ceding companies or in the administration of policies reinsured to Ability could cause policyholders of contracts reinsured to Ability to surrender or lapse their policies in unexpected amounts. In addition, to the extent such ceding companies do not perform their obligations under the relevant reinsurance agreements, Ability may not achieve the results intended and could suffer unexpected losses. In either case, Ability has exposure to reinsurance clients, which could materially and adversely affect Ability's business, financial condition, results of operations and cash flows.

The determination of the amount of impairments and allowances for credit losses recognized on Ability's investments is highly subjective and could materially affect its results of operations or financial condition

The determination of the amount of impairments and allowances for credit losses is based upon Ability's periodic evaluation and assessment of known and inherent risks associated with the respective asset class and the specific investment being reviewed. Such evaluations and assessments are revised as conditions change and new information becomes available. Management updates its evaluations regularly and

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reflects changes in allowances and impairments in its financial results as such evaluations are revised. Impairments result in a non-cash charge to earnings during the period in which the impairment charge is taken. Changes in allowances for credit losses can result in either a charge or credit to earnings.

For example, an allowance is recognized on Ability's fixed maturity securities when the fair value of the security is less than its amortized cost basis and credit related losses are deemed to have occurred. The determination of the allowance requires assessment of the security's expected future cash flows, which depend on a variety of macroeconomic factors and security-specific considerations. Similarly, the determination of the allowance on Ability's mortgage and other loan receivables requires an assessment of expected credit losses that considers current, historical and forecasted macroeconomic data and loan-specific factors. As expectations change based on macroeconomic data and individual investment considerations, the associated allowance for credit losses can be adjusted, up or down.

There can be no assurance that management has accurately determined the amount of impairments and allowances for credit losses recognized in the Company's financial statements and their potential impact on regulatory capital. Furthermore, additional impairments and allowance provisions may be taken in the future.

Risk adjustment for non-financial risk under IFRS 17

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation Ability requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as Ability fulfills insurance contracts. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by Ability to the reinsurer. The risk adjustment was calculated at the seriatim level and aggregated at the issuing entity level. The Risk Adjustment ("RA") technique used for the LTC and MYGA blocks involves shocking key assumptions and taking the difference of this shocked run and the Best Estimate Liability ("BEL"). The shocks used to calculate the RA were designed to be in line with a 70% Value at Risk ("VaR") confidence level on a direct basis. The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 2024.