# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, DC 20549**

# FORM 10-K

**(Mark One)**

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

**For the fiscal year ended September 30, 2022**
**OR**

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

**For the transition period from _____ to _____**
**Commission file number 814-00237**

# GLADSTONE CAPITAL CORPORATION
**(Exact name of registrant as specified in its charter)**

| **Maryland** | **54-2040781** |
|---|---|
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **1521 Westbranch Drive, Suite 100 McLean, Virginia** | **22102** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**(703) 287-5800**
**(Registrant's telephone number, including area code)**

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

| Title of each class | Symbol | Name of each exchange on which registered |
|---|---|---|
| **Common Stock, $0.001 par value per share** | **GLAD** | **The Nasdaq Stock Market LLC** |

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

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

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

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

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

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

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

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

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

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

The aggregate market value of the voting common stock held by non-affiliates of the Registrant on March 31, 2022, based on the closing price on that date of $11.79 per share on the Nasdaq Global Select Market, was $383,627,092. For the purposes of calculating this amount only, all directors and executive officers of the Registrant have been treated as affiliates. There were 35,132,601 shares of the Registrant's common stock, $0.001 par value per share, outstanding as of November 11, 2022.

**Documents Incorporated by Reference.** Portions of the Registrant's definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the Registrant's 2023 Annual Meeting of Stockholders, which will be filed subsequent to the date hereof, are incorporated by reference into Part III of this Form 10-K. Such proxy statement will be filed with the Securities and Exchange Commission not later than 120 days following the end of the Registrant's fiscal year ended September 30, 2022.

**GLADSTONE CAPITAL CORPORATION**
**FORM 10-K FOR THE FISCAL YEAR ENDED**
**SEPTEMBER 30, 2022**

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## FORWARD-LOOKING STATEMENTS

**All statements contained herein, other than historical facts, may constitute "forward-looking statements." These statements may relate to, among other things, our future operating results, our business prospects and the prospects of our portfolio companies, actual and potential conflicts of interest with Gladstone Management Corporation (the "Adviser"), our investment adviser, and its affiliates, the use of borrowed money to finance our investments, the adequacy of our financing sources and working capital, and our ability to co-invest, among other factors. In some cases, you can identify forward-looking statements by terminology such as "estimate," "may," "might," "believe," "will," "provided," "anticipate," "future," "could," "growth," "plan," "project," "intend," "expect," "should," "would," "if," "seek," "possible," "potential," "likely" or the negative or variations of such terms or comparable terminology. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Such factors include: (1) changes in the economy and the capital markets, including stock price volatility, inflation, rising interest rates and risks of recession; (2) risks associated with negotiation and consummation of pending and future transactions; (3) the loss of one or more of our executive officers, in particular David Gladstone, Terry Lee Brubaker or Robert L. Marcotte; (4) changes in our investment objectives and strategy; (5) availability, terms (including the possibility of interest rate volatility) and deployment of capital; (6) changes in our industry, interest rates, exchange rates or the general economy; (7) our business prospects and the prospects of our portfolio companies; (8) the degree and nature of our competition; (9) changes in governmental regulation, tax rates and similar matters; (10) our ability to exit investments in a timely manner; (11) our ability to maintain our qualification as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"), and as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"); and (12) those factors described herein, including Item 1A. "Risk Factors," of this Annual Report on Form 10-K (this "Annual Report"). We caution readers not to place undue reliance on any such forward-looking statements. Actual results could differ materially from those anticipated in our forward-looking statements and future results could differ materially from historical performance. We have based forward-looking statements on information available to us on the date of this Annual Report. Except as required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this Annual Report. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we have filed or in the future may file with the U.S. Securities and Exchange Commission's ("SEC") from time to time, including quarterly reports on Form 10-Q and current reports on Form 8-K. The forward-looking statements contained in this Annual Report are excluded from the safe harbor protection provided by the Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act of 1933, as amended (the "Securities Act").**

*In this Annual Report, the "Company," "we," "us," and "our" refer to Gladstone Capital Corporation and its wholly-owned subsidiaries unless the context otherwise indicates. Dollar amounts in tables, except per share amounts, are in thousands unless otherwise indicated.*

## PART I

*The information contained in this section should be read in conjunction with our accompanying Consolidated Financial Statements and the notes thereto appearing elsewhere in this Annual Report.*

### ITEM 1. BUSINESS

**Overview**

***Organization***

Gladstone Capital Corporation was incorporated under the Maryland General Corporation Law on May 30, 2001 and completed an initial public offering on August 24, 2001. We are an externally managed, closed-end, non-diversified management investment company that has elected to be treated as a BDC under the 1940 Act. In addition, we have elected to be treated for tax purposes as a RIC under the Code. We were established for the purpose of investing in debt and equity securities of established private businesses operating in the United States ("U.S.").

As of September 30, 2022, shares of our common stock trade on the Nasdaq Global Select Market ("Nasdaq") under the trading symbol "GLAD."

**Investment Adviser and Administrator**

We are externally managed by the Adviser, an investment adviser registered with the SEC and an affiliate of ours, pursuant to an investment advisory and management agreement (as amended and / or restated from time to time, the "Advisory Agreement"). The Adviser manages our investment activities. We have also entered into an administration agreement with Gladstone Administration, LLC (the "Administrator"), an affiliate of ours and the Adviser, whereby we pay separately for administrative services (the "Administration Agreement"). Each of the Adviser and the Administrator are privately-held companies that are indirectly owned and controlled by David Gladstone, our chairman and chief executive officer. Mr. Gladstone and Terry Lee Brubaker, our vice chairman and chief operating officer, also serve on the board of directors of the Adviser, the board of managers of the Administrator, and serve as executive officers of the Adviser and the Administrator. The Administrator employs, among others, our chief financial officer and treasurer, chief valuation officer, chief compliance officer, general counsel and secretary (who also serves as the president of the Administrator) and their respective staffs. The Adviser and Administrator have extensive experience in our lines of business and also provide investment advisory and administrative services, respectively, to our affiliates, including: Gladstone Commercial Corporation ("Gladstone Commercial"), a publicly-traded real estate investment trust; Gladstone Investment Corporation ("Gladstone Investment"), a publicly-traded BDC and RIC; and Gladstone Land Corporation, a publicly-traded real estate investment trust ("Gladstone Land," with "Gladstone Commercial," and "Gladstone Investment," collectively the "Affiliated Public Funds"). In the future, the Adviser and Administrator may provide investment advisory and administrative services, respectively, to other funds and companies, both public and private.

The Adviser was organized as a corporation under the laws of the State of Delaware on July 2, 2002, and is an SEC registered investment adviser under the Investment Advisors Act of 1940, as amended. The Administrator was organized as a limited liability company under the laws of the State of Delaware on March 18, 2005. The Adviser and Administrator are headquartered in McLean, Virginia, a suburb of Washington, D.C., at 1521 Westbranch Drive, McLean, Virginia 22102. The Adviser also has offices in other states.

***Investment Objectives and Strategy***

Our investment objectives are to: (1) achieve and grow current income by investing in debt securities of established lower middle market companies (which we generally define as companies with annual earnings before interest, taxes, depreciation and amortization ("EBITDA") of $3 million to $15 million) in the U.S. that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness, and make distributions to stockholders; and (2) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities, in connection with our debt investments, that we believe can grow over time to permit us to sell our equity investments for capital gains. To achieve our objectives, our primary investment strategy is to invest in several categories of debt and equity securities, with each investment generally ranging from $8 million to $30 million, although investment size may vary, depending upon our total assets or available capital at the time of investment. We lend to borrowers that need funds for growth capital, to finance acquisitions, or to recapitalize or refinance their existing debt facilities. We seek to avoid investing in high-risk, early-stage enterprises. Our targeted portfolio companies are generally considered too small for the larger capital marketplace. We expect that our investment portfolio over time will consist of

approximately 90.0% debt investments and 10.0% equity investments, at cost. As of September 30, 2022, our investment portfolio was made up of approximately 90.7% debt investments and 9.3% equity investments, at cost.

We invest by ourselves or jointly with other funds and/or management of the portfolio company, depending on the opportunity. In July 2012, the SEC granted us an exemptive order (the "Co-Investment Order") that expanded our ability to co-invest, under certain circumstances, with certain of our affiliates, including Gladstone Investment and any future BDC or registered closed-end management investment company that is advised (or sub-advised if it controls the fund) by the Adviser, or any combination of the foregoing, subject to the conditions in the Co-Investment Order. We believe the Co-Investment Order has enhanced and will continue to enhance our ability to further our investment objectives and strategies. If we are participating in an investment with one or more co-investors, whether or not an affiliate of ours, our investment is likely to be smaller than if we were investing alone.

In general, our investments in debt securities have a term of no more than seven years, accrue interest at variable rates (generally based on the 30-day London Interbank Offered Rate ("LIBOR") or one-month term Secured Overnight Financing Rate ("SOFR")) and, to a lesser extent, at fixed rates. We seek debt instruments that pay interest monthly or, at a minimum, quarterly, may have a success fee or deferred interest provision and are primarily interest only, with all principal and any accrued but unpaid interest due at maturity. Generally, success fees accrue at a set rate and are contractually due upon a change of control of a portfolio company, typically from an exit or sale. Some debt securities have deferred interest whereby some portion of the interest payment is added to the principal balance so that the interest is paid, together with the principal, at maturity. This form of deferred interest is often called paid-in-kind ("PIK") interest.

Typically, our equity investments consist of common stock, preferred stock, limited liability company interests, or warrants to purchase the foregoing. Often, these equity investments occur in connection with our original investment, recapitalizing a business, or refinancing existing debt.

Since our initial public offering in 2001 and through September 30, 2022, we have invested in approximately 268 different companies, while making 236 consecutive monthly or quarterly cash distributions to common stockholders. We expect that our investment portfolio will primarily include the following three categories of investments in private companies operating in the U.S.:

- *Secured First Lien Debt Securities:* We seek to invest a portion of our assets in secured first lien debt securities also known as senior loans, senior term loans, lines of credit and senior notes. Using its assets as collateral, the borrower typically uses first lien debt to cover a substantial portion of the funding needs of the business. These debt securities usually take the form of first priority liens on all, or substantially all, of the assets of the business. First lien debt securities may include investments sourced from the syndicated loan market.
- *Secured Second Lien Debt Securities:* We seek to invest a portion of our assets in secured second lien debt securities, also known as subordinated loans, subordinated notes and mezzanine loans. These secured second lien debt securities rank junior to the secured borrowers' first lien debt securities and may be secured by second priority liens on all or a portion of the assets of the business. Additionally, we may receive other yield enhancements in addition to or in lieu of success fees such as warrants to buy common and preferred stock or limited liability interests in connection with these second lien secured debt securities. Second lien debt securities may include investments sourced from the syndicated loan market.
- *Preferred and Common Equity/Equivalents:* In some cases we will purchase equity securities which consist of preferred and common equity or limited liability company interests, or warrants or options to acquire such securities, and are in combination with our debt investment in a business. Additionally, we may receive equity investments derived from restructurings on some of our existing debt investments. In some cases, we will own a significant portion of the equity and in other cases we may have voting control of the businesses in which we invest.

Under the 1940 Act, we may not acquire any asset other than assets of the type listed in Section 55 of the 1940 Act, which are referred to as "qualifying assets" and generally include each of the investment types listed above, unless, at the time the acquisition is made, qualifying assets (other than certain assets related to our operations) represent at least 70.0% of our total assets. See "*—Regulation as a BDC — Qualifying Assets.*"

We expect that most, if not all, of the debt securities we acquire will not be rated by a credit rating agency. Investors should assume that these loans would be rated below "investment grade" quality. Investments rated below investment grade are often referred to as high yield securities or junk bonds and may be considered higher risk, as compared to investment-grade debt instruments. In addition, many of the debt securities we hold may not amortize prior to maturity.

***Investment Policies***

We seek to achieve a high level of current income and capital gains through investments in debt securities and preferred or common stock that we generally acquire in connection with buyouts and other recapitalizations. The following investment policies, along with these investment objectives, may not be changed without the approval of our board of directors (the "Board of Directors"):

- We will at all times conduct our business so as to retain our status as a BDC. See "*—Regulation as a BDC — Qualifying Assets.*"
- We will at all times endeavor to conduct our business so as to retain our status as a RIC under the Code. See "*—Material U.S. Federal Income Tax Considerations*."

With the exception of our policy to conduct our business as a BDC, these policies are not fundamental and may be changed without stockholder approval.

***Investment Concentrations***

As of September 30, 2022, our investment portfolio consisted of investments in 52 companies located in 24 states across 13 different industries, with an aggregate fair value of $649.6 million. The five largest investments at fair value as of September 30, 2022, totaled $174.5 million, or 26.9% of our total investment portfolio.

The following table outlines our investments by security type as of September 30, 2022 and 2021:

| | **September 30, 2022** | | | | **September 30, 2021** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Cost** | | **Fair Value** | | **Cost** | | **Fair Value** | |
| Secured first lien debt | **$ 475,806** | **72.5 %** | **$ 463,858** | **71.4 %** | $ 362,616 | 66.3 % | $ 337,394 | 60.5 % |
| Secured second lien debt | **118,949** | **18.2** | **115,928** | **17.8** | 137,643 | 25.2 | 135,956 | 24.4 |
| Unsecured debt | **293** | **0.0** | **55** | **0.0** | 293 | 0.1 | 10 | 0.0 |
| Total debt investments | **595,048** | **90.7** | **579,841** | **89.2** | 500,552 | 91.6 | 473,360 | 84.9 |
| Preferred equity | **34,505** | **5.3** | **27,046** | **4.2** | 29,230 | 5.3 | 29,246 | 5.2 |
| Common equity/equivalents | **26,500** | **4.0** | **42,728** | **6.6** | 16,730 | 3.1 | 55,006 | 9.9 |
| Total equity investments | **61,005** | **9.3** | **69,774** | **10.8** | 45,960 | 8.4 | 84,252 | 15.1 |
| **Total Investments** | **$ 656,053** | **100.0 %** | **$ 649,615** | **100.0 %** | $ 546,512 | 100.0 % | $ 557,612 | 100.0 % |

Our investments at fair value consisted of the following industry classifications as of September 30, 2022 and 2021:

| Industry Classification | September 30, 2022 Fair Value | September 30, 2022 Percentage of Total Investments | September 30, 2021 Fair Value | September 30, 2021 Percentage of Total Investments |
|---|---|---|---|---|
| Diversified/Conglomerate Service | **$ 148,907** | **22.9 %** | $ 132,458 | 23.8 % |
| Healthcare, Education, and Childcare | **136,401** | **21.0** | 92,680 | 16.6 |
| Diversified/Conglomerate Manufacturing | **114,105** | **17.6** | 25,223 | 4.5 |
| Aerospace and Defense | **88,649** | **13.6** | 79,749 | 14.3 |
| Beverage, Food, and Tobacco | **64,283** | **9.9** | 48,385 | 8.7 |
| Oil and Gas | **25,373** | **3.9** | 25,861 | 4.6 |
| Automobile | **20,144** | **3.1** | 21,681 | 3.9 |
| Personal and Non-Durable Consumer Products | **18,583** | **2.9** | 1,542 | 0.3 |
| Telecommunications | **10,088** | **1.6** | 36,720 | 6.6 |
| Machinery | **9,562** | **1.5** | 10,472 | 1.9 |
| Textiles and Leather | **7,978** | **1.2** | 10,030 | 1.8 |
| Diversified Natural Resources, Precious Metals, and Minerals | — | — | 47,134 | 8.4 |
| Chemicals, Plastics, and Rubber | — | — | 10,062 | 1.8 |
| Home and Office Furnishings, Housewares, and Durable Consumer Products | — | — | 10,025 | 1.8 |
| Other, < 2.0% | **5,542** | **0.8** | 5,590 | 1.0 |
| **Total Investments** | **$ 649,615** | **100.0 %** | $ 557,612 | 100.0 % |

Our investments at fair value were included in the following U.S. geographic regions as of September 30, 2022 and 2021:

| Location | September 30, 2022 Fair Value | September 30, 2022 Percentage of Total Investments | September 30, 2021 Fair Value | September 30, 2021 Percentage of Total Investments |
|---|---|---|---|---|
| South | **$ 326,524** | **50.3 %** | $ 238,917 | 42.8 % |
| West | **169,415** | **26.1** | 184,247 | 33.0 |
| Midwest | **118,191** | **18.2** | 85,970 | 15.5 |
| Northeast | **35,485** | **5.4** | 48,478 | 8.7 |
| **Total Investments** | **$ 649,615** | **100.0 %** | $ 557,612 | 100.0 % |

The geographic composition indicates the location of the headquarters for our portfolio companies. A portfolio company may have additional locations in other geographic regions.

## Investment Process

***Overview of Investment and Approval Process***

To originate investments, the Adviser's investment professionals use an extensive referral network comprised primarily of private equity sponsors, leveraged buyout funds, investment bankers, attorneys, accountants, commercial bankers, and business brokers. The Adviser's investment professionals review information received from these and other sources in search of potential financing opportunities. If a potential opportunity matches our investment objectives, the investment professionals will seek an initial screening of the opportunity with our president, Robert L. Marcotte, to authorize the submission of an indication of interest ("IOI") to the prospective portfolio company. If the prospective portfolio company passes this initial screening and the IOI is accepted by the prospective company, the investment professionals will seek approval to issue a letter of intent ("LOI") to the prospective company from the Adviser's investment committee, which currently is comprised of David Gladstone, Terry Lee Brubaker, Robert L. Marcotte, Laura Gladstone, and Jonathan Sateri. If this LOI is issued, then the Adviser and Gladstone Securities, LLC ("Gladstone Securities") (collectively, the "Due Diligence Team") will conduct a due diligence investigation and create a detailed profile summarizing the prospective portfolio company's historical financial statements, industry, competitive position and management team, analyzing its

conformity to our general investment criteria. The investment professionals then present this profile to the Adviser's investment committee, which must approve each investment.

***Prospective Portfolio Company Characteristics***

We have identified certain characteristics that we believe are important in identifying and investing in prospective portfolio companies. The criteria listed below provide general guidelines for our investment decisions, although not all of these criteria may be met by each portfolio company.

- *Growth-and-Income Orientation and Positive Cash Flow.* Our investment philosophy places a premium on fundamental analysis from an investor's perspective and has a distinct growth-and-income orientation. We typically invest in companies that generate growing sales and cash flow to provide some assurance that they will be able to service their debt and deleverage over time. We do not expect to invest in start-up companies or companies with what we believe to be cyclical industries or speculative business plans.
- *Experienced Management.* We typically require that the businesses in which we invest have experienced management teams. We also require the businesses to have proper incentives in place to induce management teams to succeed and align with our interests as an investor, including having significant equity or other interests in the financial performance of their respective companies.
- *Strong Competitive Position in an Industry.* We seek to invest in businesses that have developed strong market positions within their respective markets and that we believe are well-positioned to capitalize on growth opportunities. We seek businesses that demonstrate significant competitive advantages versus their competitors, which we believe will help to protect their market positions and profitability.
- *Enterprise Collateral Value.* The projected enterprise valuation of the business, based on market based comparable cash flow multiples, is an important factor in our investment analysis in determining the collateral coverage of our debt securities.

***Extensive Due Diligence***

The Due Diligence Team conducts what we believe are extensive due diligence investigations of our prospective portfolio companies and investment opportunities. The due diligence investigation typically begins with a review of publicly available information followed by in depth business analysis, including any of the following:

- a review of the prospective portfolio company's historical and projected financial information, including a quality of earnings analysis;
- detailed review of the track record of the private equity firm or ownership group acquiring or controlling any prospective borrower;
- visits to the prospective portfolio company's business site(s);
- interviews with the prospective portfolio company's management, employees, customers, and vendors;
- review of loan documents and material contracts;
- background checks and a management capabilities assessment on the prospective portfolio company's management team and controlling shareholders; and
- research on the prospective portfolio company's products, services or particular industry and its competitive position therein.

Upon completion of a due diligence investigation and a decision to proceed with an investment, the Adviser's investment professionals who have primary responsibility for the investment present the investment opportunity to the Adviser's investment committee. The investment committee then determines whether to pursue the potential investment. Prior to the closing of an investment, additional due diligence may be conducted on our behalf by attorneys, independent accountants, and other outside advisers, as appropriate.

We also rely on the long-term relationships that the Adviser's investment professionals have with leveraged buyout funds, investment bankers, commercial bankers, private equity sponsors, attorneys, accountants, and business brokers. In addition, the extensive direct experiences of our executive officers and managing directors in the operations of lower middle market companies and providing debt and equity capital to lower middle market companies plays a significant role in our investment evaluation and assessment of risk.

***Investment Structure***

Once the Adviser has determined that an investment meets our standards and investment criteria, the Adviser works with the management of that company, the private equity firm or ownership group controlling any prospective borrower, and other capital providers to structure the transaction in a way that we believe will provide us with the greatest opportunity to maximize our return on the investment, while providing appropriate incentives to the shareholders and management of the company. As discussed above, the capital classes through which we typically structure a deal include secured first lien debt, secured second lien debt, and preferred and common equity or equivalents. Through its risk management process, the Adviser seeks to limit the downside risk of our investments by:

- seeking collateral or superior positions in the portfolio company's capital structure where possible;
- negotiating covenants in connection with our investments that afford our portfolio companies as much flexibility as possible in managing their businesses, consistent with preserving our capital;
- securing board observation rights at the portfolio company;
- incorporating call protection into the investment structure where possible; and
- making investments with an expected total return (including both interest and potential equity appreciation) that it believes compensates us appropriately for the credit risk of the investment.

We expect to hold most of our debt investments until maturity or repayment, but may sell our investments (including our equity investments) earlier if a liquidity event takes place, such as the sale or recapitalization of a portfolio company. Occasionally, we may sell some or all of our investment interests in a portfolio company to a third party in a privately negotiated transaction to manage our credit or sector exposures or to enhance our portfolio yield.

***Competitive Advantages***

A large number of entities compete with us and make the types of investments that we seek to make in lower middle market privately-owned businesses. Such competitors include other BDCs, non-equity based investment funds, and other financing sources, including traditional financial services companies such as commercial banks. Many of our competitors are substantially larger than we are and have considerably greater funding sources or are able to access capital more cost effectively. In addition, certain of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments, serve a broader customer base, and establish a greater market share. Furthermore, many of these competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC or the regulatory requirements we must comply with as a publicly traded company. However, we believe that we have the following competitive advantages over many other providers of financing to lower middle market companies.

*Management Expertise*

Our Adviser has a separate investment committee for the Company and each of the Affiliated Public Funds. The Adviser's investment committee for the Company is comprised of Messrs. Gladstone, Brubaker, Marcotte and Sateri and Ms. Gladstone, each of whom have a wealth of experience in our area of operation. Ms. Gladstone and Messrs. Gladstone, Brubaker and Sateri also serve on the Adviser's investment committee for the other Affiliated Public Funds. Ms. Gladstone has over 20 years of experience in investing in middle market companies and previously held the role of managing director with the Company. Each of Messrs. Gladstone, Marcotte and Sateri have over 30 years of experience in investing in middle market companies and with operating in the BDC marketplace in general. Messrs. Gladstone and Brubaker also have principal management responsibility for the Adviser as its executive officers, and have worked together at the Gladstone Companies for more than 20 years. Mr. Brubaker has over 30 years of experience in acquisitions and operations of companies. These five individuals dedicate a significant portion of their time to managing our investment portfolio. Our senior management has extensive experience providing capital to lower middle market companies. In addition, we have access to the resources and expertise of the Adviser's investment professionals and support staff who possess a broad range of transactional, financial, managerial, and investment skills.

*Increased Access to Investment Opportunities Developed Through Extensive Research Capability and Network of Contacts*

The Adviser seeks to identify potential investments through active origination and due diligence and through its dialogue with numerous private equity firms and other members of the financial community with whom the Adviser's investment professionals have long-term relationships. We believe that the Adviser's investment professionals have developed a broad network of contacts within the investment, commercial banking, private equity and investment management communities,

and that their reputation, experience and focus on investing in lower middle market companies enables us to source and identify well-positioned prospective portfolio companies that provide attractive investment opportunities. Additionally, the Adviser expects to generate information from its professionals' network of accountants, consultants, lawyers and management teams of portfolio companies and other contacts to support the Adviser's investment activities.

*Disciplined, Value and Income-Oriented Investment Philosophy with a Focus on Preservation of Capital*

In making its investment decisions, the Adviser focuses on the risk and reward profile of each prospective portfolio company, seeking to minimize the risk of capital loss without foregoing the potential for capital appreciation. We expect the Adviser to use the same investment philosophy that its professionals use in the management of the other Affiliated Public Funds and to commit resources to manage downside exposure. The Adviser's approach seeks to reduce our risk in investments by using some or all of the following approaches:

- focusing on companies with sustainable market positions and cash flow;
- investing in businesses with experienced and established management teams;
- engaging in extensive due diligence from the perspective of a long-term investor;
- investing in businesses backed by successful private equity sponsors or owner operators; and
- adopting flexible transaction structures by drawing on the experience of the investment professionals of the Adviser and its affiliates.

*Longer Investment Horizon*

Unlike private equity and private credit funds that are typically organized as finite-life partnerships (generally seven to ten years), we are not subject to standard periodic capital return requirements. These structures often force private equity and private credit funds to seek returns on their investments by causing their portfolio companies to pursue mergers, public equity offerings, or other liquidity events more quickly than might otherwise be optimal or desirable, potentially resulting in a lower overall return to investors and/or an adverse impact on their portfolio companies. In contrast, we are an exchange-traded corporation of perpetual duration. We believe that our flexibility to make investments with a long-term view and without the capital return requirements of traditional private investment vehicles provides us with the opportunity to achieve greater long-term returns on invested capital.

*Flexible Transaction Structuring*

We believe our management team's broad expertise and years of combined experience enable the Adviser to identify, assess, and structure investments successfully across all levels of a company's capital structure and manage potential risk and return at all stages of the economic cycle. We are not subject to many of the regulatory limitations that govern traditional lending institutions, such as banks. As a result, we are flexible in selecting and structuring investments, adjusting investment criteria and transaction structures and, in some cases, the types of securities in which we invest. We believe that this approach enables the Adviser to craft a financing structure which best fits the investment and growth profile of the underlying business and yields attractive investment opportunities that will continue to generate current income and capital gain potential throughout the economic cycle, including during turbulent periods in the capital markets.

**Ongoing Management of Investments and Portfolio Company Relationships**

The Adviser's investment professionals actively oversee each investment by continuously evaluating the portfolio company's performance and typically working collaboratively with the portfolio company's management to identify and incorporate best resources and practices that help us achieve our projected investment performance.

***Monitoring***

The Adviser's investment professionals monitor the financial performance, trends, and changing risks of each portfolio company on an ongoing basis to determine if each company is performing within expectations and to guide the portfolio company's management in taking the appropriate courses of action. The Adviser employs various methods of evaluating and monitoring the performance of our investments in portfolio companies, which can include the following:

- monthly analysis of financial and operating performance;

- frequent assessment of the portfolio company's performance against its business plan and our investment expectations;
- attendance at and/or participation in the portfolio company's board of directors or management meetings;
- assessment of portfolio company management, sponsor, governance, and strategic direction;
- assessment of the portfolio company's industry and competitive environment; and
- review and assessment of the portfolio company's operating outlook and financial projections.

***Relationship Management***

The Adviser's investment professionals interact with various parties involved with a portfolio company, or investment, by actively engaging with internal and external constituents, including:

- management;
- boards of directors;
- private equity sponsors;
- capital partners; and
- advisers and consultants.

***Managerial Assistance and Services***

As a BDC, we make available significant managerial assistance, as defined in the 1940 Act, to our portfolio companies and provide other services (other than such managerial assistance) to such portfolio companies. Neither we, nor the Adviser, currently receive fees in connection with the managerial assistance we make available. At times, the Adviser may also provide other services to our portfolio companies under certain agreements and may receive fees for services other than managerial assistance. Such services may include: (i) assistance obtaining, sourcing or structuring credit facilities, long term loans or additional equity from unaffiliated third parties; (ii) negotiating important contractual financial relationships; (iii) consulting services regarding restructuring of the portfolio company and financial modeling as it relates to raising additional debt and equity capital from unaffiliated third parties; and (iv) taking a primary role in interviewing, vetting and negotiating employment contracts with candidates in connection with adding and retaining key portfolio company management team members. The Adviser non-contractually, unconditionally, and irrevocably credits 100% of any fees received for such services against the base management fee that we would otherwise be required to pay to the Adviser as discussed below in "*—Transactions with Related Parties – Investment Advisory and Management Agreement – Base Management Fee.*" However, pursuant to the terms of the Advisory Agreement, a small percentage of certain of such fees is retained by the Adviser in the form of reimbursement, at cost, for tasks completed by personnel of the Adviser, primarily for the valuation of portfolio companies.

Gladstone Securities also provides other services (such as investment banking and due diligence services) to certain of our portfolio companies and receives fees for the provision of such services; see "*—Transactions with Related Parties – Other Transactions*" below.

***Valuation Process***

In December 2020, the SEC adopted Rule 2a-5 under the 1940 Act, which permits a BDC's board of directors to designate its investment adviser as a valuation designee to perform fair value determinations for its investment portfolio, subject to the active oversight of such board. The Board of Directors has approved investment valuation policies and procedures pursuant to Rule 2a-5 (the "Policy") and, in July 2022, designated the Adviser to serve as the Board of Directors' valuation designee.

The following is a general description of the Policy that the professionals of the Adviser and Administrator, with oversight and direction from our chief valuation officer, an employee of the Administrator who reports directly to our Board of Directors (collectively, the "Valuation Team"), use each quarter to determine the value of our investment portfolio. In accordance with the 1940 Act and SEC Rule 2a-5, our Board of Directors has the ultimate responsibility for reviewing and determining, in good faith, the fair value of our investments for which market quotations are not readily available based on the Policy and for overseeing the valuation designee. The Adviser values our investments in accordance with the requirements of the 1940 Act and accounting principles generally accepted in the U.S. ("GAAP"). There is no single standard for determining fair value (especially for privately-held businesses), as fair value depends upon the specific facts and circumstances of each individual investment. Each quarter, our Board of Directors reviews the Policy to determine if

changes thereto are advisable and assesses whether the Valuation Team has applied the Policy consistently. With respect to the valuation of our investment portfolio, the Valuation Team performs the following steps each quarter:

- Each investment is initially assessed by the Valuation Team using the Policy, which may include:
  - obtaining fair value quotes or utilizing input from third party valuation firms; and
  - using techniques, such as total enterprise value, yield analysis, market quotes and other factors, including but not limited to: the nature and realizable value of the collateral, including external parties' guaranties; any relevant offers or letters of intent to acquire the portfolio company; and the markets in which the portfolio company operates.
- Preliminary valuation conclusions are then discussed amongst the Valuation Team and with our management and documented for review by our Board of Directors. Fair value determinations and supporting material are sent to the Board of Directors in advance of its quarterly meetings.
- The Valuation Committee of the Board of Directors (comprised entirely of independent directors) meets to review the valuation determinations and supporting materials, discusses the information provided by our Valuation Team, determines whether the Valuation Team has followed the Policy and reviews other facts and circumstances. Then, the Valuation Committee and chief valuation officer present the Valuation Committee's findings to the entire Board of Directors, so that the full Board of Directors may review and approve in good faith the Valuation Designee's determination of the fair value of such investments in accordance with the Policy.

Fair value measurements of our investments may involve subjective judgment and estimates. Due to the inherent uncertainty in valuing these securities, the determinations of fair value of our investments may fluctuate from period to period and may differ materially from the values that could be obtained if a ready market for these securities existed. Our valuation policies, procedures and processes are more fully described in Note 2—*Summary of Significant Accounting Policies* in our accompanying *Notes to Consolidated Financial Statements* included elsewhere in this Annual Report.

**Transactions with Related Parties**

***Investment Advisory and Management Agreement***

In 2006, we entered into the Advisory Agreement, which was most recently amended and restated in April 2022. In accordance with the Advisory Agreement, we pay the Adviser fees as compensation for its services, consisting of a base management fee and an incentive fee. On July 12, 2022, our Board of Directors, including a majority of the directors who are not parties to the Advisory Agreement or interested persons of such party, unanimously approved the renewal of the Advisory Agreement through August 31, 2023. Mr. Gladstone, our chairman and chief executive officer, controls the Adviser. The Board of Directors considered the following factors as the basis for its decision to renew the Advisory Agreement: (1) the nature, extent and quality of services provided by the Adviser to our shareholders; (2) the investment performance of the Company and the Adviser; (3) the costs of the services to be provided and profits to be realized by the Adviser and its affiliates from the relationship with the Company; (4) the extent to which economies of scale will be realized as the Company and the Affiliated Public Funds grow and whether the fee level under the Advisory Agreement reflects the economies of scale for the Company's investors; (5) the fee structure of the advisory and administrative agreements of comparable funds; (6) indirect profits to the Adviser created through the Company; and (7) in light of the foregoing considerations, the overall fairness of the advisory fees paid under the Advisory Agreement.

Based on the information reviewed and the considerations detailed above, our Board of Directors, including all of the directors who are not "interested persons" as that term is defined in the 1940 Act, concluded that the investment advisory fee rates and terms are fair and reasonable in relation to the services provided and approved the Advisory Agreement, as being in the best interests of our stockholders.

*Base Management Fee*

The base management fee is payable quarterly to the Adviser pursuant to our Advisory Agreement and is assessed at an annual rate of 1.75%, computed on the basis of the value of our average total assets at the end of the two most recently-completed quarters (inclusive of the current quarter), which are total assets, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings and adjusted appropriately for any share issuances or repurchases during the period. Our Board of Directors may (as it has for the years ended September 30, 2022, 2021, and 2020) accept a non-contractual, unconditional and irrevocable credit from the Adviser to reduce the annual 1.75% base management fee on syndicated loan participations to 0.5%, to the extent that proceeds resulting from borrowings were used to purchase such syndicated loan participations.

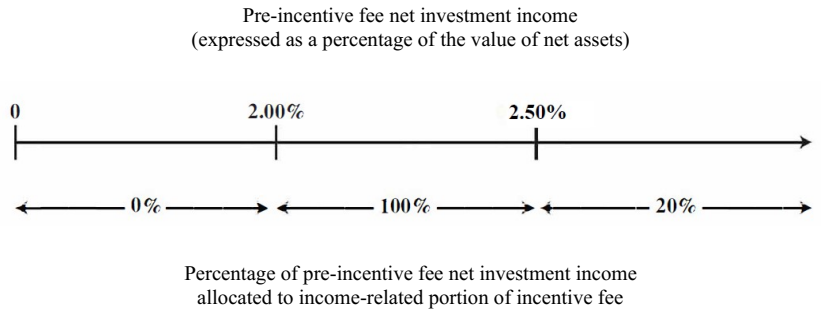
Additionally, pursuant to the requirements of the 1940 Act, the Adviser makes available significant managerial assistance to our portfolio companies. The Adviser may also provide other services to our portfolio companies under certain agreements and may receive fees for services other than managerial assistance. The Adviser non-contractually, unconditionally, and irrevocably credits 100% of these fees against the base management fee that we would otherwise be required to pay to the Adviser; however, pursuant to the terms of the Advisory Agreement, a small percentage of certain of such fees is retained by the Adviser in the form of reimbursement, at cost, for tasks completed by personnel of the Adviser, primarily for the valuation of portfolio companies. Loan servicing fees that are payable to the Adviser pursuant to our revolving line of credit with KeyBank National Association ("KeyBank"), as administrative agent, lead arranger and lender (as amended and restated from time to time, our "Credit Facility") are also 100% credited against the base management fee as discussed below, *"—Loan Servicing Fee Pursuant to Credit Agreement."*

*Incentive Fee*

The incentive fee consists of two parts: an income-based incentive fee and a capital gains-based incentive fee. The income-based incentive fee rewards the Adviser if our quarterly net investment income (before giving effect to any incentive fee) exceeds 1.75% of our net assets (2.0% during the period from April 1, 2020 through March 31, 2023), which we define as total assets less indebtedness and before taking into account any incentive fees payable or contractually due but not payable during the period, at the end of the immediately preceding calendar quarter, adjusted appropriately for any share issuances or repurchases during the period (the "hurdle rate"). The income-based incentive fee with respect to our pre-incentive fee net investment income is generally payable quarterly to the Adviser and is computed as follows:

- no incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate;
- 100.0% of our 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 rate but is less than 2.1875% (2.4375% during the period from April 1, 2020 through March 31, 2022, and 2.50% from April 1, 2022 through March 31, 2023) of our net assets, adjusted appropriately for any share issuances or repurchases during the period, in any calendar quarter; and
- 20.0% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.1875% (2.4375% during the period from April 1, 2020 through March 31, 2022, and 2.50% from April 1, 2022 through March 31, 2023) of our net assets, adjusted appropriately for any share issuances or repurchases during the period, in any calendar quarter.

***Quarterly Incentive Fee Based on Net Investment Income for the Period Ending March 31, 2023[4)]***




(A) After March 31, 2023, the 2.00% quarterly hurdle rate will revert back to 1.75% and the 2.50% quarterly excess incentive fee hurdle rate will revert back to 2.1875%.

The second part of the incentive fee is a capital gains-based incentive fee that is determined and payable in arrears as of the end of each fiscal year (or upon termination of the Advisory Agreement, as of the termination date) and equals 20.0% of our "net realized capital gains" (as defined below) as of the end of the fiscal year. In determining the capital gains-based incentive fee payable to the Adviser, we calculate "net realized capital gains" at the end of each applicable year by subtracting the sum of our cumulative aggregate realized capital losses and our entire portfolio's aggregate unrealized capital depreciation from our cumulative aggregate realized capital gains. For this purpose, cumulative aggregate realized capital gains, if any, equals the sum of the differences between the net sales price of each investment, when sold, and the original cost of such investment since inception. Cumulative aggregate realized capital losses equals the sum of the

amounts by which the net sales price of each investment, when sold, is less than the original cost of such investment since inception. The entire portfolio's aggregate unrealized capital depreciation, if any, equals the sum of the difference between the valuation of each investment as of the applicable calculation date and the original cost of such investment. At the end of the applicable fiscal year, the amount of capital gains that serves as the basis for our calculation of the capital gains-based incentive fee equals the cumulative aggregate realized capital gains less cumulative aggregate realized capital losses, less the entire portfolio's aggregate unrealized capital depreciation, if any. If this number is positive at the end of such fiscal year, then the capital gains-based incentive fee for such year equals 20.0% of such amount, less the aggregate amount of any capital gains-based incentive fees paid in respect of our portfolio in all prior years. No capital gains-based incentive fee has been recorded or paid since our inception through September 30, 2022, as cumulative unrealized capital depreciation has exceeded cumulative realized capital gains net of cumulative realized capital losses.

In accordance with GAAP, a capital gains-based incentive fee accrual is calculated using the aggregate cumulative realized capital gains and losses and aggregate cumulative unrealized capital appreciation and depreciation. If such amount is positive at the end of a period, then GAAP requires us to record a capital gains-based incentive fee equal to 20.0% of such amount, less the aggregate amount of actual capital gains-based incentive fees paid in all prior years. If such amount is negative, then there is no accrual for such period. GAAP requires that the capital gains-based incentive fee accrual consider the cumulative aggregate unrealized capital appreciation in the calculation, as a capital gains-based incentive fee would be payable if such unrealized capital appreciation were realized. There can be no assurance that such unrealized capital appreciation will be realized in the future. No GAAP accrual for a capital gains-based incentive fee has been recorded from our inception through September 30, 2022.

Our Board of Directors accepted non-contractual, unconditional and irrevocable credits from the Adviser to reduce the income-based incentive fee to the extent net investment income did not cover 100.0% of distributions to common stockholders for the years ended September 30, 2022, 2021, and 2020, which credits totaled $0.4 million, $0.5 million, and $3.0 million, respectively.

***Loan Servicing Fee Pursuant to Credit Agreement***

The Adviser also services the loans held by our wholly-owned subsidiary, Gladstone Business Loan, LLC ("Business Loan") (the borrower under our Credit Facility), in return for which the Adviser receives a 1.5% annual fee payable monthly based on the monthly aggregate outstanding balance of loans pledged under our Credit Facility. Since Business Loan is a consolidated subsidiary of ours, and the total base management fee paid to the Adviser pursuant to the Advisory Agreement cannot exceed 1.75% of total assets (less any uninvested cash or cash equivalents resulting from borrowings and adjusted appropriately for any share issuances or repurchases during the period) during any given calendar year, we treat payment of the loan servicing fee pursuant to our Credit Facility as a pre-payment of the base management fee under the Advisory Agreement. Accordingly, these loan servicing fees are 100% non-contractually, unconditionally, and irrevocably credited back to us by the Adviser.

***Administration Agreement***

We reimburse the Administrator pursuant to the Administration Agreement for our allocable portion of the Administrator's expenses incurred while performing services to us, which are primarily rent and salaries and benefits expenses of the Administrator's employees, including our chief financial officer and treasurer, chief compliance officer, chief valuation officer and general counsel and secretary (who also serves as the Administrator's president), and their respective staffs.

Our allocable portion of the Administrator's expenses are generally derived by multiplying the Administrator's total expenses by the approximate percentage of time during the current quarter the Administrator's employees performed services for us in relation to their time spent performing services for all companies serviced by the Administrator. On July 12, 2022, our Board of Directors, including a majority of the directors who are not parties to the Administration Agreement or interested persons of either party, approved the renewal of the Administration Agreement through August 31, 2023.

***Other Transactions***

Mr. Gladstone also serves on the board of managers of our affiliate, Gladstone Securities, a privately-held broker-dealer registered with the Financial Industry Regulatory Authority and insured by the Securities Investor Protection Corporation. Gladstone Securities is 100% indirectly owned and controlled by Mr. Gladstone and has provided other services, such as investment banking and due diligence services, to certain of our portfolio companies, for which Gladstone Securities receives a fee. Any such fees paid by portfolio companies to Gladstone Securities do not impact the fees we pay to the

Adviser or the non-contractual, unconditional, and irrevocable credits against the base management fee or incentive fee. For additional information refer to Note 4— *Related Party Transactions* of our accompanying *Notes to Consolidated Financial Statements.*

**Material U.S. Federal Income Tax Considerations**

This is a general summary of certain material U.S. federal income tax considerations applicable to us, to our qualification and taxation as a RIC for U.S. federal income tax purposes under Subchapter M of the Code and to the ownership and disposition of our shares. This summary does not purport to be a complete description of all of the tax considerations relating thereto. In particular, we have not described certain considerations that may be relevant to certain types of stockholders subject to special treatment under U.S. federal income tax laws. This summary does not discuss any aspect of state, local or foreign tax laws, or the U.S. estate or gift tax.

***RIC Status***

To qualify for treatment as a RIC under Subchapter M of the Code, we must generally distribute to our stockholders, for each taxable year, at least 90.0% of our taxable ordinary income plus the excess of our realized net short-term capital gains over our realized net long-term capital losses ("Investment Company Taxable Income"). We refer to this as the "annual distribution requirement." We must also meet several additional requirements, including:

- *Business Development Company status.* At all times during the taxable year, we must maintain our status as a BDC.
- *Income source requirements.* At least 90.0% of our gross income for each taxable year must be from dividends, interest, payments with respect to securities, loans, gains from sales or other dispositions of securities or other income (including certain deemed inclusions) derived with respect to our business of investing in securities, and net income derived from an interest in a qualified publicly traded partnership.
- *Asset diversification requirements.* As of the close of each quarter of our taxable year: (1) at least 50% of the value of our assets must consist of cash, cash items, U.S. government securities, the securities of other regulated investment companies and other securities to the extent that (a) we do not hold more than 10% of the outstanding voting securities of an issuer of such other securities and (b) such other securities of any one issuer do not represent more than 5% of our total assets, and (2) no more than 25% of the value of our total assets may be invested in the securities (other than U.S. government securities or the securities of other regulated investment companies) of (i) one issuer, (ii) two or more issuers that are controlled by us and are engaged in the same or similar or related trades or businesses, and (iii) one or more qualified publicly-traded partnerships.

***Failure to Qualify as a RIC***

If we are unable to qualify for treatment as a RIC, we would be subject to U.S. federal income tax on all of our taxable income at the regular corporate income tax rate and would be subject to any applicable state and local taxes, even if we distributed all of our Investment Company Taxable Income to our stockholders. We would not be able to deduct distributions to our stockholders, nor would we be required to make such distributions for U.S. federal income tax purposes. Distributions would be taxable to our stockholders as ordinary dividend income and, subject to certain limitations under the Code, would be eligible for the current maximum rate applicable to qualifying dividend income of individuals and other non-corporate U.S. stockholders to the extent of our current or accumulated earnings and profits. Subject to certain limitations under the Code, corporate distributees would be eligible for the dividends received deduction, if applicable. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder's adjusted tax basis, and then as capital gain. If we fail to meet the RIC requirements for more than two consecutive years and then seek to requalify as a RIC, we generally would be subject to corporate-level U.S. federal income tax on any unrealized appreciation with respect to our assets unless we make a special election to pay corporate-level U.S. federal income tax on any such unrealized appreciation during the succeeding five-year period.

***Qualification as a RIC***

If we qualify as a RIC and meet the annual distribution requirement, we will not be subject to U.S. federal income tax on the portion of our Investment Company Taxable Income and net capital gain (realized net long term capital gain in excess of realized net short term capital loss) that we timely distribute (or are deemed to timely distribute) to our stockholders. If we fail to distribute in a timely manner an amount at least equal to the sum of (1) 98.0% of our ordinary income for the calendar year, (2) 98.2% of our net capital gains for the one-year period ending on October 31 of the calendar year and (3)

any income realized, but not distributed, in the preceding period (to the extent that income tax was not imposed on such amounts), less certain reductions, as applicable (together, the "excise tax distribution requirements"), we will be subject to a 4% nondeductible federal excise tax on the portion of the undistributed amounts of such income that are less than the amounts required to be distributed based on the excise tax distribution requirements. For the calendar years ended December 31, 2021, 2020, and 2019, we did not incur any excise taxes. As of September 30, 2022, our capital loss carryforward was $62.9 million.

If we acquire debt obligations that (i) were originally issued at a discount, (ii) bear interest at rates that are not either fixed rates or certain qualified variable rates, or (iii) are not unconditionally payable at least annually over the life of the obligation, we will be required to include in taxable income each year a portion of the original issue discount ("OID") that accrues over the life of the obligation. Additionally, PIK interest, which is computed at the contractual rate specified in a loan agreement and is added to the principal balance of a loan, is also a non-cash source of income that we are required to include in taxable income each year. Both OID and PIK income will be included in our Investment Company Taxable Income even though we receive no cash corresponding to such amounts. As a result, we may be required to make additional distributions corresponding to such OID and PIK amounts in order to satisfy the annual distribution requirement and to continue to qualify as a RIC or to avoid the imposition of federal income and excise taxes. In this event, we may be required to sell investments or other assets to meet the RIC distribution requirements. For the year ended September 30, 2022, we recorded $0.5 million of OID income and the unamortized balance of OID investments as of September 30, 2022 totaled $0.9 million. As of September 30, 2022, we had six investments which had a PIK interest component and we recorded PIK interest income of $4.2 million during the year ended September 30, 2022.

**Taxation of Our U.S. Stockholders**

***Distributions***

For any period during which we qualify as a RIC for U.S. federal income tax purposes, distributions to our stockholders attributable to our Investment Company Taxable Income generally will be taxable as ordinary income to our stockholders to the extent of our current or accumulated earnings and profits. We first allocate our earnings and profits to distributions to our preferred stockholders, if any, and then to distributions to our common stockholders based on priority in our capital structure. Any distributions in excess of our earnings and profits will first be treated as a return of capital to the extent of the stockholder's adjusted basis in his or her shares of stock and thereafter as capital gain. Distributions of our long-term capital gains, reported by us as such, will be taxable to our stockholders as long-term capital gains regardless of the stockholder's holding period of the stock and whether the distributions are paid in cash or invested in additional stock. Corporate U.S. stockholders generally are eligible for the 50% dividends received deduction with respect to ordinary income dividends received from us, but only to the extent such amount is attributable to dividends received by us from taxable domestic corporations.

A RIC that has two or more classes of stock generally is required to allocate to each class proportionate amounts of each type of its income (such as ordinary income, capital gains, qualified dividend income and dividends qualifying for the dividends-received deduction) based upon the percentage of total distributions paid to each class for the tax year. Accordingly, for any tax year in which we have common shares and preferred shares, we intend to allocate capital gain distributions, distributions of qualified dividend income, and distributions qualifying for the dividends-received deduction, if any, between our common shares and preferred shares in proportion to the total distributions paid to each class with respect to such tax year.

Any distribution declared by us in October, November or December of any calendar year, payable to our stockholders of record on a specified date in such a month and actually paid during January of the following year, will be treated as if it were paid by us and received by our stockholders on December 31 of the previous year. In addition, we may elect (in accordance with Section 855(a) of the Code) to relate a distribution back to the prior taxable year if we (1) declare such distribution prior to the later of the extended due date for filing our return for that taxable year or the 15$^{th}$ day of the ninth month following the close of the taxable year, (2) make the election in that return, and (3) distribute the amount in the 12-month period following the close of the taxable year but not later than the first regular distribution payment of the same type following the declaration. Any such election will not alter the general rule that a stockholder will be treated as receiving a distribution in the taxable year in which the distribution is made, subject to the October, November, December rule described above.

If a common stockholder participates in our "opt in" dividend reinvestment plan, then the common stockholder will have their cash dividends and distributions automatically reinvested in additional shares of our common stock, rather than receiving cash dividends and distributions. Any distributions reinvested under the plan will be taxable to the common

stockholder to the same extent, and with the same character, as if the common stockholder had received the distribution in cash. The common stockholder will have an adjusted basis in the additional common shares purchased through the plan equal to the dollar amount that would have been received if the U.S. stockholder had received the dividend or distribution in cash, unless we were to issue new shares that are trading at or above net asset value, in which case, the U.S. stockholder's basis in the new shares would generally be equal to their fair market value. The additional common shares will have a new holding period commencing on the day following the day on which the shares are credited to the common stockholder's account. The plan agent purchases shares in the open market in connection with the obligations under the plan.

***Sale of Our Shares***

A U.S. stockholder generally will recognize taxable gain or loss if the U.S. stockholder sells or otherwise disposes of the shares of our common stock. Any gain arising from such sale or disposition generally will be treated as long-term capital gain or loss if the U.S. stockholder has held the shares for more than one year. Otherwise, it will be classified as short-term capital gain or loss. However, any capital loss arising from the sale or disposition of shares of our stock held for six months or less will be treated as long-term capital loss to the extent of the amount of capital gain dividends received, or undistributed capital gain deemed received, with respect to such shares. Under the tax laws in effect as of the date of this filing, individual U.S. stockholders are subject to a maximum federal income tax rate of 20% on their net capital gain (i.e. the excess of realized net long-term capital gain over realized net short-term capital loss for a taxable year) including any long-term capital gain derived from an investment in our shares. Such rate is lower than the maximum rate on ordinary income currently payable by individuals. Corporate U.S. stockholders currently are subject to federal income tax on net capital gain at the same rates applied to their ordinary income. Capital losses are subject to limitations on use for both corporate and non-corporate stockholders. Certain U.S. stockholders who are individuals, estates or trusts generally are also subject to a 3.8% Medicare tax on, among other things, dividends on and capital gain from the sale or other disposition of shares of our stock.

***Backup Withholding and Other Required Withholding***

We may be required to withhold U.S. federal income tax (i.e. backup withholding) from all taxable distributions to any non-corporate U.S. stockholder (i) who fails to furnish us with a correct taxpayer identification number or a certificate that such stockholder is exempt from backup withholding, or (ii) with respect to whom the Internal Revenue Service ("IRS") notifies us that such stockholder has failed to properly report certain interest and dividend income to the IRS and to respond to notices to that effect. An individual's taxpayer identification number is generally his or her social security number. Any amount withheld under backup withholding is allowed as a credit against the U.S. stockholder's federal income tax liability, provided that proper information is timely provided to the IRS.

The Foreign Account Tax Compliance Act imposes a U.S. federal withholding tax on certain types of payments made to "foreign financial institutions" and certain other non-U.S. entities unless certain due diligence, reporting, withholding, and certification obligation requirements are satisfied.

***Information Reporting***

We will send to each of our U.S. stockholders, after the end of each calendar year, a notice providing, on a per share and per distribution basis, the amounts includible in the U.S. stockholder's taxable income for such year as ordinary income and as long-term capital gain, if any. In addition, the U.S. federal tax status of each year's distributions will generally be reported to the IRS (including the amount of dividends, if any, eligible for the preferential rates applicable to long-term capital gains).

**Regulation as a BDC**

We are a closed-end, non-diversified management investment company that has elected to be regulated as a BDC under Section 54 of the 1940 Act. As such, we are subject to regulation under the 1940 Act. The 1940 Act contains prohibitions and restrictions relating to transactions between BDCs and their affiliates, principal underwriters and affiliates of those affiliates or underwriters and requires that a majority of the directors be persons other than "interested persons," as defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a BDC unless approved by a "vote of a majority of outstanding voting securities," as defined in the 1940 Act.

In general, a BDC must have been organized and have its principal place of business in the U.S. and must be operated for the purpose of making investments in qualifying assets, as described in Sections 55(a)(1) through (a)(3) of the 1940 Act.

***Qualifying Assets***

Under the 1940 Act, a BDC may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets, other than certain interests in furniture, equipment, real estate, or leasehold improvements ("Operating Assets") represent at least 70.0% of total assets, exclusive of Operating Assets. The types of qualifying assets in which we may invest under the 1940 Act include the following:

(1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer is an eligible portfolio company. An eligible portfolio company is generally defined in the 1940 Act as any issuer which:

  (a) is organized under the laws of, and has its principal place of business in, any state or states in the U.S.;

  (b) is not an investment company (other than a small business investment company wholly owned by the BDC or otherwise excluded from the definition of investment company); and

  (c) satisfies one of the following:

    (i) it does not have any class of securities with respect to which a broker or dealer may extend margin credit;

    (ii) it is controlled by the BDC and for which an affiliate of the BDC serves as a director;

    (iii) it has total assets of not more than $4.0 million and capital and surplus of not less than $2 million;

    (iv) it does not have any class of securities listed on a national securities exchange; or

    (v) it has a class of securities listed on a national securities exchange, with an aggregate market value of outstanding voting and non-voting equity of less than $250.0 million.

(2) Securities received in exchange for or distributed on or with respect to securities described in (1) above, or pursuant to the exercise of options, warrants or rights relating to such securities.

(3) Cash, cash items, government securities or high quality debt securities maturing in one year or less from the time of investment.

As of September 30, 2022, 98.8% of our assets were qualifying assets.

***Asset Coverage***

Pursuant to Section 61(a)(3) of the 1940 Act, we are permitted to issue multiple classes of "senior securities representing indebtedness." However, pursuant to Section 18(c) of the 1940 Act, we are permitted to issue only one class of "senior securities that is stock." In either case, we may only issue such senior securities if such class of senior securities, after such issuance, has an asset coverage, as defined in Section 18(h) of the 1940 Act, of at least 150%.

In addition, our ability to pay dividends or distributions (other than dividends payable in our common stock) to holders of any class of our capital stock would be restricted if our "senior securities representing indebtedness" fail to have an asset coverage of at least 150% (measured at the time of declaration of such distribution and accounting for such distribution). The 1940 Act does not apply this limitation to privately arranged debt that is not intended to be publicly distributed, unless this limitation is specifically negotiated by the lender. In addition, our ability to pay dividends or distributions (other than dividends payable in our common stock) to our common stockholders would be restricted if our "senior securities that are stock" fail to have an asset coverage of at least 150% (measured at the time of declaration of such distribution and accounting for such distribution). If the value of our assets declines, we might be unable to satisfy these asset coverage requirements. To satisfy the 150% asset coverage requirement in the event that we are seeking to pay a distribution, we might either have to (i) liquidate a portion of our portfolio to repay a portion of our indebtedness or (ii) issue common stock. This may occur at a time when a sale of a portfolio asset may be disadvantageous, or when we have limited access to capital markets on agreeable terms. In addition, any amounts that we use to service our indebtedness or for offering costs will not be available for distributions to our stockholders. If we are unable to regain the requisite asset coverage through these methods, we may be forced to suspend the payment of such dividends or distributions.

***Significant Managerial Assistance***

A BDC generally must make available significant managerial assistance to issuers of certain of its portfolio securities that the BDC counts as a qualifying asset for the 70.0% test described above. Making available significant managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company. Significant managerial assistance also includes the exercise of a controlling influence over the management and policies of the portfolio company. However, with respect to certain, but not all such securities, where the BDC purchases such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance, or the BDC may exercise such control jointly.

**Summary Risk Factors**

Below is a summary of the principal risk factors associated with an investment in our securities. In addition to the below, you should carefully consider the information included in "*Risk Factors*" beginning on page 20 of this Annual Report together with all of the other information included in this Annual Report and the other reports and documents filed or furnished by us with the SEC for a more detailed discussion of the principal risks as well as certain other risks that you should carefully consider before deciding to invest in our securities.

- *Market conditions could negatively impact our business, results of operations, cash flows and financial condition.*
- *Volatility in the capital markets may make it more difficult to raise capital and may adversely affect the valuations of our investments.*
- *We may experience fluctuations in our quarterly and annual results based on the impact of inflation in the U.S.*
- *Market interest rates may have an effect on the value of our Securities.*
- *Changes in interest rates may negatively impact our investments and have an adverse effect on our business, financial condition, results of operations, and cash flows.*
- *The lack of liquidity of our privately held investments may adversely affect our business.*
- *Our investments in lower middle market companies are extremely risky and could cause you to lose all or a part of your investment.*
- *We often invest in transactions involving acquisitions, buyouts and recapitalizations of companies, which will subject us to the risks associated with change in control transactions.*
- *Our portfolio is concentrated in a limited number of companies and industries, which subjects us to an increased risk of significant loss if any one of these companies does not repay us or if the industries experience downturns.*
- *Any inability to renew, extend or replace our Credit Facility on terms favorable to us, or at all, could adversely impact our liquidity and ability to fund new investments or maintain distributions to our stockholders.*
- *We are subject to restrictions that may discourage a change of control. Certain provisions contained in our articles of incorporation and Maryland law may prohibit or restrict a change of control and adversely impact the price of our common stock.*
- *Our success depends on the Adviser's ability to attract and retain qualified personnel in a competitive environment.*
- *Our incentive fee may induce the Adviser to make certain investments, including speculative investments.*
- *We may be obligated to pay the Adviser incentive compensation even if we incur a loss.*
- *The Adviser is not obligated to provide a credit of the base management fee or incentive fee, which could negatively impact our earnings and our ability to maintain our current level of distributions to our stockholders.*
- *There is a risk that you may not receive distributions or that distributions may not grow over time*
- *Investing in our securities may involve an above average degree of risk.*
- *Common shares of closed-end investment companies frequently trade at a discount to the net asset value ("NAV") per share.*
- *The indentures under which the notes were issued contain limited protection for holders of the Notes.*

- *Cybersecurity risks and cyber incidents may adversely affect our business by causing a disruption to our operations, or the operations of businesses in which we invest, a compromise or corruption of our confidential information and/or damage to our business relationships, all of which could negatively impact our business, financial condition and operating results.*

**Code of Ethics**

We, and all of the Gladstone Companies, have adopted a code of ethics and business conduct applicable to all of the officers, directors and personnel of such companies that complies with the guidelines set forth in Item 406 of Regulation S-K and Rule 17j-1 of the 1940 Act. As required by the 1940 Act, this code establishes procedures for personal investments, restricts certain transactions by such personnel and requires the reporting of certain transactions and holdings by such personnel. This code of ethics and business conduct is publicly available on the Investors section of our website under "Governance – Governance Documents" at *www.GladstoneCapital.com.* We intend to provide any required disclosure of any amendments to or waivers of the provisions of this code by posting information regarding any such amendment or waiver to our website or in a Current Report on Form 8-K.

**Compliance Policies and Procedures**

We and the Adviser have adopted and implemented written policies and procedures reasonably designed to prevent violation of the federal securities laws, and our Board of Directors is required to review these compliance policies and procedures annually to assess their adequacy and the effectiveness of their implementation. We have designated a chief compliance officer, John Dellafiora, Jr., who also serves as chief compliance officer for all of the Gladstone Companies.

**Staffing**

We do not currently have any employees and do not expect to have any employees in the foreseeable future. Currently, services necessary for our business are provided by individuals who are employees of the Adviser and the Administrator pursuant to the terms of the Advisory Agreement and the Administration Agreement, respectively. We expect that 25 to 30 full time employees of the Adviser and the Administrator will spend substantial time on our matters during the remainder of calendar year 2022 and all of calendar year 2023. As of September 30, 2022, the Adviser and the Administrator collectively had 71 full-time employees. A breakdown of these employees is summarized by functional area in the table below:

| Number of Individuals | Functional Area |
|---|---|
| 13 | Executive management |
| 20 | Accounting, administration, compliance, human resources, legal and treasury |
| 38 | Investment management, portfolio management and due diligence |

The Adviser and the Administrator aim to attract and retain capable advisory and administrative personnel, respectively, by offering competitive base salaries and bonus structure and by providing employees with appropriate opportunities for professional growth.

**Available Information**

We file with or furnish to the SEC copies of our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other information meeting the information requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and make such reports and any amendments thereto available free of charge through the Investors section of our website at *www.GladstoneCapital.com* as soon as reasonably practicable after such materials are electronically filed with or furnished to the SEC. Information contained on our website is not incorporated by reference into this Annual Report. The SEC also maintains a website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at *www.sec.gov.*

## ITEM 1A. RISK FACTORS

*You should carefully consider these risk factors, together with all of the other information included in this Annual Report and the other reports and documents filed or furnished by us with the SEC. The risks set out below are not the only risks we face. Additional risks and uncertainties not presently known to us, or not presently deemed material by us, may also impair our operations and performance. If any of the following events occur, our business, financial condition, results of operations and cash flows could be materially and adversely affected. If that happens, the trading price of our securities and our NAV could decline, and you may lose all or part of your investment. The risk factors described below are the principal risk factors associated with an investment in our securities as well as those factors generally associated with an investment company with investment objectives, investment policies, capital structure or trading markets similar to ours.*

### *Risks Related to the Economy*

*Market conditions could negatively impact our business, results of operations, cash flows and financial condition.*

The market in which we operate is affected by a number of factors that are largely beyond our control but can nonetheless have a potentially significant, negative impact on us. These factors include, among other things:

- changes in interest rates and credit spreads;
- the availability of credit, including the price, terms, and conditions under which it can be obtained;
- the quality, pricing, and availability of suitable investments and credit losses with respect to our investments;
- the ability to obtain accurate market-based valuations;
- loan values relative to the value of the underlying assets;
- default rates on the loans underlying our investments and the amount of related losses;
- prepayment rates, delinquency rates and the timing and amount of servicer advances;
- competition;
- the actual and perceived state of the economy and capital markets generally;
- amendments or repeals of legislation, or changes in regulations or regulatory interpretations thereof, and transitions of government, including uncertainty regarding any of the foregoing;
- the national and global political environment, including foreign relations and trading policies;
- the impact of potential changes to the Code; and
- the attractiveness of other types of investments relative to investments in lower middle market companies generally.

Changes in these factors are difficult to predict, and a change in one factor could affect other factors, which could result in adverse effects to our business, results of operations, financial condition, and cash flows.

*Volatility in the capital markets may make it more difficult to raise capital and may adversely affect the valuations of our investments.*

Given the volatility and dislocation that the capital markets have experienced from time to time, many BDCs have faced, and may in the future face, a challenging environment in which to raise capital. We may in the future have difficulty accessing debt and equity capital, and a severe disruption in the global financial markets or deterioration in credit and financing conditions could have a material adverse effect on our business, financial condition, results of operations, and cash flows. In addition, significant changes in the capital markets have had, and may in the future have, a negative effect on the valuations of our investments and on the potential for liquidity events involving our investments. Additionally, volatility in the U.S. repo market may affect other financial markets worldwide. An inability to raise capital, and any required sale of our investments for liquidity purposes or failure of our portfolio companies to realize liquidity events, could have a material adverse impact on our business, financial condition, results of operations, or cash flows.

*We may experience fluctuations in our quarterly and annual results based on the impact of inflation in the U.S.*

Certain of our portfolio companies are in industries that have been and, in the future, may be impacted by inflation, such as consumer goods and services and manufacturing. Our portfolio companies may not be able to pass on to customers increases in their costs of operations which could greatly affect their operating results, impacting their ability to repay our loans. In addition, any projected future decreases in our portfolio companies' operating results due to inflation could adversely impact the fair value of those investments. Any decreases in the fair value of our investments could result in future unrealized losses and therefore reduce our net assets resulting from operations.

*Public health threats, including the COVID-19 pandemic, may adversely impact the businesses in which we invest and affect our business, operating results and financial condition.*

Public health threats, such as COVID-19 or any other illness, may disrupt the operations of the businesses in which we invest. Such threats can create economic and political uncertainties and can contribute to global economic instability. In the event of a future public health threat, our portfolio companies may face limitations on their business activities for an unknown period of time, including shutdowns that may be requested or mandated by governmental authorities, or that they may experience disruptions in their supply chains or decreased consumer demand. Certain of our portfolio companies have experienced increases in health and safety expenses, payroll costs and other operating expenses and future increases are possible. These adverse economic impacts may decrease the value of the collateral securing our loans in such portfolio companies, as well as the value of our equity investments. In addition, these adverse impacts could cause certain of our portfolio companies to have difficulty meeting their debt service requirements, which in turn could lead to an increase in defaults, and/or could diminish the ability of certain of our portfolio companies to engage in liquidity events. These negative impacts on our portfolio companies and their performance may reduce the interest income we receive and/or increase realized and unrealized losses related to our investments, which may, in turn, adversely impact our business, financial condition or results of operations.

***Risks Related to Interest Rates***

*Market interest rates may have an effect on the value of our securities.*

One of the factors that influences the price of our securities is the distribution yield on our securities (as a percentage of the price of our securities) relative to market interest rates. An increase in market interest rates such as the current increases may lead prospective purchasers of our securities to expect a higher distribution yield. In addition, higher interest rates have increased our borrowing costs. As a result, higher market interest rates could cause the market price of our securities to decrease.

*Changes in interest rates may negatively impact our investments and have an adverse effect on our business, financial condition, results of operations, and cash flows.*

Generally, interest rate fluctuations and changes in credit spreads on floating rate loans may have a negative impact on our investments and investment opportunities and, accordingly, may have a material adverse effect on our rate of return on invested capital, our net investment income, our NAV and the market price of our securities. As interest rates increase, generally, the cost of borrowing under our Credit Facility increases, which may affect our ability to make new investments on favorable terms or at all. A substantial portion of our debt investments have variable interest rates that reset periodically and are generally based on LIBOR (including LIBOR replacement language), or to a lesser extent, SOFR. As interest rates have increased, the operating performance of some of our portfolio companies has been affected by increasing debt service obligations and, therefore, may affect our results of operations. In addition, to the extent that further increases in interest rates make it difficult or impossible to make payments on outstanding indebtedness to us or other financial sponsors or refinance debt that is maturing in the near term, some of our portfolio companies may be unable to repay such debt at maturity and may be forced to sell assets, undergo a recapitalization or seek bankruptcy protection. Rising interest rates could also cause borrowers to shift cash from other productive uses to the payment of interest, which may have a material adverse effect on their business and operations and could, over time, lead to increased defaults. Additionally, as interest rates increase and the corresponding risk of a default by borrowers increases, the liquidity of higher interest rate loans may decrease as fewer investors may be willing to purchase such loans in the secondary market in light of the increased risk of a default by the borrower and the heightened risk of a loss of an investment in such loans. Decreases in credit spreads on debt that pays a floating rate of return would have an impact on the income generation of our floating rate assets. Trading prices for debt that pays a fixed rate of return tend to fall as interest rates rise. Trading prices tend to fluctuate more for fixed rate securities that have longer maturities. There can be no guarantee the Federal Reserve Board will implement additional rate increases at a gradual pace, nor can there be any assurance that markets will not adversely react to rate increases.

Additional increases in interest rates could have a negative effect on our investments, which could negatively impact our operating results, financial condition, and cash flows.

A substantial portion of our debt investments have variable interest rates that reset periodically and are generally based on LIBOR (including LIBOR replacement language), and to a lesser extent, SOFR. Accordingly, reduced interest rates will result in a decrease in our total investment income unless offset by interest rate floors or an increase in the spread of our debt investments with variable interest rates. In addition, our net investment income could decrease if there is no reduction or credit to the base management or incentive fees that we pay to the Adviser. In addition, when interest rates decline, borrowers may refinance their loans at lower interest rates, which could shorten the average life of the loans and reduce the associated returns on the investment, as well as require the Adviser and its investment professionals to incur management time and expense to re-deploy such proceeds, including on terms that may not be as favorable as our existing loans.

*The interest rates of some of our term loans to our portfolio companies are priced using a spread over LIBOR, which will be phased out in the future.*

LIBOR is the basic rate of interest used in lending between banks on the London interbank market and is widely used as a reference for setting the interest rate on loans globally. In general, our investments in debt securities have a term of five to seven years, accrue interest at variable rates based on LIBOR and, to a lesser extent, at fixed rates. As of September 30, 2022, based on the total principal balance of debt outstanding, our portfolio consisted 75.0% of loans at variable rates using a spread over LIBOR, 13.5% of loans at variable rates using a spread over SOFR, and 11.5% of loans at fixed rates.

As a result of concerns about the accuracy of the calculation of LIBOR, a number of British Bankers' Association (the "BBA") member banks entered into settlements with certain regulators and law enforcement agencies with respect to the alleged manipulation of LIBOR. Actions by the BBA, regulators or law enforcement agencies as a result of these or future events, may result in changes to the manner in which LIBOR is determined (to the extent it continues beyond 2023). Potential changes, or uncertainty related to such potential changes may adversely affect the market for LIBOR-based securities, including our portfolio of LIBOR-indexed, floating-rate debt securities and our borrowings.

On July 27, 2017, the U.K Financial Conduct Authority ("FCA") announced that it would phase out LIBOR as a benchmark by the end of 2021. As of December 31, 2021, all non-U.S. dollar LIBOR publications have been phased out. The phase out of a majority of the U.S. dollar publications is delayed until June 30, 2023. The Alternative Reference Rates Committee ("ARRC") of the Federal Reserve Bank of New York previously confirmed that this constitutes a "benchmark transition event" and established "benchmark replacement dates" in ARRC standard LIBOR transition provisions that exist in many U.S. law contracts using LIBOR. There is currently no definitive information regarding the future utilization of LIBOR.

The ARRC has identified SOFR as its preferred alternative rate for LIBOR. SOFR is a measure of the cost of borrowing cash overnight, collateralized by the U.S. Treasury securities, and is based on directly observable U.S. Treasury-backed repurchase transactions. Other jurisdictions have also proposed their own alternative to LIBOR, including the Sterling Overnight Index Average for Sterling markets, the Euro Short Term Rate for Euros and Tokyo Overnight Average Rate for Japanese Yens. Although SOFR appears to be the preferred replacement rate for U.S. dollar LIBOR, it is not possible to predict whether SOFR will attain market traction as a LIBOR replacement tool, and the future of LIBOR is still uncertain. The effect of any such changes, any establishment of alternative reference rates or any other reforms to LIBOR or other reference rates that may be enacted in the United States, United Kingdom or elsewhere cannot be predicted at this time, and it is not possible to predict whether LIBOR will continue to be viewed as an acceptable market benchmark, what rate or rates may become accepted alternatives to LIBOR, or what the effect of any such changes in views or alternatives may have on the financial markets for financial instruments based on LIBOR.

To date, the majority of the loan agreements with our portfolio companies have already been amended to include fallback language providing a mechanism for the parties to negotiate a new reference interest rate in the event that LIBOR ceases to exist, and our credit facility has been similarly amended. Factors such as the pace of the transition to replacement or reformed rates, the specific terms and parameters for and market acceptance of any alternative reference rate, prices of and the liquidity of trading markets for products based on alternative reference rates, and our ability to transition and develop appropriate systems and analytics for one or more alternative reference rates could also have a material adverse effect on our business, financial condition and results of operations. In addition, any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have a material adverse effect on our business, financial condition and results of operations.

*A change in interest rates may adversely affect our profitability and our hedging strategy may expose us to additional risks.*

We anticipate using a combination of equity and long-term and short-term borrowings to finance our investment activities. As a result, a portion of our income will depend upon the spread between the rate at which we borrow funds and the rate at which we loan these funds. An increase or decrease in interest rates could reduce the spread between the rate at which we invest and the rate at which we borrow, and thus, adversely affect our profitability if we have not appropriately hedged against such event. Alternatively, interest rate hedging arrangements may limit our ability to participate in the benefits of lower interest rates with respect to the hedged portfolio.

As of September 30, 2022, based on the total principal balance of debt outstanding, our portfolio consisted of approximately 88.5% of loans at variable rates with floors and approximately 11.5% at fixed rates.

As of September 30, 2022, we did not have any hedging arrangements, such as interest rate hedges. Adverse developments resulting from changes in interest rates or any future hedging transactions could have a material adverse effect on our business, financial condition and results of operations. Our ability to receive payments pursuant to an interest rate cap agreement is linked to the ability of the counter-party to that agreement to make the required payments. To the extent that the counter-party to the agreement is unable to pay pursuant to the terms of the agreement, we may lose the hedging protection of the arrangement.

Also, the fair value of certain of our debt investments is based, in part, on the current market yields or interest rates of similar securities. A change in interest rates could have a significant impact on our determination of the fair value of these debt investments. In addition, a change in interest rates could also have an impact on the fair value of any hedging arrangements then in effect that could result in the recording of unrealized appreciation or depreciation in future periods. Therefore, adverse developments resulting from changes in interest rates could have a material adverse effect on our business, financial condition, results of operations, and cash flows. Refer to *"Quantitative and Qualitative Disclosures About Market Risk"* for additional information on interest rate fluctuations.

***Risks Related to Our Investments***

*We operate in a highly competitive market for investment opportunities.*

There is competitive pressure in the BDC and investment company marketplace for first and second lien secured debt, resulting in lower yields for increasingly riskier investments. A large number of entities compete with us and make the types of investments that we seek to make in lower middle market companies. We compete with public and private buyout funds, public and private credit funds and other BDCs, commercial and investment banks, commercial financing companies, and, to the extent that they provide an alternative form of financing, hedge funds. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which would allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC. The competitive pressures we face could have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time and we can offer no assurance that we will be able to identify and make investments that are consistent with our investment objectives. We do not seek to compete based on the interest rates we offer, and we believe that some of our competitors may make loans with interest rates that will be comparable to or lower than the rates we offer. We may lose investment opportunities if we do not match our competitors' pricing, terms, and structure. However, if we match our competitors' pricing, terms, and structure, we may experience decreased net interest income and increased risk of credit loss.

*Our investments in lower middle market companies are extremely risky and could cause you to lose all or a part of your investment.*

Investments in lower middle market companies are subject to a number of significant risks including the following:

- *Lower middle market companies are likely to have greater exposure to economic downturns than larger businesses.*Our portfolio companies may have fewer resources than larger businesses, and thus any economic downturns or recessions are more likely to have a material adverse effect on them and the end markets in which they operate. If one of our portfolio companies is adversely impacted by a recession, its ability to repay our loan or engage in a liquidity event, such as a sale, recapitalization or initial public offering would be diminished.

- *Lower middle market companies may have limited financial resources and may not be able to repay the loans we make to them.* Our strategy includes providing financing to portfolio companies that typically do not have readily available access to financing. While we believe that this provides an attractive opportunity for us to generate profits, this may make it difficult for the portfolio companies to repay their loans to us upon maturity. A borrower's ability to repay its loan may be adversely affected by numerous factors, including the failure to meet its business plan, a downturn in its industry, or negative economic conditions, including those created by the current market environment. Deterioration in a borrower's financial condition and prospects usually will be accompanied by deterioration in the value of any collateral and a reduction in the likelihood of us realizing on any guaranties we may have obtained from the borrower's management. As of September 30, 2022, there were no loans on non-accrual status. For any loans that are placed on non-accrual status in the future, we cannot assure you that our efforts to improve profitability and cash flows of these companies will prove successful. Although we will sometimes seek to be the senior, secured lender to a borrower, in some of our portfolio companies we expect to be subordinated to a senior lender, and our interest in any collateral would, accordingly, likely be subordinate to another lender's security interest.
- *Lower middle market companies typically have narrower product lines and smaller market shares than large businesses.* Because our target portfolio companies are lower middle market businesses, they will tend to be more vulnerable to competitors' actions, supply chain issues and market conditions, as well as general economic downturns. In addition, our portfolio companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing, and other capabilities and a larger number of qualified managerial, or technical personnel.
- *There is generally little or no publicly available information about these businesses.* Because we seek to invest in privately owned businesses, there is generally little or no publicly available operating and financial information about our potential portfolio companies. As a result, we rely on our officers, the Adviser and its employees, Gladstone Securities and certain consultants to perform due diligence investigations of these portfolio companies, their operations, and their prospects. We may not learn all of the material information we need to know regarding these businesses through our investigations to make a well-informed investment decision.
- *Lower middle market companies generally have less predictable operating results.* We expect that our portfolio companies may have significant variations in their operating results, may from time to time be exposed to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position, may otherwise have a weak financial position, or may be adversely affected by changes in the business cycle. Our portfolio companies may not meet net income, cash flow, and other coverage tests typically imposed by their senior lenders. A borrower's failure to satisfy financial or operating covenants imposed by senior lenders could lead to defaults and, potentially, foreclosure on its senior credit facility, which could additionally trigger cross-defaults in other agreements. If this were to occur, it is possible that the borrower's ability to repay any of our loans would be jeopardized.
- *Lower middle market companies are more likely to be dependent on one or two persons.* Typically, the success of a lower middle market business also depends on the management talents and efforts of one or two persons or a small group of persons. The death, disability, or resignation of one or more of these persons could have a material adverse impact on our certain of our portfolio companies and, in turn, on us.
- *Lower middle market companies may have limited operating histories.* While we intend to target stable companies with proven track records, we may make loans to new companies that meet our other investment criteria. Portfolio companies with limited operating histories will be exposed to all of the operating risks that new businesses face and may be particularly susceptible to, among other risks, market downturns, competitive pressures and the departure of key executive officers.
- *Debt securities of lower middle market companies typically are not rated by a credit rating agency.* Typically, a lower middle market private business cannot or will not expend the resources to have its debt securities rated by a credit rating agency. We expect that most, if not all, of the debt securities we acquire will be unrated. Investors should assume that these loans would be at rates below "investment grade" quality. Investments rated below investment grade are often referred to as high yield securities or junk bonds and may be considered high risk as compared to investment-grade debt instruments.
- *Lower middle market companies may be highly leveraged.* Some of our portfolio companies may be highly leveraged, which may have adverse consequences to these companies and to us as an investor. These companies may be subject to restrictive financial and operating covenants and the leverage may impair these companies' ability to finance their future operations and capital needs. As a result, these companies' flexibility to respond to

changing business and economic conditions and to take advantage of business opportunities may be limited. Further, a leveraged company's income and net assets will tend to increase or decrease at a greater rate than if borrowed money were not used.

- *Lower middle market companies may operate in regulated industries or provide services to governments.* Some of our portfolio companies may operate in regulated industries and/or provide services to federal, state or local governments, or operate in industries that provide services to regulated industries or federal, state or local governments, any of which could lead to delayed payments for services or subject the company to changing payment and reimbursement rates or other terms.

*Because the majority of the loans we make and equity securities we receive when we make loans are not publicly traded, there is uncertainty regarding the value of our privately held securities.*

The majority of our portfolio investments are, and we expect will continue to be, in the form of securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded may not be readily determinable. In valuing our investment portfolio, several techniques are used, including, a total enterprise value approach, a yield analysis, market quotes, and independent third party assessments. Currently, ICE Data Pricing and Reference Data, LLC provides estimates of fair value on our proprietary debt investments and we use another independent valuation firm to provide valuation inputs for our significant equity investments, including earnings multiple ranges, as well as other information. In addition to these techniques, other factors are considered when determining fair value of our investments, including: the nature and realizable value of the collateral, including external parties' guaranties; any relevant offers or letters of intent to acquire the portfolio company; and the markets in which the portfolio company operates.

Fair value measurements of our investments may involve subjective judgments and estimates and due to the inherent uncertainty of determining these fair values, the determination of fair value may fluctuate from period to period. Additionally, changes in the market environment and other events that may occur over the life of the investment may cause the gains or losses ultimately realized on these investments to be different than the valuations currently assigned. Further, such investments are generally subject to legal and other restrictions on resale or otherwise are less liquid than publicly traded securities, and any investments that include OID or PIK interest may have unreliable valuations because their continuing accruals require ongoing judgments about the collectability of their deferred payments and the value of their underlying collateral. If we were required to liquidate a portfolio investment in a forced or liquidation sale, we could realize significantly less than the value at which it is recorded.

Our NAV would be adversely affected if the fair value of our investments are higher than the values that we ultimately realize upon the disposal of such securities.

*The valuation process for certain of our portfolio holdings creates a conflict of interest.*

A substantial portion of our portfolio investments are made in the form of securities for which market quotations are not readily available. In connection with valuing these investments, the Valuation Team prepares portfolio company valuations based upon the most recent portfolio company financial statements available and projected financial results of each portfolio company. The participation of the Adviser's investment professionals in our valuation process, and the pecuniary interest in the Adviser by Mr. Gladstone, may result in a conflict of interest as the management fees that we pay the Adviser are based on our total assets less uninvested cash or cash equivalents from borrowings, and adjusted appropriately for any share issuances or repurchases during the period.

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

We will generally make investments in private companies whose securities are not traded in any public market. Substantially all of the investments we presently hold are, and the investments we expect to acquire in the future will be, subject to legal and other restrictions on resale and will otherwise be less liquid than publicly traded securities. The illiquidity of our investments may make it difficult for us to quickly obtain cash equal to the value at which we record our investments if the need arises. This could cause us to miss important investment opportunities. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may record substantial realized losses upon liquidation. We may also face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we, the Adviser, or our respective officers, employees or affiliates have material non-public information regarding such portfolio company.

Due to the uncertainty inherent in valuing these securities, the Valuation Team's determinations of fair value may differ materially from the values that could be obtained if a ready market for these securities existed. Our NAV could be materially affected if the Valuation Team's determinations regarding the fair value of our investments are materially different from the values that we ultimately realize upon our disposal of such securities.

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

We anticipate that most of our investments will continue to be either debt or minority equity investments in our portfolio companies. Therefore, we generally will not be involved in the day-to-day operations and decision making of our portfolio companies, even though we may have board observation rights and our debt agreement may contain certain restrictive covenants. As a result, we are and will remain subject to the risk that a portfolio company may make business decisions with which we disagree, and the shareholders and management of such company may take risks or otherwise act in ways that do not serve our best interests. As a result, a portfolio company may make decisions that could decrease the value of our debt investments.

In addition, we will generally not be in a position to control any portfolio company by investing in its debt securities. This is particularly true when we invest in syndicated loans, which are loans made by a larger group of investors whose investment objectives may not be completely aligned with ours. As of September 30, 2022, syndicated investments made up approximately 2.3% of our portfolio at cost, or $14.9 million. We therefore are subject to the risk that other lenders in these investments may make decisions that could decrease the value of our portfolio holdings.

*We often invest in transactions involving acquisitions, buyouts and recapitalizations of companies, which will subject us to the risks associated with change in control transactions.*

Our strategy, in part, includes making debt and minority equity investments in companies in connection with acquisitions, buyouts, and recapitalizations, which subjects us to the risks associated with change in control transactions. Change in control transactions often present a number of uncertainties. Companies undergoing change in control transactions often face challenges retaining key employees and maintaining relationships with customers and suppliers. While we hope to avoid many of these difficulties by participating in transactions where the management team is retained and by conducting thorough due diligence in advance of our decision to invest, if our portfolio companies experience one or more of these problems, we may not realize the value that we expect in connection with our investments, which would likely harm our operating results, financial condition, and cash flows.

*Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies and/or we could be subject to lender liability claims.*

We invest primarily in debt securities issued by our portfolio companies. In some cases portfolio companies will be permitted to have other debt that ranks equally with, or senior to, the debt securities in which we invest. By their terms, such debt instruments may provide that the holders thereof are entitled to receive payment of interest and principal on or before the dates on which we are entitled to receive payments in respect of the debt securities in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization, or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. Furthermore, in the case of debt ranking equally with debt securities in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization, or bankruptcy of a portfolio company.

In addition, even though we have structured some of our investments as senior loans, if one of our portfolio companies were to go bankrupt, depending on the facts and circumstances, including the extent to which we actually provided managerial assistance to that portfolio company, a bankruptcy court might re-characterize our debt investments and subordinate all, or a portion, of our claims to that of other creditors. After repaying such senior creditors, such portfolio company may not have any remaining assets to use to repay its obligation to us. We may also be subject to lender liability claims for actions taken by us with respect to a borrower's business, in instances in which we exercised control over the borrower or as a result of actions taken in rendering significant managerial assistance.

*Prepayments of our investments by our portfolio companies could adversely impact our results of operations and reduce our return on equity.*

In addition to risks associated with delays in investing our capital, we are also subject to the risk that investments we make in our portfolio companies may be repaid prior to maturity. For the year ended September 30, 2022, we received unscheduled repayments of investments totaling $151.2 million. We will generally first use any proceeds from prepayments to repay any borrowings outstanding on our Credit Facility. In the event that funds remain after repayment of our outstanding borrowings, then we will generally reinvest these proceeds in government securities, pending their future investment in new debt and/or equity securities. These government securities will typically have substantially lower yields than the debt securities being prepaid and we could experience significant delays in reinvesting these amounts. In addition, once the proceeds have been reinvested in new portfolio companies, the yields on such new investments may also be lower than the yields on the debt securities being repaid. As a result, our results of operations could be materially adversely affected if one or more of our portfolio companies elect to prepay amounts owed to us. Additionally, prepayments could negatively impact our return on equity, which could result in a decline in the market price of our common stock.

*Our portfolio is concentrated in a limited number of companies and industries, which subjects us to an increased risk of significant loss if any one of these companies does not repay us or if the industries experience downturns.*

As of September 30, 2022, we had investments in 52 portfolio companies, of which our five largest investments comprised approximately $174.5 million, or 26.9% of our total investment portfolio, at fair value. A consequence of a concentration in a limited number of investments is that the aggregate returns we realize may be substantially adversely affected by the unfavorable performance of a small number of such investments or a substantial write-down of any one investment. Beyond our regulatory and income tax diversification requirements, we do not have fixed guidelines for industry concentration and our investments could potentially be concentrated in relatively few industries. In addition, while we do not intend to invest 25.0% or more of our total assets in a particular industry or group of industries at the time of investment, it is possible that as the values of our portfolio companies change, one industry or a group of industries may comprise in excess of 25.0% of the value of our total assets. As of September 30, 2022, our largest industry concentrations of our total investments at fair value were in diversified/conglomerate service companies, representing 22.9%; healthcare, education, and childcare companies, representing 21.0%; and diversified/conglomerate manufacturing companies, representing 17.6%. Therefore, we are susceptible to the economic circumstances in these industries, and a downturn in one or more of these industries could have a material adverse effect on our results of operations and financial condition.

*Volatility of oil and natural gas prices could impair certain of our portfolio companies' operations and ability to satisfy obligations to their respective lenders and investors, including us, which could negatively impact our financial condition.*

Our portfolio includes a concentration of companies related to the oil and gas industry with the fair value of these investments representing approximately $25.4 million, or 3.9% of our total portfolio at fair value as of September 30, 2022. These businesses provide services to oil and gas companies and are indirectly impacted by the prices of, and demand for, oil and natural gas, which have from time to time experienced volatility, including rapid and significant changes in prices, and such volatility could continue or increase in the future. A substantial decline in oil and natural gas demand or prices may adversely affect the business, financial condition, cash flows, liquidity or results of operations of these portfolio companies and might impair their ability to meet capital expenditure obligations and financial commitments. Any decline in oil prices, especially for a prolonged period, could therefore have a material adverse effect on our business, financial condition and results of operations.

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

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

*Portfolio company litigation or other litigation or claims against us or our personnel could result in additional costs and the diversion of management time and resources.*

In the course of investing in and providing significant managerial assistance to certain of our portfolio companies, certain persons employed by the Adviser may serve as directors on the boards of such companies. To the extent that litigation

arises out of our investments in these companies or otherwise, even if without merit, we or such employees may be named as defendants in such litigation, which could result in additional costs, including defense costs, and the diversion of management time and resources. We may be unable to accurately estimate our exposure to litigation risk if we record balance sheet reserves for probable loss contingencies. As a result, any reserves we establish to cover any settlements or judgments may not be sufficient to cover our actual financial exposure, which may have a material impact on our results of operations, financial condition, or cash flows.

While we believe we would have valid defenses to potential claims brought due to our investment in any portfolio company, and will defend any such claims vigorously, we may nevertheless expend significant amounts of money in defense costs and expenses. Further, if we enter into settlements or suffer an adverse outcome in any litigation, we could be required to pay significant amounts. In addition, if any of our portfolio companies become subject to direct or indirect claims or other obligations, such as defense costs or damages in litigation or settlement, our investment in such companies could diminish in value and we could suffer indirect losses. Further, these matters could cause us to expend significant management time and effort in connection with assessment and defense of any claims.

*Any unrealized depreciation we experience on our investment portfolio may be an indication of future realized losses, which could reduce our income available for distribution.*

As a BDC we are required to carry our investments at market value or, if no market value is ascertainable, at fair value. We will record decreases in the market values or fair values of our investments as unrealized depreciation. Since our inception, we have, at times, incurred a cumulative net unrealized depreciation of our portfolio. Any unrealized depreciation in our investment portfolio could result in realized losses in the future and ultimately in reductions of our income available for distribution to stockholders in future periods.

***Risks Related to Our External Financing***

*In addition to regulatory limitations on our ability to raise capital, our Credit Facility contains various covenants which, if not complied with, could accelerate our repayment obligations under the facility, thereby materially and adversely affecting our liquidity, financial condition, results of operations and ability to pay distributions.*

We will have a continuing need for capital to finance our investments. As of September 30, 2022, we had $141.8 million in borrowings, at cost, outstanding under our Credit Facility, which provides for maximum borrowings of $225.0 million, with a revolving period end date of October 31, 2023 (the "Revolving Period End Date"). Our Credit Facility permits us to fund additional loans and investments as long as we are within the conditions set forth in the credit agreement. Our Credit Facility contains covenants that require our wholly-owned subsidiary, Business Loan, to maintain its status as a separate legal entity, prohibit certain significant corporate transactions (such as mergers, consolidations, liquidations or dissolutions) and restrict material changes to our credit and collection policies without lenders' consent. The Credit Facility also limits distributions to our stockholders on a fiscal year basis to the sum of our net investment income, net capital gains and amounts deemed to have been paid during the prior year in accordance with Section 855(a) of the Code. We are also subject to certain limitations on the type of loan investments we can make, including restrictions on geographic concentrations, sector concentrations, loan size, interest rate type, payment frequency and status, average life and lien property. Our Credit Facility further requires us to comply with other financial and operational covenants, which obligate us to, among other things, maintain certain financial ratios, including asset and interest coverage, and a minimum number of 25 obligors in the borrowing base. Additionally, we are required to maintain (i) a minimum net worth (defined in our Credit Facility to include any outstanding mandatorily redeemable preferred stock) of $325.0 million plus 50.0% of all equity and subordinated debt raised after May 13, 2021 less 50% of any equity and subordinated debt retired or redeemed after May 13, 2021, which equates to $336.7 million as of September 30, 2022, (ii) asset coverage with respect to "senior securities representing indebtedness" of at least 150% (or such percentage as may be set forth in Section 18 of the 1940 Act, as modified by Section 61 of the 1940 Act), and (iii) our status as a BDC under the 1940 Act and as a RIC under the Code. Continued compliance with the covenants in our Credit Facility depends on many factors, some of which are beyond our control.

Given the continued uncertainty in the capital markets, the cumulative unrealized depreciation in our portfolio may increase in future periods and threaten our ability to comply with the minimum net worth covenant and other covenants under our Credit Facility. Our failure to satisfy these covenants could result in foreclosure by our lenders, which would accelerate our repayment obligations under the facility and thereby have a material adverse effect on our business, liquidity, financial condition, results of operations and ability to pay distributions to our stockholders.

*Any inability to renew, extend or replace our Credit Facility on terms favorable to us, or at all, could adversely impact our liquidity and ability to fund new investments or maintain distributions to our stockholders.*

If our Credit Facility is not renewed or extended by the Revolving Period End Date, all principal and interest will be due and payable on or before October 31, 2025. Subject to certain terms and conditions, our Credit Facility may be expanded to a total of $250.0 million through the addition of other lenders to the facility. However, if additional lenders are unwilling to join the facility on its terms, we will be unable to expand the facility and thus will continue to have limited availability to finance new investments under our Credit Facility. There can be no guarantee that we will be able to renew, extend or replace our Credit Facility upon its Revolving Period End Date on terms that are favorable to us, if at all. Our ability to expand our Credit Facility, and to obtain replacement financing at or before the Revolving Period End Date, will be constrained by then-current economic conditions affecting the credit markets. In the event that we are not able to expand our Credit Facility, or to renew, extend or refinance our Credit Facility by the Revolving Period End Date, this could have a material adverse effect on our liquidity and ability to fund new investments, our ability to make distributions to our stockholders and our ability to qualify as a RIC under the Code.

If we are unable to secure replacement financing, we may be forced to sell certain assets on disadvantageous terms, which may result in realized losses, and such realized losses could materially exceed the amount of any unrealized depreciation on these assets as of our most recent balance sheet date, which would have a material adverse effect on our results of operations. In addition to selling assets, or as an alternative, we may issue equity in order to repay amounts outstanding under our Credit Facility. Depending on the trading prices of our common stock, such an equity offering could have a substantial dilutive impact on our existing stockholders' interest in our earnings, assets and voting interest in us. If we are not able to renew, extend or refinance our Credit Facility prior to its maturity, it could result in significantly higher interest rates and related charges and may impose significant restrictions on the use of borrowed funds to fund investments or maintain distributions to stockholders.

*Our business plan is dependent upon external financing, which is constrained by the limitations of the 1940 Act.*

We sold 430,425 and 2,737,521 common shares under our at-the-market program during the years ended September 30, 2022 and 2021, respectively. Additionally, we completed a private placement of $50.0 million aggregate principal amount of our 3.75% notes due 2027 (the "2027 Notes") in November 2021, an offering of $100.0 million aggregate principal amount of our 5.125% notes due 2026 (the "2026 Notes") in December 2020, and an offering of an additional $50.0 million aggregate principal amount of the 2026 Notes in March 2021. However, there can be no assurance that we will be able to raise additional capital through issuing equity or debt in the near future. Our business requires a substantial amount of cash to operate and grow. We may acquire such additional capital from the following sources:

- *Senior Securities.* We may issue "senior securities representing indebtedness" (such as borrowings under our Credit Facility and our notes payable) and "senior securities that are stock" (such as preferred stock) up to the maximum amount permitted by the 1940 Act. The 1940 Act currently permits us, as a BDC, to issue such senior securities in amounts such that our asset coverage, as defined in Section 18(h) of the 1940 Act, is at least 150% on such senior security immediately after each issuance of such senior security. As a result of issuing senior securities (in whatever form), we will be exposed to the risks associated with leverage. Although borrowing money for investments increases the potential for gain, it also increases the risk of a loss. A decrease in the value of our investments will have a greater impact on the value of our common stock to the extent that we have borrowed money to make investments. There is a possibility that the costs of borrowing could exceed the income we receive on the investments we make with such borrowed funds. In addition, our ability to pay distributions, issue senior securities or repurchase shares of our common stock would be restricted if the asset coverage on each of our senior securities is not at least 150%. If the aggregate value of our assets declines, we might be unable to satisfy that 150% requirement. To satisfy the 150% asset coverage requirement in the event that we are seeking to pay a distribution, we might either have to (i) liquidate a portion of our loan portfolio to repay a portion of our indebtedness or (ii) issue common stock. This may occur at a time when a sale of a portfolio asset may be disadvantageous, or when we have limited access to capital markets on agreeable terms. In addition, any amounts that we use to service our indebtedness or for offering expenses will not be available for distributions to stockholders. Furthermore, if we have to issue common stock at below NAV per common share, any non-participating stockholders will be subject to dilution, as described below. Pursuant to Section 61(a)(3) of the 1940 Act, we are permitted to issue multiple classes of "senior securities representing indebtedness." However, pursuant to Section 18(c) of the 1940 Act, we are permitted to issue only one class of "senior securities that are stock."
- *Common and Convertible Preferred Stock.* Because we are constrained in our ability to issue debt or senior securities for the reasons given above, we are dependent on the issuance of equity as a financing source. If we

raise additional funds by issuing more common stock, the percentage ownership of our stockholders at the time of the issuance would decrease and our existing common stockholder may experience dilution. In addition, under the 1940 Act, we will generally not be able to issue additional shares of our common stock at a price below NAV per common share to purchasers, other than to our existing stockholders through a rights offering, without first obtaining the approval of our stockholders and our independent directors. If we were to sell shares of our common stock below our then-current NAV per common share, such sales would result in an immediate dilution to the NAV per common share. This dilution would occur as a result of the sale of shares at a price below the then-current NAV per share of our common stock and a proportionately greater decrease in a stockholder's interest in our earnings and assets and voting percentage than the increase in our assets resulting from such issuance. For example, if we issue and sell an additional 10.0% of our common stock at a 5.0% discount to NAV, a stockholder who does not participate in that offering for its proportionate interest will suffer NAV dilution of up to 0.5% or $5 per $1,000 of NAV. This imposes constraints on our ability to raise capital when our common stock is trading below NAV per common share. As noted above, the 1940 Act prohibits the issuance of multiple classes of "senior securities that are stock."

*We financed certain of our investments with borrowed money and capital from the issuance of senior securities, which will magnify the potential for gain or loss on amounts invested and may increase the risk of investing in us.*

The use of leverage, including through the issuance of senior securities that are debt or stock, magnifies the potential for gain or loss on amounts invested, and, if we incur additional leverage, this potential will be further magnified. As of September 30, 2022, we incurred leverage through the Credit Facility, the 2026 Notes, and the 2027 Notes. From time to time, we intend to incur additional leverage to the extent permitted under the 1940 Act. The use of leverage is generally considered a speculative investment technique and increases the risks associated with investing in our securities. In the future, we may borrow from, and issue senior securities, to banks and other lenders. Holders of these senior securities will have fixed dollar claims on our assets that are superior to the claims of our common stockholders, and we would expect such holders to seek recovery against our assets in the event of a default.

| | Assumed Return on Our Portfolio (Net of Expenses) | | | | |
|---|---|---|---|---|---|
| | (10.0)% | (5.0)% | 0.0 % | 5.0 % | 10.0 % |
| Corresponding return to common stockholder[(A)] | (26.69)% | (16.22)% | (5.74)% | 4.73 % | 15.21 % |

(A) The hypothetical return to common stockholders is calculated by multiplying our total assets as of September 30, 2022 by the assumed rates of return and subtracting all interest on our debt to be paid during the 12 months following September 30, 2022, and then dividing the resulting difference by our total net assets attributable to common stock as of September 30, 2022. Based on $661.0 million in total assets, $141.8 million drawn on our Credit Facility (at cost),$150.0 million in our 2026 Notes payable (at cost), $50.0 million in our 2027 Notes payable (at cost), and $315.5 million in net assets, each as of September 30, 2022.

Based on an aggregate outstanding indebtedness of $341.8 million at cost as of September 30, 2022 and the effective annual cash interest rate of5.3% as of that date, our investment portfolio at fair value would have had to produce an annual return of at least 2.8% to cover annual interest payments on the outstanding debt.

***Risks Related to Our Regulation and Structure***

*We will be subject to corporate-level tax if we are unable to satisfy Code requirements for RIC qualification.*

To maintain our qualification as a RIC, we must meet income source, asset diversification, and annual distribution requirements. The annual distribution requirement is satisfied if we distribute at least 90.0% of our Investment Company Taxable Income to our stockholders on an annual basis. Because we use leverage, we are subject to certain asset coverage ratio requirements under the 1940 Act and could, under certain circumstances, be restricted from making distributions necessary to qualify as a RIC. Warrants we receive with respect to debt investments generally create OID, which we must recognize as ordinary income over the term of the debt investment. Similarly, PIK interest which is accrued generally over the term of the debt investment but not paid in cash, is recognized as ordinary income. Both OID and PIK interest will increase the amounts we are required to distribute to maintain our RIC status. Because such OIDs and PIK interest will not produce distributable cash for us at the same time as we are required to make distributions, we will need to use cash from other sources to satisfy such distribution requirements. For the year ended September 30, 2022, we recognized $0.5 million of OID income and the unamortized balance of OID investments as of September 30, 2022 totaled $0.9 million. As of

September 30, 2022, we had six investments which had a PIK interest component and we recorded PIK interest income of $4.2 million during the year ended September 30, 2022. We collected $2.4 million in PIK interest in cash for the year ended September 30, 2022. Additionally, we must meet asset diversification and income source requirements at the end of each calendar quarter. If we fail to meet these tests, we may need to quickly dispose of certain investments to prevent the loss of RIC status. Since most of our investments will be illiquid, such dispositions, if even possible, may not be made at prices advantageous to us and may result in substantial losses. If we fail to qualify as a RIC as of a calendar quarter or annually for any reason and become fully subject to U.S. federal corporate income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution, and the actual amount distributed. Such a failure would have a material adverse effect on us and our common stock.

Some of our debt investments may include success fees that would generate payments to us if the business is ultimately sold. Because the satisfaction of these success fees, and the ultimate payment of these fees, is uncertain, we generally only recognize them as income when the payment is received. Success fee amounts are characterized as ordinary income for tax purposes and, as a result, we are required to distribute such amounts to our stockholders in order to maintain RIC status.

*If we do not invest a sufficient portion of our assets in qualifying assets, we could fail to qualify as a BDC or be precluded from investing according to our current business strategy.*

As a BDC, we may not acquire any assets other than qualifying assets unless, at the time of and after giving effect to such acquisition, at least 70% of our total assets, exclusive of Operating Assets, are qualifying assets, as defined in Section 55(a) of the 1940 Act.

We believe that most of the investments that we may acquire in the future will constitute qualifying assets. However, we may be precluded from investing in what we believe to be attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. If we do not invest a sufficient portion of our assets in qualifying assets, we could violate the 1940 Act provisions applicable to BDCs. As a result of such violation, specific rules under the 1940 Act could prevent us, for example, from making follow-on investments in existing portfolio companies (which could result in the dilution of our position) or could require us to dispose of investments at disadvantageous times in order to come into compliance with the 1940 Act. If we need to dispose of such investments quickly, it could be difficult to dispose of such investments on favorable terms. We may not be able to find a buyer for such investments and, even if we do find a buyer, we may have to sell the investments at a substantial loss. Any such outcomes would have a material adverse effect on our business, financial condition, results of operations and cash flows.

If we do not maintain our status as a BDC, we would be subject to regulation as a registered closed-end investment company under the 1940 Act. As a registered closed-end investment company, we would be subject to substantially more regulatory restrictions under the 1940 Act, which would significantly decrease our operating flexibility.

*We are subject to restrictions that may discourage a change of control. Certain provisions contained in our articles of incorporation and Maryland law may prohibit or restrict a change of control and adversely impact the price of our common stock.*

Our Board of Directors is divided into three classes, with the term of the directors in each class expiring every third year. At each annual meeting of stockholders, the successors to the class of directors whose term expires at such meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. After election, a director may only be removed by our stockholders for cause. Election of directors for staggered terms with limited rights to remove directors makes it more difficult for a hostile bidder to acquire control of us. The existence of this provision may negatively impact the price of our securities and may discourage third-party bids to acquire our securities. This provision may reduce any premiums paid to stockholders in a change in control transaction.

Certain provisions of Maryland law applicable to us prohibit business combinations with:

- any person who beneficially owns 10.0% or more of the voting power of our common stock (an “interested stockholder”);
- an affiliate of ours who at any time within the two-year period prior to the date in question was an interested stockholder; or
- an affiliate of an interested stockholder.

These prohibitions last for five years after the most recent date on which the interested stockholder became an interested stockholder. Thereafter, any business combination with the interested stockholder must be recommended by our Board of Directors and approved by the affirmative vote of at least 80.0% of the votes entitled to be cast by holders of our outstanding shares of common stock and two-thirds of the votes entitled to be cast by holders of our common stock other than shares held by the interested stockholder. These requirements could have the effect of inhibiting a change in control even if a change in control were in our stockholders' interest. These provisions of Maryland law do not apply, however, to business combinations that are approved or exempted by our Board of Directors prior to the time that someone becomes an interested stockholder.

Our articles of incorporation permit our Board of Directors to issue up to 50.0 million shares of capital stock. In addition, our Board of Directors, without any action by our stockholders, may amend our articles of incorporation from time to time to increase or decrease the aggregate number of shares or the number of shares of any class or series of stock that we have authority to issue. Our Board of Directors may classify or reclassify any unissued common stock or preferred stock and establish the preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms or conditions of redemption of any such stock. Thus, our Board of Directors could authorize the issuance of preferred stock with terms and conditions that could have a priority as to distributions and amounts payable upon liquidation over the rights of the holders of our common stock. Preferred stock could also have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price for holders of our common stock.

*We may not be permitted to declare a dividend or make any distribution to stockholders or repurchase shares until such time as we satisfy the asset coverage tests under the provisions of the 1940 Act that apply to BDCs.*

Regulations governing our operation as a BDC and RIC will affect our ability to raise, and the way in which we raise, additional capital or borrow for investment purposes, which may have a negative effect on our growth. As a result of the annual distribution requirement to qualify as a RIC, we may need to periodically access the capital markets to raise cash to fund new investments. We may issue "senior securities representing indebtedness," including borrowing money from banks or other financial institutions or "senior securities that are stock," such as preferred stock, only in amounts such that our asset coverage on each senior security, as defined in the 1940 Act, equals at least 150% after each such incurrence or issuance. Further, we may not be permitted to declare a dividend or make any distribution to our outstanding stockholders or repurchase shares until such time as we satisfy these tests. Our ability to issue different types of securities is also limited. Compliance with these requirements may unfavorably limit our investment opportunities and reduce our ability in comparison to other companies to profit from favorable spreads between the rates at which we can borrow and the rates at which we can lend. As a BDC, therefore, we intend to issue equity at a rate more frequent than our privately owned competitors, which may lead to greater stockholder dilution. We have incurred leverage to generate capital to make additional investments. If the value of our assets declines, we may be unable to satisfy the asset coverage test under the 1940 Act, which could prohibit us from paying distributions and could prevent us from qualifying as a RIC. If we cannot satisfy the asset coverage test, we may be required to sell a portion of our investments and, depending on the nature of our debt financing, repay a portion of our indebtedness at a time when such sales and repayments may be disadvantageous.

***Risks Related to Our External Management***

*We are dependent upon our key management personnel and the key management personnel of the Adviser, particularly David Gladstone, Terry Lee Brubaker and Robert L. Marcotte, and on the continued operations of the Adviser, for our future success.*

We have no employees. Our chief executive officer, chief operating officer, chief financial officer and treasurer, and the employees of the Adviser, do not spend all of their time managing our activities and our investment portfolio. We are particularly dependent upon David Gladstone, Terry Lee Brubaker, and Robert L. Marcotte for their experience, skills and networks. Our executive officers and the employees of the Adviser allocate some, and in some cases a material portion, of their time to businesses and activities that are not related to our business. We have no separate facilities and are completely reliant on the Adviser, which has significant discretion as to the implementation and execution of our business strategies and risk management practices. We are subject to the risk of discontinuation of the Adviser's operations or termination of the Advisory Agreement and the risk that, upon such event, no suitable replacement will be found. We believe that our success depends to a significant extent upon the Adviser and that discontinuation of its operations or the loss of its key management personnel could have a material adverse effect on our ability to achieve our investment objectives.

*Our success depends on the Adviser's ability to attract and retain qualified personnel in a competitive environment.*

The Adviser experiences competition in attracting and retaining qualified personnel, particularly investment professionals and senior executives, and we may be unable to maintain or grow our business if we cannot attract and retain such personnel. The Adviser's ability to attract and retain personnel with the requisite credentials, experience and skills depends on several factors including its ability to offer competitive wages, benefits and professional growth opportunities. The Adviser competes with investment funds (such as private equity funds and mezzanine funds) and traditional financial services companies for qualified personnel, many of which have greater resources than us. Searches for qualified personnel may divert management's time from the operation of our business. Strain on the existing personnel resources of the Adviser, in the event that it is unable to attract experienced investment professionals and senior executives, could have a material adverse effect on our business.

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

The Adviser has the right to resign under the Advisory Agreement at any time upon not less than 60 days' written notice, whether we have found a replacement or not. If the Adviser resigns, we may not be able to find a new investment adviser or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected and the market price of our common stock may decline. In addition, the coordination of our internal management and investment activities is likely to suffer if we are unable to identify and reach an agreement with a single institution or group of executives having the expertise possessed by the Adviser and its affiliates. Even if we are able to retain comparable management, whether internal or external, the integration of such management and their lack of familiarity with our investment objective may result in additional costs and time delays that may adversely affect our business, financial condition, results of operations and cash flows.

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

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

*Our incentive fee may induce the Adviser to make certain investments, including speculative investments.*

The management compensation structure that has been implemented under the Advisory Agreement may cause the Adviser to invest in high-risk investments or take other risks. In addition to its management fee, the Adviser is entitled under the Advisory Agreement to receive incentive compensation based in part upon our achievement of specified levels of income. In evaluating investments and other management strategies, the opportunity to earn incentive compensation based on net income may lead the Adviser to place undue emphasis on the maximization of net income at the expense of other criteria, such as preservation of capital, maintaining sufficient liquidity, or management of credit risk or market risk, in order to achieve higher incentive compensation. Investments with higher yield potential are generally riskier or more speculative. This could result in increased risk to the value of our investment portfolio.

*We may be obligated to pay the Adviser incentive compensation even if we incur a loss.*

The Advisory Agreement entitles the Adviser to incentive compensation for each fiscal quarter in an amount equal to a percentage of the excess of our investment income for that quarter (before deducting incentive compensation, net operating losses and certain other items) above a threshold return for that quarter. When calculating our incentive compensation, our pre-incentive fee net investment income excludes realized and unrealized capital losses that we may incur in the fiscal quarter, even if such capital losses result in a net loss on our statement of operations for that quarter. Thus, we may be required to pay the Adviser incentive compensation for a fiscal quarter even if there is a decline in the value of our portfolio or we incur a net loss for that quarter.

*We may be required to pay the Adviser incentive compensation on income accrued, but not yet received in cash.*

That part of the incentive fee payable by us that relates to our net investment income is computed and paid on income that may include interest that has been accrued but not yet received in cash, such as debt instruments with PIK interest or OID. If a portfolio company defaults on a loan, it is possible that such accrued interest previously used in the calculation of the incentive fee will become uncollectible. Consequently, we may make incentive fee payments on income accruals that we may not collect in the future and with respect to which we do not have a clawback right against the Adviser. Our OID investments totaled $53.8 million as of September 30, 2022, at cost, which are primarily syndicated loan and certain participation investments. For the year ended September 30, 2022, we recognized $0.5 million of OID income and the unamortized balance of OID investments as of September 30, 2022 totaled $0.9 million. As of September 30, 2022, we had six investments which had a PIK interest component and we recorded PIK interest income of $4.2 million during the year ended September 30, 2022. We collected $2.4 million in PIK interest in cash for the year ended September 30, 2022.

*The Adviser's failure to identify and invest in securities that meet our investment criteria or perform its responsibilities under the Advisory Agreement would likely adversely affect our ability for future growth.*

Our ability to achieve our investment objectives will depend on our ability to grow, which in turn will depend on the Adviser's ability to identify and invest in securities that meet our investment criteria. Accomplishing this result on a cost-effective basis will be largely a function of the Adviser's structuring of the investment process, its ability to provide competent and efficient services to us, and our access to financing on acceptable terms. The Adviser's senior management team has substantial responsibilities under the Advisory Agreement. In order to grow, the Adviser will need to hire, train, supervise, and manage new employees successfully. Any failure to manage our future growth effectively would likely have a material adverse effect on our business, financial condition, and results of operations.

*There are significant potential conflicts of interest, including with the Adviser, which could impact our investment returns.*

Our executive officers and directors, and the officers and directors of the Adviser, serve or may serve as officers, directors, or principals of entities that operate in the same or a related line of business as we do or of investment funds managed by our affiliates. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in our or our stockholders' best interests. For example, Mr. Gladstone, our chairman and chief executive officer, is the chairman of the board and chief executive officer of each of the Gladstone Companies. In addition, Mr. Brubaker, our vice chairman and chief operating officer, is the vice chairman and chief operating officer of each of the Gladstone Companies. Mr. Marcotte is an executive managing director of the Adviser. Moreover, the Adviser may establish or sponsor other investment vehicles which from time to time may have potentially overlapping investment objectives with ours and accordingly may invest in, whether principally or secondarily, asset classes we target. While the Adviser generally has broad authority to make investments on behalf of the investment vehicles that it advises, the Adviser has adopted investment allocation procedures to address these potential conflicts and intends to direct investment opportunities to us or the Affiliated Public Fund with the investment strategy that most closely fits the investment opportunity. Nevertheless, the management of the Adviser may face conflicts in the allocation of investment opportunities to other entities it manages. As a result, it is possible that we may not be given the opportunity to participate in certain investments made by other funds managed by the Adviser. In certain circumstances, we may make investments in a portfolio company in which one of our affiliates has or will have an investment, subject to satisfaction of any regulatory restrictions and, where required, to the prior approval of our Board of Directors. As of September 30, 2022, our Board of Directors has approved the following types of co-investment transactions:

- Our affiliate, Gladstone Commercial, may, under certain circumstances, lease property to portfolio companies that we do not control. We may pursue such transactions only if (i) the portfolio company is not controlled by us or any of our affiliates, (ii) the portfolio company satisfies the tenant underwriting criteria of Gladstone Commercial, and (iii) the transaction is approved by a majority of our independent directors and a majority of the independent

directors of Gladstone Commercial. We expect that any such negotiations between Gladstone Commercial and our portfolio companies would result in lease terms consistent with the terms that the portfolio companies would be likely to receive were they not portfolio companies of ours.

- We may invest simultaneously with our affiliate Gladstone Investment in senior loans in the broadly syndicated market whereby neither we nor any affiliate has the ability to dictate the terms of the loans.
- Pursuant to the Co-Investment Order, under certain circumstances, we may co-invest with Gladstone Investment and any future BDC or closed-end management investment company that is advised by the Adviser (or sub-advised by the Adviser if it controls the fund), or any combination of the foregoing, subject to the conditions included therein.

Certain of our officers, who are also officers of the Adviser, may from time to time serve as directors of certain of our portfolio companies. If an officer serves in such capacity with one of our portfolio companies, such officer will owe fiduciary duties to stockholders of the portfolio company, which duties may from time to time conflict with the interests of our stockholders.

In the course of our investing activities, we will pay base management and incentive fees to the Adviser and will reimburse the Administrator for certain expenses it incurs. As a result, investors in our common stock will invest on a "gross" basis and receive distributions on a "net" basis after expenses, resulting in, among other things, a lower rate of return than one might achieve through our investors themselves making direct investments. As a result of this arrangement, there may be times when the management team of the Adviser has interests that differ from those of our stockholders, giving rise to a conflict. In addition, as a BDC, we make available significant managerial assistance to our portfolio companies and provide other services to such portfolio companies. While, neither we nor the Adviser currently receives fees in connection with managerial assistance, the Adviser and Gladstone Securities have, at various times, provided other services to certain of our portfolio companies and received fees for these other services.

*The Adviser is not obligated to provide a credit of the base management fee or incentive fee, which could negatively impact our earnings and our ability to maintain our current level of distributions to our stockholders.*

The Advisory Agreement provides for a base management fee based on our total assets and an incentive fee which consists of two parts: an income-based incentive fee and a capital gains-based incentive fee. Our Board of Directors has historically accepted and may accept in the future quarterly or annual non-contractual, unconditional and irrevocable credits to reduce the annual base management fee. Further, our Board of Directors has accepted on a quarterly basis non-contractual, unconditional and irrevocable credits from the Adviser to reduce the income-based incentive fee to the extent net investment income did not cover 100.0% of distributions to common stockholders. Any waived fees may not be recouped by the Adviser in the future. However, the Adviser is not required to issue these or other credits of fees under the Advisory Agreement, and to the extent our investment portfolio grows in the future, we expect these management and incentive fees will increase. If the Adviser does not issue these credits in future quarters, it could negatively impact our earnings and may compromise our ability to maintain our current level of distributions to our stockholders, which could have a material adverse impact on our stock price.

*Our business model is dependent upon developing and sustaining strong referral relationships with investment bankers, business brokers and other intermediaries and any change in our referral relationships may impact our business plan.*

We are dependent upon informal relationships with investment bankers, business brokers and traditional lending institutions to provide us with deal flow. If we fail to maintain our relationship with such funds or institutions, or if we fail to establish strong referral relationships with other funds, we will not be able to grow our portfolio of investments and fully execute our business plan.

*Our base management fee may induce the Adviser to incur leverage.*

The fact that our base management fee is payable based upon our total assets, which would include any investments made with proceeds of borrowings, may encourage the Adviser to use leverage to make additional investments. Under certain circumstances, the use of increased leverage may increase the likelihood of default, which would disfavor holders of our securities. Given the subjective nature of the investment decisions made by the Adviser on our behalf, we will not be able to monitor this potential conflict of interest.

***Risks Related to an Investment in Our Securities***

*There is a risk that you may not receive distributions or that distributions may not grow over time.*

We intend to distribute at least 90.0% of our Investment Company Taxable Income to our stockholders by paying monthly distributions. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions. Furthermore, we expect to retain some or all net realized long-term capital gains by first offsetting them with realized capital losses, and secondly through a deemed distribution to supplement our equity capital and support the growth of our portfolio, although our Board of Directors may determine in certain cases to distribute these gains to our common stockholders. In addition, our Credit Facility restricts the amount of distributions we are permitted to make. We cannot assure you that we will achieve investment results or maintain a tax status that will allow or require any specified level of cash distributions.

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

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

*Distributions to our stockholders have included and may in the future include a return of capital.*

Quarterly, our Board of Directors declares monthly distributions based on then-current estimates of taxable income for each fiscal year, which may differ, and in the past have differed, from actual results. Because our distributions are based on estimates of taxable income that may differ from actual results, future distributions payable to our stockholders may also include a return of capital. Moreover, to the extent that we distribute amounts that exceed our current and accumulated earnings and profits, these distributions constitute a return of capital to the extent of the common stockholder's adjusted tax basis in its shares of our common stock. A return of capital represents a return of a stockholder's original investment in shares of our common stock and should not be confused with a distribution from earnings and profits. Although return of capital distributions may not be taxable, such distributions may increase an investor's tax liability for capital gains upon the sale of shares of our common stock by reducing the investor's tax basis in its shares of our common stock. Such returns of capital reduce our asset base and also adversely impact our ability to raise debt capital as a result of the leverage restrictions under the 1940 Act, which could have material adverse impact on our ability to make new investments.

*Common shares of closed-end investment companies frequently trade at a discount to NAV.*

Shares of closed-end investment companies frequently trade at a discount to NAV per common share. Since our inception, our common stock has at times traded above NAV, and at times below NAV per share. This characteristic of shares of closed-end investment companies is separate and distinct from the risk that our NAV per share will decline. As with any stock, the price of our common stock will fluctuate with market conditions and other factors. If shares are sold, the price received may be more or less than the original investment. Whether investors will realize gains or losses upon the sale of shares of our common stock will not depend directly upon our NAV, but will depend upon the market price of the shares at the time of sale. Since the market price of our common stock will be affected by such factors as the relative demand for and supply of the shares in the market, general market and economic conditions and other factors beyond our control, we cannot predict whether the shares will trade at, below, or above our NAV.

Under the 1940 Act, we are generally not able to issue additional shares of our common stock at a price below NAV per share to purchasers other than our existing stockholders through a rights offering without first obtaining the approval of our common stockholders and our independent directors. Additionally, when our common stock is trading below its NAV per share, our dividend yield may exceed the weighted average returns that we would expect to realize on new investments that would be made with the proceeds from the sale of such stock, making it unlikely that we would determine to issue additional shares in such circumstances. Thus, for as long as our common stock may trade below NAV, we will be subject to significant constraints on our ability to raise capital through the issuance of common stock. Additionally, an extended period of time in which we are unable to raise capital may restrict our ability to grow and adversely impact our ability to increase or maintain our distributions.

*Common stockholders may incur dilution if we sell shares of our common stock in one or more offerings at prices below the then-current NAV per share of our common stock.*

Absent stockholder approval, we are not able to access the capital markets in an offering at prices below the then-current NAV per share due to restrictions applicable to BDCs under the 1940 Act. Should we decide to issue shares of common stock at a price below NAV per share in the future, we will seek the requisite approval of our stockholders at such time.

If we were to sell shares of our common stock below NAV per share, such sales would result in an immediate dilution to the NAV per share. This dilution would occur as a result of the sale of shares at a price below the then-current NAV per share of our common stock and a proportionately greater decrease in a stockholder's interest in our earnings and assets and voting interest in us than the increase in our assets resulting from such issuance. The greater the difference between the sale price and the NAV per share at the time of the offering, the more significant the dilutive impact would be. Because the number of shares of common stock that could be so issued and the timing of any issuance is not currently known, the actual dilutive effect, if any, cannot be currently predicted. However, if, for example, we sold an additional 10.0% of our common stock at a 5.0% discount to NAV, a stockholder who did not participate in that offering for its proportionate interest would suffer NAV dilution of up to 0.5% or $5 per $1,000 of NAV.

***Risks Related to the 2026 Notes and the 2027 Notes (collectively, the "Notes")***

*The Notes are unsecured and therefore are effectively subordinated to any secured indebtedness we have incurred or may incur in the future and rank pari passu with, or equal to, all outstanding and future unsecured indebtedness issued by us and our general liabilities (total liabilities, less debt).*

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

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

The Notes are obligations exclusively of the Company and not of any of our subsidiaries. None of our subsidiaries is a guarantor of the Notes and the Notes are not required to be guaranteed by any subsidiaries we may acquire or create in the future. Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of creditors of our subsidiaries will have priority over our equity interests in such subsidiaries (and therefore the claims of our creditors, including holders of the Notes) with respect to the assets of such subsidiaries. Even if we are recognized as a creditor of one or more of our subsidiaries, our claims would still be effectively subordinated to any security interests in the assets of any such subsidiary and to any indebtedness or other liabilities of any such subsidiary senior to our claims. Consequently, the Notes are structurally subordinated to all indebtedness and other liabilities of any of our subsidiaries and any subsidiaries that we may in the future acquire or establish. As of September 30, 2022, there was $141.8 million outstanding under the Credit Facility. Borrowings under the Credit Facility are the obligation of Business Loan, and are structurally senior to the Notes. In addition, our subsidiaries may incur substantial additional indebtedness in the future, all of which would be structurally senior to the Notes.

*The indentures under which the Notes were issued contain limited protection for holders of the Notes.*

The indentures under which the Notes were issued offer limited protection to holders of the Notes. The terms of the indentures do not restrict our or any of our subsidiaries' ability to engage in, or otherwise be a party to, a variety of corporate transactions, circumstances or events that could have an adverse impact on your investment in the Notes. In particular, the terms of the indenture and the Notes do not place any restrictions on our or our subsidiaries' ability to:

- issue securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to the Notes, (2) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the Notes to the extent of the value of the assets securing such debt, (3) indebtedness that is guaranteed by one or more of our subsidiaries and which therefore is structurally senior to the Notes and (4) securities, indebtedness or obligations issued or incurred

by our subsidiaries that would be senior to our equity interests in our subsidiaries and therefore rank structurally senior to the Notes with respect to the assets of our subsidiaries, in each case, other than an incurrence of indebtedness or other obligation that would cause a violation of Section 18(a)(1)(A) as modified by Section 61(a)(2) of the 1940 Act or any successor provisions, whether or not we continue to be subject to such provisions of the 1940 Act, which generally prohibit us from incurring additional debt or issuing additional debt or preferred securities, unless our asset coverage, as defined in the 1940 Act, equals at least 150% after such incurrence or issuance;

- pay dividends on, or purchase or redeem or make any payments in respect of, capital stock or other securities ranking junior in right of payment to the Notes, including preferred stock and any subordinated indebtedness, other than, dividends, purchases, redemptions or payments that would cause our asset coverage to fall below the threshold specified in Section 18(a)(1)(B) as modified by Section 61(a)(2) of the 1940 Act or any successor provisions, giving effect to any no-action relief granted by the SEC to another BDC and upon which we may reasonably rely (or to us if we determine to seek such similar SEC no-action or other relief) permitting the BDC to declare any cash dividend or distribution notwithstanding the prohibition contained in Section 18(a)(1)(B) as modified by Section 61(a)(2) of the 1940 Act in order to maintain the BDC's status as a RIC under Subchapter M of the Code;
- sell assets (other than certain limited restrictions on our ability to consolidate, merge or sell all or substantially all of our assets);
- enter into transactions with affiliates;
- create liens (including liens on the shares of our subsidiaries) or enter into sale and leaseback transactions;
- make investments; or
- create restrictions on the payment of dividends or other amounts to us from our subsidiaries.

Furthermore, the terms of the indenture and the Notes do not protect holders of the Notes in the event that we experience changes (including significant adverse changes) in our financial condition, results of operations or credit ratings, if any, as they do not require that we or our subsidiaries adhere to any financial tests or ratios or specified levels of net worth, revenues, income, cash flow, or liquidity.

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

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

*We cannot assure you an active trading market for the Notes will develop or be maintained.*

We have not listed, and do not intend to list in the future, the Notes on any securities exchange or for quotation of the Notes on any automated dealer quotation system. If the Notes are traded, they may trade at a discount to their purchase price depending on prevailing interest rates, the market for similar securities, our credit ratings, our financial condition, performance and prospects, general economic conditions or other relevant factors. Accordingly, we cannot assure you that a liquid trading market will develop and/or be maintained for the Notes, that a holder will be able to sell its Notes at a particular time or that the price received when a holder sells its Notes will be favorable. To the extent an active trading market does not develop or is not maintained, the liquidity and trading price for the Notes may be harmed. Accordingly, the holder of a Note may be required to bear the financial risk of an investment in the Notes for an indefinite period of time.

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

Any default under the agreements governing our indebtedness, including a default under the Credit Facility or other indebtedness to which we may be a party, that is not waived by the required lenders or holders, and the remedies sought by the holders of such indebtedness could make us unable to pay principal and interest on the Notes and substantially decrease the market value of such notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal and interest on our indebtedness, or if we otherwise fail to comply with

the various covenants, including financial and operating covenants, in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under the Credit Facility or other debt we may incur in the future could elect to terminate their commitments, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to refinance or restructure our debt, including the Notes, sell assets, reduce or delay capital investments, seek to raise additional capital or seek to obtain waivers from the required lenders under the Credit Facility or other debt that we may incur in the future to avoid being in default. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations under the Notes or our other debt. If we breach our covenants under the Credit Facility or other debt and seek a waiver, we may not be able to obtain a waiver from the required lenders or holders. If this occurs, we would be in default under the Credit Facility or other debt, the lenders or holders could exercise their rights as described above, and we could be forced into bankruptcy or liquidation. If we are unable to repay debt, lenders having secured obligations, including the lenders under the Credit Facility, could proceed against the collateral securing the debt. Because the Credit Facility has, and any future credit facilities will likely have, customary cross-default provisions, if the indebtedness under the Notes or the Credit Facility or under any future credit facility is accelerated, we may be unable to repay or finance the amounts due.

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

The Notes may be redeemed in whole or in part at any time or from time to time at the Company's option prior to maturity at par plus a "make-whole" premium, if applicable. If prevailing rates are lower at the time of redemption, and we redeem the Notes, you likely would not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the Notes being redeemed.

*We may not be able to repurchase the Notes upon a Change of Control Repurchase Event.*

We may not be able to repurchase the Notes upon a Change of Control Repurchase Event (as defined in the indenture governing the Notes) because we may not have sufficient funds. We would not be able to borrow under our Credit Facility to finance such a repurchase of the Notes, and we expect that any future credit facility would have similar limitations. Upon a Change of Control Repurchase Event, holders of the Notes may require us to repurchase for cash some or all of the Notes at a repurchase price equal to 100% of the aggregate principal amount of the Notes being repurchased, plus accrued and unpaid interest to, but not including, the repurchase date. The terms of our Credit Facility also provide that certain change of control events will constitute an event of default thereunder entitling the lenders to accelerate any indebtedness outstanding under our Credit Facility at that time and to terminate our Credit Facility. Our failure to purchase such tendered Notes upon the occurrence of such Change of Control Repurchase Event would cause an event of default under the indenture governing the Notes and a cross-default under the agreements governing the Credit Facility, which may result in the acceleration of such indebtedness requiring us to repay that indebtedness immediately. If the holders of the Notes exercise their right to require us to repurchase Notes upon a Change of Control Repurchase Event, the financial effect of this repurchase could cause a default under our current and future debt instruments, and we may not have sufficient funds to repay any such accelerated indebtedness.

*A downgrade, suspension or withdrawal of the credit rating assigned by a rating agency to us or the Notes or change in the debt markets could cause the liquidity or market value of the Notes to decline significantly.*

Any credit rating assigned to us or the Notes represents an assessment by the assigning rating agency of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the Notes. These credit ratings may not reflect the potential impact of risks relating to the structure or marketing of the Notes. Credit ratings are paid for by the issuer and are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization in its sole discretion.

***General Risk Factors***

*Cybersecurity risks and cyber incidents may adversely affect our business by causing a disruption to our operations, or the operations of businesses in which we invest, a compromise or corruption of our confidential information and/or damage to our business relationships, all of which could negatively impact our business, financial condition and operating results.*

Maintaining our network security is of critical importance because our systems store highly confidential financial models and portfolio company information. Although we have implemented, and will continue to implement, security measures,

our technology platform may be vulnerable to intrusion, computer viruses, ransomware attacks, phishing schemes, or similar disruptive problems caused by cyber-attacks. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources or those of our portfolio companies. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our information systems or those of our portfolio companies for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. The result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for stolen assets or information, costs to repair system damage, increased cybersecurity protection and insurance costs, litigation and damage to our business relationships or those of our portfolio companies. As our and our portfolio companies' reliance on technology has increased, so have the risks posed to our information systems, both internal and those provided to us by third-party service providers, and the information systems of our portfolio companies. We have implemented processes, procedures and internal controls to help mitigate cybersecurity risks and cyber intrusions, but these measures, as well as our increased awareness of the nature and extent of a risk of a cyber incident, do not guarantee that a cyber incident will not occur and/or that our financial results, operations, stock price or confidential information will not be negatively impacted by such an incident. In addition, any such incident, disruption or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties, disrupt our operations, and damage our and our Adviser's reputations, resulting in a loss of confidence in our services and our Adviser's services, which could adversely affect our business.

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

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

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

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

*Changes in laws or regulations governing our operations, or changes in the interpretation thereof, and any failure by us to comply with laws or regulations governing our operations may adversely affect our business.*

We and our portfolio companies are subject to regulation by laws at the local, state and federal levels. These laws and regulations, as well as their interpretation, may be changed from time to time. Accordingly, any change in these laws or regulations, or their interpretation, or any failure by us or our portfolio companies to comply with these laws or regulations may adversely affect our business. For additional information regarding the regulations to which we are subject, see *"Business—Material U.S. Federal Income Tax Considerations"* and *"Business—Regulation as a BDC."*

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

We may experience fluctuations in our quarterly and annual operating results due to a number of factors, including, among others, variations in our investment income, the interest rates payable on the debt securities we acquire, the default rates on such securities, variations in and the timing of the recognition of realized and unrealized gains or losses, the level of our expenses, the degree to which we encounter competition in our markets, and general economic conditions, including the impacts of the COVID-19 pandemic or other public health emergencies. The majority of our portfolio companies are in industries that are directly impacted by inflation, such as manufacturing and consumer goods and services. Our portfolio companies may not be able to pass on to customers increases in their costs of production which could greatly affect their operating results, impacting their ability to repay our loans. In addition, any projected future decreases in our portfolio companies' operating results due to inflation could adversely impact the fair value of those investments. Any decreases in

the fair value of our investments could result in future realized and unrealized losses and therefore reduce our net assets resulting from operations. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

We do not own any real estate or other physical properties material to our operations. The Adviser is the current leaseholder of all properties in which we operate. We occupy these premises pursuant to the Advisory and Administration Agreements with the Adviser and Administrator, respectively.

**ITEM 3. LEGAL PROCEEDINGS**

We are not currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on Nasdaq under the symbol "GLAD." The following table reflects, by quarter, the high and low intraday sales prices per share of our common stock on the Nasdaq, the high and low intraday sales prices as a percentage of NAV per share and quarterly distributions declared per common share for each fiscal quarter during the last two completed fiscal years and the current fiscal year through November 11, 2022.

| Quarter Ended/ Ending | NAV[A] | Sales Prices | | Premium / (Discount) of High to NAV[B] | Premium (Discount) of Low to NAV[B] | Declared Common Stock Distributions |
|---|---|---|---|---|---|---|
| | | High | Low | | | |
| **Fiscal Year ended September 30, 2021:** | | | | | | |
| 12/31/2020 | $ 7.61 | $ 9.22 | $ 6.97 | 21.2 % | (8.4) % | $ 0.195 |
| 3/31/2021 | 8.11 | 10.39 | 8.60 | 28.1 | 6.0 | 0.195 |
| 6/30/2021 | 8.52 | 11.96 | 10.00 | 40.4 | 17.4 | 0.195 |
| 9/30/2021 | 9.28 | 12.05 | 11.01 | 29.8 | 18.6 | 0.195 |
| **Fiscal Year ended September 30, 2022:** | | | | | | |
| 12/31/2021 | $ 9.44 | $ 12.58 | $ 10.26 | 33.3 % | 8.7 % | $ 0.195 |
| 3/31/2022 | 9.49 | 12.19 | 9.92 | 28.5 | 4.5 | 0.195 |
| 6/30/2022 | 9.12 | 12.78 | 9.43 | 40.1 | 3.4 | 0.203 |
| 9/30/2022 | 9.08 | 11.19 | 8.21 | 23.2 | (9.6) | 0.203 |
| **Fiscal Year ending September 30, 2023:** | | | | | | |
| 12/31/2022 (through 11/11/2022) | * | $ 10.18 | $ 8.23 | * | * | $ 0.210 |

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

[B] The premiums (discounts) set forth in these columns represent the high or low, as applicable, intraday sale prices per share for the relevant quarter minus the NAV per share as of the end of such quarter, and therefore may not reflect the premium (discount) to NAV per share on the date of the high and low intraday sales prices.

* Not yet available, as the NAV per share as of the end of this quarter has not yet been determined.

As of November 11, 2022, there were 38 record owners of our common stock.

**Distributions**

We generally intend to distribute in the form of cash distributions a minimum of 90.0% of our Investment Company Taxable Income, if any, on a quarterly basis to our stockholders in the form of monthly distributions. We generally intend to retain some or all of our long-term capital gains, if any, but generally intend to designate the retained amount as a deemed distribution, after giving effect to any prior year realized losses that are carried forward, to supplement our equity capital and support the growth of our portfolio. However, in certain cases, our Board of Directors may choose to distribute our net realized long-term capital gains, if any, by paying a one-time special distribution. Additionally, our Credit Facility contains a covenant that limits distributions to our stockholders on an annual basis to the sum of our net investment income, net capital gains and amounts deemed to have been paid during the prior year in accordance with Section 855(a) of the Code.

**Recent Sales of Unregistered Securities**

We did not sell any unregistered shares of stock during the fiscal year ended September 30, 2022. See "*Capital Raising*" below for information regarding the unregistered sale of the 2027 Notes in November 2021.

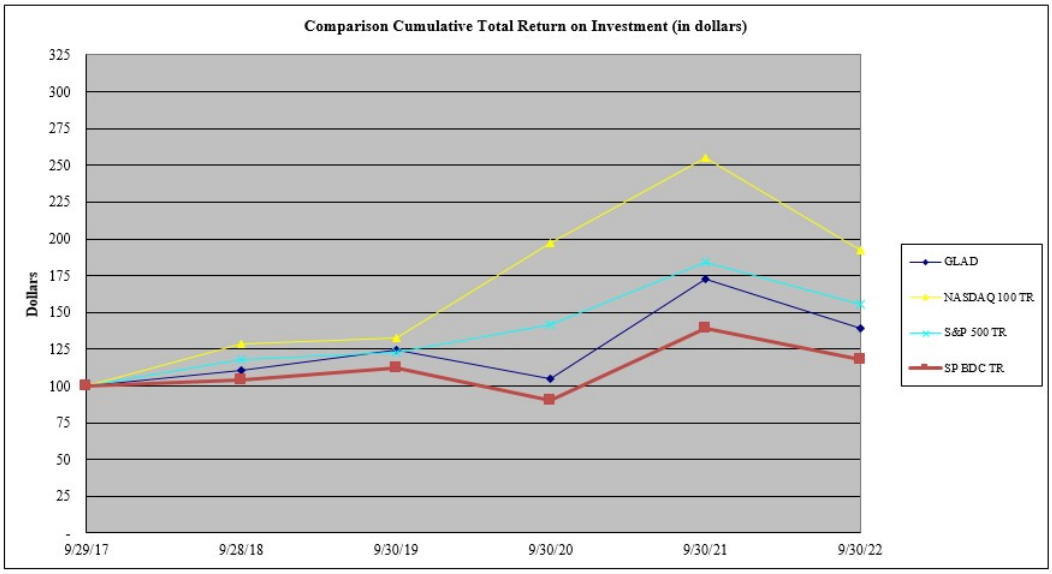
**Purchases of Equity Securities**

We did not repurchase any shares of our stock during the fourth quarter ended September 30, 2022.

**Stock Performance Graph**

The following graph shows the total stockholder return on an investment of $100 in cash on September 29, 2017 for (i) our common stock, (ii) the Nasdaq's 100 total return index ("Nasdaq 100 TR"), (iii) the Standard & Poor's 500 total return index (the "S&P 500 TR") and (iv) the Standard and Poor's BDC index ("S&P BDC"). The graph and other information furnished under the heading "Stock Performance Graph" shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate it by reference and shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C under, or to the liabilities of Section 18 of, the Exchange Act.

The returns on each investment assume reinvestment of dividends. This stock performance graph and the related textual information are not necessarily indicative of future performance.




| | GLAD | Nasdaq 100 TR | S&P 500 TR | S&P BDC Index |
|---|---|---|---|---|
| 9/29/2017 | **$ 100.00** | $ 100.00 | $ 100.00 | $ 100.00 |
| 9/28/2018 | **110.34** | 128.91 | 117.91 | 104.06 |
| 9/30/2019 | **124.31** | 132.44 | 122.93 | 112.05 |
| 9/30/2020 | **104.61** | 197.00 | 141.55 | 89.94 |
| 9/30/2021 | **172.54** | 255.27 | 184.02 | 138.81 |
| 9/30/2022 | **139.48** | 192.16 | 155.55 | 118.23 |

**Fees and Expenses**

The following table is intended to assist you in understanding the costs and expenses that an investor in the Company will bear directly or indirectly. We caution you that some of the percentages indicated in the table below are estimates and may vary. Except where the context suggests otherwise, whenever this Annual Report contains a reference to fees or expenses paid by "us" or the "Company," or that "we" will pay fees or expenses, stockholders will indirectly bear such fees or expenses. The following annualized percentages were calculated based on actual expenses incurred in the quarter ended September 30, 2022 and average net assets for the quarter ended September 30, 2022.

| | |
|---|---|
| **Stockholder Transaction Expenses:** | |
| Sales load (as a percentage of offering price)[1] | — % |
| Offering expenses (as a percentage of offering price)[1] | — % |
| Dividend reinvestment plan expenses[2] | Up to a $25.00 Transaction Fee |
| Total stockholder transaction expenses[1] | — % |
| **Annual expenses (as a percentage of net assets attributable to common stock)[3]:** | |
| Base Management fee[4] | 3.48 % |
| Loan servicing fee[5] | 2.20 % |
| Incentive fee (20% of realized capital gains and 20% of pre-incentive fee net investment income)[6] | 2.37 % |
| Interest payments on borrowed funds[7] | 5.22 % |
| Other expenses[8] | 1.18 % |
| Total annual expenses[9] | 14.45 % |

(1) The amounts set forth in this table do not reflect the impact of any sales load, sales commission or other offering expenses borne by the Company and its stockholders. If applicable, the prospectus or prospectus supplement relating to an offering of our common stock will disclose the offering price and the estimated offering expenses and total stockholder transaction expenses borne by the Company and its common stockholders as a percentage of the offering price. In the event that shares of our common stock are sold to or through underwriters, the applicable prospectus or prospectus supplement will also disclose the applicable sales load.

(2) The expenses of the dividend reinvestment plan, if any, are included in stock record expenses, a component of "other expenses." If a participant elects by written notice to the plan agent prior to termination of his or her account to have the plan agent sell part or all of the shares held by the plan agent in the participant's account and remit the proceeds to the participant, the plan agent is authorized to deduct a transaction fee, plus per share brokerage commissions, from the proceeds. The participants in the dividend reinvestment plan will bear a pro rata share of brokerage commissions incurred with respect to open market purchases, if any. See *"Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Distributions and Dividends to Stockholders—Dividend Reinvestment Plan"* for information on the dividend reinvestment plan.

(3) The percentages presented in this table are gross of credits to any fees.

(4) In accordance with our Advisory Agreement, our annual base management fee is 1.75% (0.4375% quarterly) of our average gross assets, which are defined as total assets of the Company, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings, and adjusted appropriately for any share issuances or repurchases. In accordance with the requirements of the SEC, the table above shows the Company's management fee as a percentage of average net assets attributable to common shareholders. For purposes of the table, the gross base management fee has been converted to 3.48% of the average net assets as of September 30, 2022 by dividing the total dollar amount of the management fee by our average net assets. The base management fee for the quarter ended September 30, 2022 before application of any credits was $2.7 million. From time to time, the Adviser has non-contractually, unconditionally and irrevocably agreed to reduce the 1.75% base management fee on syndicated loan participations to 0.5%, to the extent that proceeds resulting from borrowings were used to purchase such syndicated loan participations. For the quarter ended September 30, 2022, this credit to the base management fee was $34 thousand.

Under the Advisory Agreement, the Adviser has provided and continues to provide managerial assistance to our portfolio companies. It may also provide services other than managerial assistance to our portfolio companies and receive fees therefor. Such services may include: (i) assistance obtaining, sourcing or structuring credit facilities, long term loans or additional equity from unaffiliated third parties; (ii) negotiating important contractual financial relationships; (iii) consulting services regarding restructuring of the portfolio company and financial modeling as it relates to raising additional debt and equity capital from unaffiliated third parties; and (iv) primary role in interviewing, vetting and negotiating employment contracts with candidates in connection with adding and retaining key portfolio company management team members. Generally, at the end of each quarter, 100.0% of the fees for such services are non-contractually, unconditionally and irrevocably credited against the base management fee that we would otherwise be required to pay to the Adviser; however, a small percentage of certain of such fees, primarily for valuation of the portfolio company, is retained by the Adviser in the form of reimbursement at cost for certain tasks completed by personnel of the Adviser. For the quarter ended September 30, 2022, the base management fee credit was $1.2 million. See "*Item 1. Business — Transactions with Related Parties — Investment Advisory and Management Agreement*" for additional information.

(5) The Adviser services, administers and collects on the loans held by Business Loan in return for which the Adviser receives a 1.5% annual loan servicing fee payable monthly by Business Loan based on the monthly aggregate balance of loans held by Business Loan in accordance with the Credit Facility. For the three months ended September 30, 2022, the total loan servicing fee was $1.7 million. The entire loan servicing fee paid to the Adviser by Business Loan is generally non-contractually, unconditionally and irrevocably credited against the base management fee otherwise payable to the Adviser since Business Loan is a consolidated subsidiary of the Company, and overall, the base management fee (including any loan servicing fee) cannot exceed 1.75% of total assets (including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings) during any given fiscal year pursuant to the Advisory Agreement. See *"Item 1. Business—Transactions with Related Parties—Loan Servicing Fee Pursuant to Credit Facility"* and footnote 4 above for additional information.

(6) In accordance with our Advisory Agreement, the incentive fee consists of two parts: an income-based fee and a capital gains-based fee. The income-based fee is payable quarterly in arrears, and equals 20.0% of the excess, if any, of our pre-incentive fee net investment income that exceeds a 1.75% quarterly (7.0% annualized) hurdle rate of our net assets (2.0% quarterly and 8.0% annualized during the period from April 1, 2020 through March 31, 2023), subject to a "catch-up" provision measured as of the end of each calendar quarter. The "catch-up" provision requires us to pay 100.0% of our pre-incentive fee net investment income with respect to that portion of such income, if any, that exceeds the hurdle rate but is less than 125.0% of the quarterly hurdle rate (or 2.1875%, 2.4375% during the period from April 1, 2020 through March 31, 2022, and 2.5% during the period from April 1, 2022 through March 31, 2023) in any calendar quarter (8.75% annualized, 9.75% annualized during the period from April 1, 2020 through March 31, 2022, 10.0% annualized during the period from April 1, 2022 through March 31, 2023). The catch-up provision is meant to provide the Adviser with 20.0% of our pre-incentive fee net investment income as if a hurdle rate did not apply when our pre-incentive fee net investment income exceeds 125.0% of the quarterly hurdle rate in any calendar quarter (8.75% annualized, 9.75% annualized during the period from April 1, 2020 through March 31, 2022, and 10.0% annualized during the period from April 1, 2022 through March 31, 2023). The income-based incentive fee is computed and paid on income that may include interest that is accrued but not yet received in cash. Our pre-incentive fee net investment income used to calculate this part of the income-based incentive fee is also included in the amount of our gross assets used to calculate the 1.75% base management fee (see footnote 4 above). The capital gains-based incentive fee equals 20.0% of our net realized capital gains since our inception, if any, computed net of all realized capital losses and unrealized capital depreciation since our inception, less any prior payments, and is payable at the end of each fiscal year. We have not recorded any capital gains-based incentive fee from our inception through September 30, 2022. The income-based incentive fee for the quarter ended September 30, 2022 was $1.9 million.

From time to time, the Adviser has non-contractually, unconditionally and irrevocably agreed to waive a portion of the incentive fees, to the extent net investment income did not cover 100.0% of the distributions to common stockholders during the period. There was no incentive fee credit for the quarter ended September 30, 2022. There can be no guarantee that the Adviser will continue to credit any portion of the fees under the Advisory Agreement in the future.

Examples of how the incentive fee would be calculated (during the period from April 1, 2022 through March 31, 2023) are as follows:

- Assuming pre-incentive fee net investment income of 0.55%, there would be no income-based incentive fee because such income would not exceed the hurdle rate of 2.00%.
- Assuming pre-incentive fee net investment income of 2.10%, the income-based incentive fee would be as follows:

  = 100% x (2.10% - 2.00%)

  = 0.10%
- Assuming pre-incentive fee net investment income of 2.60%, the income-based incentive fee would be as follows:

  = (100% x ("catch - up": 2.50% - 2.00%)) + (20% x (2.60% - 2.50%))

  = (100% x 0.50%) + (20% x 0.10%)

  = 0.50%+ 0.02%

  = 0.52%
- Assuming net realized capital gains of 6% and realized capital losses and unrealized capital depreciation of 1%, the capital gains-based incentive fee would be as follows:

  = 20% x (6% - 1%)

= 20% x 5%

= 1%

For a more detailed discussion of the calculation of the two-part incentive fee, see *"Item 1. Business — Transactions with Related Parties — Investment Advisory and Management Agreement."*

(7) Includes amortization of deferred financing costs. As of September 30, 2022, we had $141.8 million in borrowings outstanding under our Credit Facility and $197.6 million in notes payable, net. See *"Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources— Revolving Line of Credit"* for additional information regarding the Credit Facility and *"Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations— Liquidity and Capital Resources—Notes Payable"* for additional information regarding our notes payable.

(8) Includes our overhead expenses, including payments under the Administration Agreement based on our projected allocable portion of overhead and other expenses estimated to be incurred by the Administrator in performing its obligations under the Administration Agreement for the current fiscal year. See *"Item 1. Business—Transactions with Related Parties—Administration Agreement"* for additional information.

(9) Total annualized gross expenses, based on actual amounts incurred for the quarter ended September 30, 2022 (except as set forth in footnote 9), would be $45.6 million. After all non-contractual, unconditional and irrevocable credits described in footnote 4, footnote 5, and footnote 6 above are applied to the base management fee, the loan servicing fee, and the incentive fee, total annualized expenses, based on actual amounts incurred for the quarter ended September 30, 2022, would be $33.8 million or 10.73% as a percentage of net assets.

**Examples**

The following examples demonstrate the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed we would have no additional leverage and that our quarterly operating expenses would remain at the levels set forth in the table above and are gross of credits to any fees. The amounts set forth below do not reflect the impact of sales load or offering expenses to be borne by the Company or its stockholders. In the prospectus supplement relating to an offering of securities pursuant to the applicable prospectus, the examples below will be restated to reflect the impact of the estimated offering expenses borne by the Company and its stockholders and, if applicable, the impact of the applicable sales load. **The examples below and the expenses in the table above should not be considered a representation of our future expenses, and actual expenses (including the cost of debt, incentive fees, if any, and other expenses) may be greater or less than those shown. While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%.**

| | 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|---|
| You would pay the following expenses on a $1,000 investment: | | | | |
| assuming a 5% annual return consisting entirely of ordinary income[(1)(2)] | $ 127 | $ 352 | $ 544 | $ 909 |
| assuming a 5% annual return consisting entirely of capital gains[(2)(3)] | $ 136 | $ 373 | $ 572 | $ 937 |

(1) While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. Additionally, we have assumed that the entire amount of such 5% annual return would constitute ordinary income as we have not historically realized positive capital gains (computed net of all realized capital losses) on our investments. Because the assumed 5% annual return is significantly below the hurdle rate of 7% (annualized, 8% annualized during the period from April 1, 2020 through March 31, 2023) that we must achieve under the Advisory Agreement to trigger the payment of an income-based incentive fee, we have assumed, for purposes of this example, that no income-based incentive fee would be payable if we realized a 5% annual return on our investments.

(2) While the example assumes reinvestment of all dividends and distributions at NAV, participants in our dividend reinvestment plan will receive a number of shares of our common stock, determined by dividing the total dollar amount of the dividend payable to a participant by the average cost of shares of our common stock purchased in the open market in the period beginning on or before the payment date of the distribution and ending when the plan agent has expended for such purchases all of the cash that would have been otherwise payable to participants. See *"Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital*

*Resources—Distributions and Dividends to Stockholders—Dividend Reinvestment Plan"* for additional information regarding our dividend reinvestment plan.

(3) For purposes of this example, we have assumed that the entire amount of such 5% annual return would constitute capital gains and that no accumulated capital losses or unrealized depreciation exist that would have to be overcome first before a capital gains based incentive fee is payable.

**Senior Securities**

Information about our senior securities is shown in the following table for the audited periods as of our last ten fiscal years. The information has been derived from our audited financial statements for each respective period, which have been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm. The report of our independent registered public accounting firm, PricewaterhouseCoopers LLP, on the senior securities table as of September 30, 2022, is included elsewhere in this Annual Report.

| Class and Year | Total Amount Outstanding[1] | Asset Coverage per Unit [2] | Involuntary Liquidating Preference per Unit [3] | Average Market Value per Unit [4] |
|---|---|---|---|---|
| **Revolving Credit Facilities** | | | | |
| September 30, 2022 | $ 141,800,000 | $ 1,904 | $ — | N/A |
| September 30, 2021 | 50,500,000 | 2,307 | $ — | N/A |
| September 30, 2020 | 128,000,000 | 2,026 | — | N/A |
| September 30, 2019 | 66,900,000 | 3,369 | — | N/A |
| September 30, 2018 | 110,000,000 | 3,590 | — | N/A |
| September 30, 2017 | 93,000,000 | 3,882 | — | N/A |
| September 30, 2016 | 71,300,000 | 4,623 | — | N/A |
| September 30, 2015 | 127,300,000 | 2,946 | — | N/A |
| September 30, 2014 | 36,700,000 | 3,054 | — | N/A |
| September 30, 2013 | 46,900,000 | 3,410 | — | N/A |
| **Series 2016 Term Preferred Stock [5]** | | | | |
| September 30, 2013 | $ 38,497,050 | $ 3,410 | $ 25.00 | $ 25.49 |
| **Series 2021 Term Preferred Stock [6]** | | | | |
| September 30, 2016 | $ 61,000,000 | $ 2,495 | $ 25.00 | $ 25.55 |
| September 30, 2015 | 61,000,000 | 1,993 | 25.00 | 25.02 |
| September 30, 2014 | 61,000,000 | 3,054 | 25.00 | 24.45 |
| **Series 2024 Term Preferred Stock [7]** | | | | |
| September 30, 2019 | $ 51,750,000 | $ 2,385 | $ 25.00 | $ 24.99 |
| September 30, 2018 | 51,750,000 | 2,444 | 25.00 | 25.63 |
| September 30, 2017 | 51,750,000 | 2,496 | 25.00 | 25.09 |
| **6.125% Notes due 2023 [8]** | | | | |
| September 30, 2020 | 57,500,000 | 2,026 | — | 25.28 |
| September 30, 2019 | 57,500,000 | 3,369 | — | 26.18 |
| **5.375% Notes due 2024 [9]** | | | | |
| September 30, 2021 | $ 38,812,500 | $ 2,307 | $ — | $ 25.33 |
| September 30, 2020 | 38,812,500 | 2,026 | — | 24.49 |
| **5.125% Notes due 2026** | | | | |
| September 30, 2022 | $ 150,000,000 | $ 1,904 | $ — | N/A |
| September 30, 2021 | 150,000,000 | 2,307 | $ — | N/A |
| **3.75% Notes due 2027** | | | | |
| September 30, 2022 | $ 50,000,000 | $ 1,904 | $ — | N/A |

(1) Total amount of each class of senior securities outstanding at the end of the period presented.

(2) Asset coverage ratio for a class of our "senior securities representing indebtedness" means the ratio of the value of our total assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of "senior securities representing indebtedness" and asset coverage ratio for a class of our "senior securities that are stock" means the ratio of the value of our total assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of "senior securities representing indebtedness" plus the aggregate involuntary liquidation preference of a class of "senior security that is stock." Asset coverage per unit is the asset coverage ratio expressed in terms of dollar amounts per one thousand dollars of indebtedness.

(3) The amount to which such class of senior security would be entitled upon the involuntary liquidation of the issuer in preference to any security junior to it.

(4) Only applicable to our Term Preferred Stock, 6.125% notes due 2023 (the "2023 Notes") and 5.375% notes due 2024 ("the 2024 Notes") because the other senior securities are not registered for public trading. Average market value per unit is the average of the closing prices of the securities on the Nasdaq during the last 10 trading days of the period. Average market value per unit for our Series 2024 Term Preferred Stock for September 30, 2017 is the average of the closing prices of the shares on the Nasdaq during the last seven trading days of the period as the stock began trading on September 21, 2017.

(5) In November 2011, we issued 1,539,882 shares of 7.125% Series 2016 Term Preferred Stock (the "Series 2016 Term Preferred Stock") through a public offering and subsequent exercise of an overallotment option. In May 2014, we voluntarily redeemed all outstanding shares of our Series 2016 Term Preferred Stock and therefore had no Series 2016 Term Preferred Stock outstanding at September 30, 2015.

(6) In May 2014, we issued 2,440,000 shares of 6.75% Series 2021 Term Preferred Stock (the "Series 2021 Term Preferred Stock") through a public offering and subsequent exercise of an overallotment option. In September 2017, we voluntarily redeemed all outstanding shares of our Series 2021 Term Preferred Stock and therefore had no Series 2021 Term Preferred Stock outstanding at September 30, 2017.

(7) In September 2017, we issued 2,070,000 shares of Series 2024 Term Preferred Stock through a public offering and subsequent exercise of an overallotment option. In October 2019, we voluntarily redeemed all outstanding shares of our Series 2024 Term Preferred Stock.

(8) In November 2018, we completed a public debt offering of $57.5 million aggregate principal amount of the 2023 Notes, inclusive of the overallotment option. In January 2021, we voluntarily redeemed all of the 2023 Notes.

(9) In October 2019, we completed a public debt offering of $38.8 million aggregate principal amount of the 2024 Notes, inclusive of the overallotment option. In November 2021, we voluntarily redeemed all of the 2024 Notes.

## ITEM 6. RESERVED

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**The following analysis of our financial condition and results of operations should be read in conjunction with our accompanying *Consolidated Financial Statements* and the notes thereto contained elsewhere in this Annual Report. Historical financial condition and results of operations and percentage relationships among any amounts in the financial statements are not necessarily indicative of financial condition, results of operations or percentage relationships for any future periods. Except per share amounts, dollar amounts in the tables included herein are in thousands unless otherwise indicated.**

### OVERVIEW

#### General

We were incorporated under the Maryland General Corporation Law on May 30, 2001. We operate as an externally managed, closed-end, non-diversified management investment company, and have elected to be treated as a BDC under the 1940 Act. In addition, for federal income tax purposes we have elected to be treated as a RIC under the Code. To continue to qualify as a RIC for federal income tax purposes and obtain favorable RIC tax treatment, we must meet certain requirements, including certain minimum distribution requirements.

We were established for the purpose of investing in debt and equity securities of established private businesses operating in the U.S. Our investment objectives are to: (1) achieve and grow current income by investing in debt securities of established lower middle market companies in the U.S. that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time; and (2) provide our stockholders with long-term capital appreciation in the value of our assets by

investing in equity securities, in connection with our debt investments, that we believe can grow over time to permit us to sell our equity investments for capital gains. To achieve our investment objectives, our primary investment strategy is to invest in several categories of debt and equity securities, with each investment generally ranging from $8 million to $30 million, although investment size may vary, depending upon our total assets or available capital at the time of investment. We expect that our investment portfolio over time will consist of approximately 90.0% debt investments and 10.0% equity investments, at cost. As of September 30, 2022, our investment portfolio was made up of approximately 90.7% debt investments and 9.3% equity investments, at cost.

We focus on investing in lower middle market companies (which we generally define as companies with annual earnings before interest, taxes, depreciation and amortization of $3 million to $15 million) in the U.S. that meet certain criteria, including the following: the sustainability of the business' free cash flow and its ability to grow it over time, adequate assets for loan collateral, experienced management teams with a significant ownership interest in the borrower, reasonable capitalization of the borrower, including an ample equity contribution or cushion based on prevailing enterprise valuation multiples and, to a lesser extent, the potential to realize appreciation and gain liquidity in our equity position, if any. We lend to borrowers that need funds for growth capital or to finance acquisitions or recapitalize or refinance their existing debt facilities. We seek to avoid investing in high-risk, early-stage enterprises. Our targeted portfolio companies are generally considered too small for the larger capital marketplace.

We invest by ourselves or jointly with other funds and/or management of the portfolio company, depending on the opportunity. In July 2012, the SEC granted us the Co-Investment Order that expanded our ability to co-invest, under certain circumstances, with certain of our affiliates, including Gladstone Investment, a BDC also managed by the Adviser, and any future BDC or registered closed-end management investment company that is advised (or sub-advised if it controls the fund) by the Adviser, or any combination of the foregoing, subject to the conditions in the Co-Investment Order. We believe the Co-Investment Order has enhanced and will continue to enhance our ability to further our investment objectives and strategies. If we are participating in an investment with one or more co-investors, whether or not an affiliate of ours, our investment is likely to be smaller than if we were investing alone.

**Business**

***Portfolio and Investment Activity***

In general, our investments in debt securities have a term of no more than seven years, accrue interest at variable rates (generally based on the 30-day LIBOR or one-month Term SOFR) and, to a lesser extent, at fixed rates. We seek debt instruments that pay interest monthly or, at a minimum, quarterly, may have a success fee or deferred interest provision and are primarily interest only, with all principal and any accrued but unpaid interest due at maturity. Generally, success fees accrue at a set rate and are contractually due upon a change of control of a portfolio company, typically from an exit or sale. Some debt securities have deferred interest whereby some portion of the interest payment is added to the principal balance so that the interest is paid, together with the principal, at maturity. This form of deferred interest is often called PIK interest.

Typically, our equity investments consist of common stock, preferred stock, limited liability company interests, or warrants to purchase the foregoing. Often, these equity investments occur in connection with our original investment, recapitalizing a business, or refinancing existing debt.

During the year ended September 30, 2022, we invested $215.3 million in 14 new portfolio companies and extended $59.6 million in investments to existing portfolio companies. In addition, during the year ended September 30, 2022, we exited eight portfolio companies through early payoffs or a restructure. We received a total of $175.8 million in combined net proceeds and principal repayments from the aforementioned portfolio company exits as well as principal repayments by existing portfolio companies during the year ended September 30, 2022. This activity resulted in a net increase in our overall portfolio by six portfolio companies to 52 and a net increase of $109.5 million in our portfolio at cost since September 30, 2021. From our initial public offering in August 2001 through September 30, 2022, we have made 609 different loans to, or investments in, 268 companies for a total of approximately $2.5 billion, before giving effect to principal repayments on investments and divestitures.

During the year ended September 30, 2022, the following significant transactions occurred:

Proprietary Investments

- In October 2021, we invested $26.3 million in Engineering Manufacturing Technologies, LLC through secured first lien debt and equity.
- In November 2021, our investment in Lignetics, Inc. was sold, which resulted in the recognition of success fee income of $1.6 million and a realized gain of $13.4 million. In connection with the sale, we received net cash proceeds of approximately $47.2 million, including the repayment of our debt investment of $29.0 million at par.
- In November 2021, our investment in Prophet Brand Strategy paid off at par for net cash proceeds of $13.1 million.In conjunction with the payoff, we received a prepayment fee of $0.1 million.
- In November 2021, our investment in Effective School Solutions LLC paid off at par for net cash proceeds of $19.5 million.In conjunction with the payoff, we received a prepayment fee of $0.5 million.
- In November 2021, we invested $13.4 million in WB Xcel Holdings, LLC through secured first lien debt and equity.
- In December 2021, our investment in Phoenix Aromas & Essential Oils, LLC paid off at par for net cash proceeds of $10.0 million.
- In December 2021, we invested $10.0 million in Fix-it Group, Inc. through secured first lien debt.
- In December 2021, we invested $10.5 million in Workforce QA LLC through secured first lien debt and equity.
- In December 2021, we invested $30.0 million in Springfield, Inc. through secured second lien debt.
- In December 2021, we invested $16.8 million in HH-Inspire Acquisition, Inc. (“HH-Inspire”) through secured first lien debt and preferred equity. In June 2022, we invested an additional $11.5 million in HH-Inspire through secured first lien debt. In August 2022, we invested an additional $0.2 million in HH-Inspire through additional preferred equity. In September 2022, we invested an additional $8.0 million in HH-Inspire through secured first lien debt.
- In January 2022, our investment in Belnick, Inc. paid off at par for net cash proceeds of $10.0 million.
- In March 2022, we invested $5.0 million in Pansophic Learning Ltd., an existing portfolio company, through secured first lien debt.
- In March 2022, our investment in NetFortris Corp. was sold, which resulted in the recognition of success fee income of $3.2 million. In connection with the sale, we received net cash proceeds of $29.0 million, including the repayment of our debt investment of $28.8 million at par. We continue to retain an equity investment in NetFortris Holdings LLC with a cost basis of $0.8 million and fair value of $0.5 million as of September 30, 2022.
- In April 2022, we invested $12.0 million in Axios Industrial Group, LLC through secured first lien debt.
- In April 2022, we invested $14.4 million in Salvo Technologies, Inc. through secured first lien debt and membership units.
- In May 2022, we invested $21.8 million in Viva Railings, LLC through secured first lien debt.
- In June 2022, our investment in LWO Acquisitions Company LLC (“LWO”) was restructured upon emergence from Chapter 11 bankruptcy protection. As part of the restructuring, our existing $16.8 million debt investment in LWO was converted to $3.3 million of first lien debt and $6.8 million of common equity in Lonestar EMS, LLC. In conjunction with the restructuring, we recorded a net realized loss of approximately $8.5 million, including the write off of approximately $1.8 million in other receivables.
- In August 2022, we invested $28.8 million in Giving Home Health Care LLC through secured second lien debt and common equity warrants.

- In August 2022, we invested $15.0 million in Sokol & Company Holdings, LLC through secured first lien debt and common equity.
- In August 2022, we invested an additional $2.5 million in Gray Matter Systems, LLC, an existing investment, through secured second lien debt.
- In September 2022, we invested an additional $10.5 million in Antenna Research Associates, Inc., an existing investment, through secured first lien debt.
- In September 2022, we extended Salt and Straw, LLC a $2.0 million line of credit commitment and an $11.5 million delayed draw term loan commitment. We funded $0.8 million on the line of credit at close.
- In September 2022, Unirac, Inc. was sold. In conjunction with the sale, we received net cash proceeds of $11.8 million, including the repayment of our debt investment at par and a $0.1 million prepayment penalty.
- In September 2022, we invested $15.0 million in Unirac Holdings, Inc. through secured first lien debt. We also extended Unirac Holdings, Inc. a $2.2 million line of credit commitment and a $2.8 million delayed draw term loan commitment, both of which were both unfunded at close.

Syndicated Investments

- In November 2021, our investment in Medical Solutions Holdings, Inc. paid off at par for net cash proceeds of $6.0 million.
- In January 2022, our investment in Keystone Acquisition Corp. paid off at par for net cash proceeds of $4.0 million.

Refer to Note 15—*Subsequent Events* in the accompanying *Consolidated Financial Statements* included elsewhere in this Annual Report for portfolio activity occurring subsequent to September 30, 2022.

***Capital Raising***

We have been able to meet our capital needs through extensions of and increases to our line of credit under the Credit Facility and by accessing the capital markets in the form of public equity offerings of common stock and public and private debt offerings. We have successfully extended the Credit Facility's revolving period multiple times, most recently to October 2023, and currently have a total commitment amount of $225.0 million. We sold 430,425 and 2,737,521 common shares under our at-the-market program during the years ended September 30, 2022 and 2021, respectively. In November 2021, we completed a private placement of $50.0 million aggregate principal amount of the 2027 Notes. In December 2020, we completed an offering of $100.0 million aggregate principal amount of the 2026 Notes. In March 2021, we completed an offering of an additional $50.0 million aggregate principal amount of the 2026 Notes. Refer to *"Liquidity and Capital Resources — Revolving Line of Credit," "Liquidity and Capital Resources — Equity — Common Stock,"* and *"Liquidity and Capital Resources — Notes Payable"* for further discussion.

Although we were able to access the capital markets historically and in recent years, market conditions may affect the trading price of our capital stock and thus may inhibit our ability to finance new investments through the issuance of equity in the future. When our common stock trades below NAV per common share, our ability to issue equity is constrained by provisions of the 1940 Act, which generally prohibits the issuance and sale of our common stock below NAV per common share without first obtaining approval from our stockholders and our independent directors, other than through sales to our then-existing stockholders pursuant to a rights offering. On September 30, 2022, the closing market price of our common stock was $8.49 per share, a 6.5% discount to our September 30, 2022 NAV per share of $9.08.

***Regulatory Compliance***

Our ability to seek external debt financing, to the extent that it is available under current market conditions, is further subject to the asset coverage limitations of the 1940 Act, which require us to have an asset coverage (as defined in Sections 18 and 61 of the 1940 Act) of at least 150% on our "senior securities representing indebtedness" and our "senior securities that are stock."

On April 10, 2018, our Board of Directors, including a "required majority" (as such term is defined in Section 57(o) of the 1940 Act) thereof, approved the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act. As a

result, the Company's asset coverage requirements for senior securities changed from 200% to 150%, effective April 10, 2019.

As of September 30, 2022, our asset coverage on our "senior securities representing indebtedness" was 190.4%.

**Recent Developments**

***Credit Facility***

In October 2022, we entered into Amendment No. 3 to the Credit Facility to increase the commitment amount by $20.0 million from $225.0 million to $245.0 million, as permitted under the terms of the Credit Facility.

***Distributions***

In October 2022, our Board of Directors declared the following monthly cash distributions to common stockholders:

| Record Date | Payment Date | Distribution per Common Share |
|---|---|---|
| October 21, 2022 | October 31, 2022 | $ 0.07 |
| November 18, 2022 | November 30, 2022 | 0.07 |
| December 20, 2022 | December 30, 2022 | 0.07 |
| | **Total for the Quarter** | **$ 0.21** |

***Election of Director***

Effective October 11, 2022, Paula Novara was elected to our Board of Directors. Ms. Novara also serves as head of human resources, facilities and office management and IT of the Adviser and certain of its affiliates.

***LIBOR Transition***

In general, our investments in debt securities have a term of five years, accrue interest at variable rates (based on the one-month LIBOR or SOFR) and, to a lesser extent, at fixed rates. Most U.S. dollar LIBOR are currently anticipated to be phased out in June 2023. LIBOR is currently expected to transition to a new standard rate, the SOFR, which will incorporate certain overnight repo market data collected from multiple data sets. The majority of the new variable rate debt investments that we made during the quarter ended September 30, 2022 are based on SOFR and certain of our other existing investments have been transitioned to SOFR. Further, the majority of our outstanding loan agreements for variable rate debt investments that are still based on one-month LIBOR have been amended to include LIBOR replacement language should LIBOR cease to exist. Assuming that SOFR replaces LIBOR, we expect that there should be minimal impact on our operations. In addition, our Credit Facility has been amended to update the reference rate from LIBOR to SOFR plus an 11 basis point credit spread adjustment.

***Impact of Inflation***

We believe the effects of inflation, if any, on our historical results of operations and financial condition have been immaterial. During the six months ended September 30, 2022, general inflationary pressures and certain commodity price volatility have impacted our portfolio companies to varying degrees; however, the broad based impact of these pricing changes have largely been mitigated by price adjustments without adverse sales implications, and thus, have not materially impacted our portfolio companies' ability to service their indebtedness, including our loans. Notwithstanding the results to date, the cumulative effect of these inflationary pressures may, in the future, impact the profit margins or sales of certain portfolio companies and their ability to service their debts. We continue to monitor the current inflationary environment to anticipate any impact on our portfolio companies, including their availability to pay interest on our loans. We cannot assure you that our results of operations and financial condition or that of our portfolio companies will not be materially impacted by inflation in the future. See *"Risk Factors— We may experience fluctuations in our quarterly and annual results based on the impact of inflation in the U.S."*

**RESULTS OF OPERATIONS**

**Comparison of the Year Ended September 30, 2022 to the Year Ended September 30, 2021**

| | For the Year Ended September 30, | | | |
|---|---|---|---|---|
| | **2022** | **2021** | **$ Change** | **% Change** |
| INVESTMENT INCOME | | | | |
| Interest income | **$ 53,988** | $ 49,959 | $ 4,029 | 8.1 % |
| Other income | **9,162** | 3,835 | 5,327 | 138.9 |
| Total investment income | **63,150** | 53,794 | 9,356 | 17.4 |
| EXPENSES | | | | |
| Base management fee | **10,247** | 8,674 | 1,573 | 18.1 |
| Loan servicing fee | **6,329** | 5,579 | 750 | 13.4 |
| Incentive fee | **7,511** | 5,746 | 1,765 | 30.7 |
| Administration fee | **1,610** | 1,438 | 172 | 12.0 |
| Interest expense | **12,966** | 11,513 | 1,453 | 12.6 |
| Amortization of deferred financing costs | **1,175** | 1,347 | (172) | (12.8) |
| Other expenses | **2,165** | 1,907 | 258 | 13.5 |
| Expenses, before credits from Adviser | **42,003** | 36,204 | 5,799 | 16.0 |
| Credit to base management fee – loan servicing fee | **(6,329)** | (5,579) | (750) | 13.4 |
| Credit to fees from Adviser – other | **(4,803)** | (2,953) | (1,850) | 62.6 |
| Total expenses, net of credits | **30,871** | 27,672 | 3,199 | 11.6 |
| NET INVESTMENT INCOME | **32,279** | 26,122 | 6,157 | 23.6 |
| NET REALIZED AND UNREALIZED GAIN (LOSS) | | | | |
| Net realized gain (loss) on investments | **5,416** | 4,179 | 1,237 | 29.6 |
| Net realized gain (loss) on other | **(243)** | (999) | 756 | (75.7) |
| Net unrealized appreciation (depreciation) of investments | **(17,538)** | 55,347 | (72,885) | (131.7) |
| Net unrealized appreciation (depreciation) of other | **—** | (350) | 350 | (100.0) |
| Net gain (loss) from investments and other | **(12,365)** | 58,177 | (70,542) | (121.3) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | **$ 19,914** | $ 84,299 | $ (64,385) | (76.4)% |
| PER BASIC AND DILUTED COMMON SHARE | | | | |
| Net investment income | **$ 0.94** | $ 0.79 | $ 0.15 | 19.0 % |
| Net increase (decrease) in net assets resulting from operations | **$ 0.58** | $ 2.54 | $ (1.96) | (77.2)% |

***Investment Income***

Interest income increased by 8.1% for the year ended September 30, 2022, as compared to the prior year. The increase was due primarily to an increase in the weighted average principal balance of our interest-bearing portfolio, partially offset by a decrease in the weighted average yield on our interest-bearing portfolio. The weighted average principal balance of our interest-bearing investment portfolio for the year ended September 30, 2022, was $517.0 million, compared to $462.8 million for the year ended September 30, 2021, an increase of $54.2 million, or 11.7%. The weighted average yield on our interest-bearing investments is based on the current stated interest rate on interest-bearing investments, which decreased slightly to 10.4% for the year ended September 30, 2022, compared to 10.6% for the year ended September 30, 2021, inclusive of any allowances on interest receivables made during those periods. The decrease in the weighted average yield was driven mainly by competitive marketplace conditions.

As of September 30, 2022 and 2021, there were no loans on non-accrual status.

Other income increased by 138.9% during the year ended September 30, 2022, as compared to the prior year period primarily due to a $4.6 million increase in success fees received and a $1.2 million increase in dividend income year over year.

As of September 30, 2022 and 2021, no single investment represented greater than 10% of the total investment portfolio at fair value.

***Expenses***

Expenses, net of any non-contractual, unconditional and irrevocable credits to fees from the Adviser, increased $3.2 million, or 11.6%, for the year ended September 30, 2022 as compared to the prior year. This increase was primarily due to a $1.8 million increase in the net incentive fee and a $1.5 million increase in interest expense on borrowings.

Total interest expense on borrowings and notes payable increased by $1.5 million, or 12.6%, during the year ended September 30, 2022 compared to the prior year. This increase was driven by an increase in interest rates and a change in the composition of our overall debt financing. Interest expense on our notes payable increased by $1.0 million year over year with the issuance of the 2027 Notes in November 2021 and the 2026 Notes in December 2020 and March 2021, partially offset by the redemption of the 2023 Notes in January 2021 and the 2024 Notes in November 2021. Interest expense on our Credit Facility increased by $0.4 million period over period, driven primarily by an increase in the effective interest rate on our Credit Facility, partially offset by a decrease in the weighted average balance outstanding on our Credit Facility and a decrease in unused commitment fees, period over period. The effective interest rate on our Credit Facility, including unused commitment fees incurred, but excluding the impact of deferred financing costs, was 6.1% during the year ended September 30, 2022, compared to 5.0% during the prior year. The increase in the effective interest rate was driven primarily by an increase in interest rates. The weighted average balance outstanding on our Credit Facility was $56.1 million during the year ended September 30, 2022, as compared to $59.4 million in the prior year, a decrease of 5.6%.

The gross base management fee earned by the Adviser increased by $1.6 million, or 18.1%, during the year ended September 30, 2022, as compared to the prior year, resulting from an increase in average total assets subject to the base management fee year over year.

The income-based incentive fee increased by $1.8 million, or 30.7%, for the year ended September 30, 2022, as compared to the prior year, due to higher pre-incentive fee net investment income over the respective periods. Our Board of Directors accepted non-contractual, unconditional and irrevocable credits from the Adviser of $0.4 million and $0.5 million, to reduce the income-based incentive fee to the extent net investment income did not cover 100.0% of our distributions to common stockholders during the years ended September 30, 2022 and 2021, respectively.

The base management, loan servicing and incentive fees, and associated non-contractual, unconditional and irrevocable credits, are computed quarterly, as described under *"Transactions with the Adviser"* in Note 4— *Related Party Transactions* of the *Notes to Consolidated Financial Statements* and are summarized in the following table:

| | Year Ended September 30, | |
|---|---|---|
| | **2022** | **2021** |
| Average total assets subject to base management fee[A] | **$ 585,543** | $ 495,657 |
| Multiplied by annual base management fee of 1.75% | **1.75 %** | 1.75 % |
| **Base management fee[B]** | **10,247** | 8,674 |
| Portfolio company fee credit | **(4,196)** | (2,195) |
| Syndicated loan fee credit | **(170)** | (307) |
| **Net Base Management Fee** | **$ 5,881** | $ 6,172 |
| | | |
| **Loan servicing fee[B]** | **$ 6,329** | $ 5,579 |
| Credit to base management fee – loan servicing fee[B] | **(6,329)** | (5,579) |
| **Net Loan Servicing Fee** | **$ —** | $ — |
| | | |
| **Incentive fee[B]** | **$ 7,511** | $ 5,746 |
| Incentive fee credit | **(437)** | (451) |
| **Net Incentive Fee** | **$ 7,074** | $ 5,295 |
| | | |
| Portfolio company fee credit | **$ (4,196)** | $ (2,195) |
| Syndicated loan fee credit | **(170)** | (307) |
| Incentive fee credit | **(437)** | (451) |
| **Credit to Fees from Adviser—Other[B]** | **$ (4,803)** | $ (2,953) |

[A] Average total assets subject to the base management fee is defined as total assets, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings, valued at the end of the two most recently completed quarters within the respective years and adjusted appropriately for any share issuances or repurchases during the period.

[B] Reflected, on a gross basis, as a line item on our accompanying *Consolidated Statement of Operations* located elsewhere in this Annual Report.

***Realized Loss and Unrealized Appreciation***

Net Realized Gain (Loss) on Investments

For the year ended September 30, 2022, we recorded a net realized gain on investments of $5.4 million, which resulted primarily from a $13.4 million realized gain recognized on the sale of our investment in Lignetics, Inc., partially offset by a $8.5 million realized loss recognized on the restructuring of our investment in LWO.

For the year ended September 30, 2021, we recorded a net realized gain on investments of $4.2 million, which resulted primarily from a $5.3 million net realized gain recognized from the exit of AG Transportation Holdings, LLC, a $0.6 million net realized gain from the exit of American Trailer Rental Group LLC and gains from previous exits of certain other investments, partially offset by a $2.4 million net realized loss on our investment in Edmentum Ultimate Holdings, LLC.

Net Unrealized Appreciation of Investments

During the year ended September 30, 2022, we recorded net unrealized depreciation of investments in the aggregate amount of $17.5 million. The net realized gain (loss) and unrealized appreciation (depreciation) across our investments for the year ended September 30, 2022 were as follows:

| | Year Ended September 30, 2022 | | | |
|---|---|---|---|---|
| Portfolio Company | Realized Gain (Loss) | Unrealized Appreciation (Depreciation) | Reversal of Unrealized Depreciation (Appreciation) | Net Gain (Loss) |
| LWO Acquisitions Company LLC | $ (8,496) | $ (328) | $ 14,119 | $ 5,295 |
| ENET Holdings, LLC | — | 4,785 | 447 | 5,232 |
| NetFortris Holdings LLC | — | 3,949 | (284) | 3,665 |
| WB Xcel Holdings, LLC | — | 2,937 | — | 2,937 |
| Imperative Holdings Corporation | — | 2,195 | — | 2,195 |
| R2i Holdings, LLC | — | 620 | — | 620 |
| TNCP Intermediate HoldCo, LLC | — | 609 | — | 609 |
| AG Transportation Holdings, LLC | 468 | — | — | 468 |
| HH-Inspire Acquisition, Inc. | — | (277) | — | (277) |
| Axios Industrial Group, LLC | — | (345) | — | (345) |
| ALS Education, LLC | — | (351) | — | (351) |
| GFRC Holdings, LLC | — | (357) | — | (357) |
| SpaceCo Holdings, LLC | — | (359) | — | (359) |
| Café Zupas | — | (386) | — | (386) |
| Tailwind Smith Cooper Intermediate Corporation | — | (416) | — | (416) |
| Viva Railings, L.L.C. | — | (436) | — | (436) |
| PIC 360, LLC | — | (529) | — | (529) |
| Eegee's LLC | — | (536) | — | (536) |
| 8th Avenue Food & Provisions, Inc. | — | (622) | — | (622) |
| DKI Ventures, LLC | — | (645) | — | (645) |
| Triple H Food Processors, LLC | — | (814) | — | (814) |
| Ohio Armor Holdings, LLC | — | (1,136) | — | (1,136) |
| Defiance Integrated Technologies, Inc. | — | (1,468) | (28) | (1,496) |
| MCG Energy Solutions, LLC | — | (1,549) | — | (1,549) |
| Lignetics, Inc. | 13,408 | — | (14,958) | (1,550) |
| Engineering Manufacturing Technologies, LLC | — | (1,593) | — | (1,593) |
| Targus Cayman HoldCo, Ltd. | — | (2,052) | — | (2,052) |
| B+T Group Acquisition Inc. | — | (3,350) | — | (3,350) |
| Encore Dredging Holdings, LLC | — | (3,353) | — | (3,353) |
| Edge Adhesives Holdings, Inc. | — | (3,590) | — | (3,590) |
| Lonestar EMS, LLC | — | (6,970) | — | (6,970) |
| Other, net (<$500) | 36 | (124) | (343) | (431) |
| **Total:** | **$ 5,416** | **$ (16,491)** | **$ (1,047)** | **$ (12,122)** |

The primary driver of net unrealized depreciation of $17.5 million for the year ended September 30, 2022 was the reversal of unrealized depreciation associated with the exit of our investment in Lignetics, Inc., the decrease in comparable transaction multiples used to estimate the fair value of certain of our other portfolio companies, a pricing decrease in the broadly syndicated loan market, and the decline in the financial and operational performance of certain of our other portfolio companies, partially offset by the reversal of unrealized depreciation associated with the restructuring of our investment in LWO and unrealized appreciation recognized on ENET Holdings, LLC and NetFortris Holdings LLC.

During the year ended September 30, 2021, we recorded net unrealized appreciation of investments in the aggregate amount of $55.3 million. The net realized gain (loss) and unrealized appreciation (depreciation) across our investments for the year ended September 30, 2021 were as follows:

| Portfolio Company | Year Ended September 30, 2021 | | | |
|---|---|---|---|---|
| | Realized Gain (Loss) | Unrealized Appreciation (Depreciation) | Reversal of Unrealized Depreciation (Appreciation) | Net Gain (Loss) |
| Lignetics, Inc. | $ — | $ 14,420 | $ — | $ 14,420 |
| Antenna Research Associates, Inc. | — | 9,306 | — | 9,306 |
| B+T Group Acquisition Inc. | — | 6,453 | — | 6,453 |
| AG Transportation Holdings, LLC | 5,289 | 6,788 | (7,934) | 4,143 |
| Targus Cayman HoldCo, Ltd. | — | 4,125 | — | 4,125 |
| Defiance Integrated Technologies, Inc. | — | 2,535 | — | 2,535 |
| Imperative Holdings Corporation | — | 2,281 | — | 2,281 |
| Leeds Novamark Capital I, L.P | — | 2,219 | — | 2,219 |
| MCG Energy Solutions, LLC | — | 1,659 | — | 1,659 |
| PIC 360, LLC | — | 1,641 | — | 1,641 |
| Triple H Food Processors, LLC | — | 1,523 | — | 1,523 |
| Encore Dredging Holdings, LLC | — | 1,443 | — | 1,443 |
| TNCP Intermediate HoldCo, LLC | — | 1,252 | — | 1,252 |
| Iten Defense, LLC | — | 798 | — | 798 |
| Tailwind Smith Cooper Intermediate Corporation | — | 789 | — | 789 |
| American Trailer Rental Group LLC | 598 | 1,213 | (1,042) | 769 |
| EL Academies, Inc. | — | 760 | — | 760 |
| Café Zupas | — | 746 | — | 746 |
| DKI Ventures, LLC | — | 732 | — | 732 |
| Sea Link International IRB, Inc. | — | 662 | — | 662 |
| Canopy Safety Brands, LLC | — | 657 | — | 657 |
| SpaceCo Holdings, LLC | — | 500 | — | 500 |
| Keystone Acquisition Corp. | — | 481 | — | 481 |
| Edmentum Ultimate Holdings, LLC | (2,351) | — | 2,770 | 419 |
| Medical Solutions Holdings, Inc. | — | 406 | — | 406 |
| R2i Holdings, LLC | — | 351 | — | 351 |
| Belnick, Inc. | — | 350 | — | 350 |
| Vertellus Holdings LLC | (41) | — | 313 | 272 |
| Gray Matter Systems, LLC | — | 260 | — | 260 |
| Unirac, Inc. | — | 238 | — | 238 |
| ALS Education, LLC | — | 237 | — | 237 |
| Magpul Industries Corp. | — | 210 | (210) | — |
| Drive Chassis Holdco, LLC | — | 260 | (261) | (1) |
| Precision International, LLC | 354 | (184) | (332) | (162) |
| GFRC Holdings, LLC | — | (548) | — | (548) |
| LWO Acquisitions Company LLC | — | (609) | — | (609) |
| ENET Holdings, LLC | — | (674) | — | (674) |
| NetFortris Corp. | — | (1,371) | — | (1,371) |
| Other, net (<$500) | 330 | 72 | 62 | 464 |
| **Total:** | **$ 4,179** | **$ 61,981** | **$ (6,634)** | **$ 59,526** |

The primary driver of net unrealized appreciation of $55.3 million for the year ended September 30, 2021 was the improvement in the financial and operational performance across a number of our portfolio companies and an increase in comparable transaction multiples used to estimate the fair value of several of our portfolio companies, partially offset by the reversal of unrealized depreciation associated with the exit of our investment in AG Transportation Holdings, LLC and a decrease in performance of certain of our other portfolio companies.

As of September 30, 2022, the fair value of our investment portfolio was less than its cost basis by approximately $6.4 million and our entire investment portfolio was valued at 99.0% of cost, as compared to cumulative net unrealized appreciation of $11.1 million and a valuation of our entire portfolio at 102.0% of cost as of September 30, 2021.

Net Unrealized (Appreciation) Depreciation of Other

During the year ended September 30, 2021, we recorded $0.4 million of unrealized depreciation on our Credit Facility at fair value. No such amounts were recorded during the year ended September 30, 2022.

The comparison of the fiscal year ended September 30, 2021 to the fiscal year ended September 30, 2020 can be found in our Annual Report on Form 10-K for the fiscal year ended September 30, 2021, as filed with the SEC on November 15, 2021, located within *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.*

## LIQUIDITY AND CAPITAL RESOURCES

### Operating Activities

Our cash flows from operating activities are primarily generated from the interest payments on debt securities that we receive from our portfolio companies, as well as net proceeds received through repayments or sales of our investments. We utilize this cash primarily to fund new investments, make interest payments on our Credit Facility and notes payable, make distributions to our stockholders, pay management and administrative fees to the Adviser and Administrator, and for other operating expenses.

Net cash used in operating activities for the year ended September 30, 2022 was $76.4 million as compared to $14.1 million for the year ended September 30, 2021. The change was primarily due to an increase in purchases of investments. Purchases of investments were $274.9 million during the year ended September 30, 2022 compared to $181.8 million during the year ended September 30, 2021.

Net cash used in operating activities for the year ended September 30, 2021 was $14.1 million as compared to $46.1 million for the year ended September 30, 2020. The change was primarily due to an increase in principal repayments and net proceeds from sales of investments. Repayments and net proceeds from sales were $142.7 million during the year ended September 30, 2021 compared to $78.8 million during the year ended September 30, 2020.

As of September 30, 2022, we had loans to, syndicated participations in or equity investments in 52 companies, with an aggregate cost basis of approximately $656.1 million. As of September 30, 2021, we had loans to, syndicated participations in or equity investments in 46 companies, with an aggregate cost basis of approximately $546.5 million.

The following table summarizes our total portfolio investment activity during the years ended September 30, 2022 and 2021:

| | Year Ended September 30, | |
|---|---|---|
| | 2022 | 2021 |
| Beginning investment portfolio, at fair value | **$ 557,612** | $ 450,400 |
| New investments | **215,254** | 138,992 |
| Disbursements to existing portfolio companies | **59,644** | 42,849 |
| Scheduled principal repayments | **(8,838)** | (4,854) |
| Unscheduled principal repayments | **(151,154)** | (121,962) |
| Net proceeds from sales of investments | **(15,758)** | (12,457) |
| Net unrealized appreciation (depreciation) of investments | **(16,491)** | 61,981 |
| Reversal of prior period net appreciation (depreciation) of investments | **(1,047)** | (6,634) |
| Net realized gain (loss) on investments | **5,416** | 4,179 |
| Increase in investment balance due to PIK interest[(A)] | **4,532** | 5,994 |
| Net change in premiums, discounts and amortization | **445** | (876) |
| **Ending Investment Portfolio, at Fair Value** | **$ 649,615** | $ 557,612 |

(A) PIK interest is a non-cash source of income and is calculated at the contractual rate stated in a loan agreement and added to the principal balance of a loan.

The following table summarizes the contractual principal repayment and maturity of our investment portfolio by fiscal year, assuming no voluntary prepayments, as of September 30, 2022.

| Year Ending September 30, | Amount |
|---|---|
| 2023[(A)] | $ 17,708 |
| 2024 | 58,399 |
| 2025 | 80,786 |
| 2026 | 155,974 |
| 2027 | 246,348 |
| Thereafter | 36,975 |
| **Total contractual repayments** | **$ 596,190** |
| Adjustments to cost basis of debt investments | (1,142) |
| Investments in equity securities | 61,005 |
| **Investments held as of September 30, 2022 at Cost:** | **$ 656,053** |

(A) Includes debt investments with contractual principal amounts totaling $0.3 million for which the maturity date has passed as of September 30, 2022.

**Financing Activities**

Net cash provided by financing activities for the year ended September 30, 2022 was $77.7 million, which consisted primarily of $91.3 million in net borrowings on our Credit Facility and $50.0 million in gross proceeds from the issuance of notes payable, partially offset by $38.8 million used in the redemption of our 2024 Notes and $27.3 million in distributions to common shareholders.

Net cash provided by financing activities for the year ended September 30, 2021 was $12.4 million, which consisted primarily of $150.0 million in gross proceeds from the issuance of notes payable and $26.9 million in gross proceeds from the issuance of common stock, partially offset by $77.5 million in net repayments on our Credit Facility, $57.5 million used in the redemption of our 2023 Notes, and $26.0 million in distributions to common shareholders.

Net cash provided by financing activities for the year ended September 30, 2020 was $32.8 million, which consisted primarily of $61.1 million in net borrowings on our Credit Facility and $38.8 million in gross proceeds from the issuance

of notes payable, partially offset by $51.8 million used in the redemption of our Series 2024 Term Preferred Stock and $25.2 million in distributions to common shareholders.

**Distributions to Stockholders**

***Common Stock Distributions***

To qualify to be taxed as a RIC and thus avoid corporate level federal income tax on the income we distribute to our stockholders, we are required to distribute to our stockholders on an annual basis at least 90.0% of our Investment Company Taxable Income. Additionally, our Credit Facility has a covenant that generally restricts the amount of distributions to stockholders that we can pay out to be no greater than our aggregate net investment income, net capital gains and amounts elected to have been paid during the prior year in accordance with Section 855(a) of the Code. In accordance with these requirements, during the year ended September 30, 2022, we paid monthly cash distributions of $0.065 per common share for the months of October 2021 through March 2022 and paid monthly cash distributions of $0.0675 per common share for the months of April 2022 through September 2022. These distributions totaled an aggregate of $27.3 million. During the year ended September 30, 2021, we paid monthly cash distributions of $0.065 per common share for each month, which totaled an aggregate of $26.0 million. During the year ended September 30, 2020, we paid monthly cash distributions of $0.07 per common share for the months of October 2019 through March 2020 and paid monthly cash distributions of $0.065 per common share for the months of April 2020 through September 2020. These distributions totaled an aggregate of $25.2 million. In October 2022, our Board of Directors declared a monthly distribution of $0.07 per common share for each of October, November, and December 2022. Our Board of Directors declared these distributions to our stockholders based on our estimates of our Investment Company Taxable Income for the fiscal year ending September 30, 2023. From inception through September 30, 2022, we have paid 236 monthly or quarterly consecutive distributions to common stockholders totaling approximately $423.6 million or $21.83 per share.

For the fiscal years ended September 30, 2022, 2021, and 2020, distributions declared and paid exceeded taxable income available for common distributions resulting in a partial return of capital of approximately $1.4 million, $1.0 million, and $0.4 million, respectively.

***Preferred Stock Dividends***

On October 2, 2019, we voluntarily redeemed all 2,070,000 outstanding shares of our Series 2024 Term Preferred Stock at a redemption price of $25.00 per share which represents the liquidation preference per share, plus accrued and unpaid dividends through October 1, 2019 in the amount of $0.004166 per share, for a payment per share of $25.004166 and an aggregate redemption price of approximately $51.8 million.

In accordance with GAAP, we treated these monthly dividends as an operating expense. For federal income tax purposes, the dividends paid by us to preferred stockholders generally constituted ordinary income to the extent of our current and accumulated earnings and profits and is reported after the end of the calendar year based on tax information for the full fiscal year. Such a characterization made on an interim, quarterly basis may not be representative of the actual tax characterization for the full fiscal year.

***Dividend Reinvestment Plan***

Our common stockholders who hold their shares through our transfer agent, Computershare, Inc. (“Computershare”), have the option to participate in a dividend reinvestment plan offered by Computershare, as the plan agent. This is an “opt in” dividend reinvestment plan, meaning that common stockholders may elect to have their cash distributions automatically reinvested in additional shares of our common stock. Common stockholders who do make such election will receive their distributions in cash. Common stockholders who receive distributions in the form of stock will be subject to the same federal, state and local tax consequences as stockholders who elect to receive their distributions in cash. The common stockholder will have an adjusted basis in the additional common shares purchased through the plan equal to the amount of the reinvested distribution. The additional shares will have a new holding period commencing on the day following the date on which the shares are credited to the common stockholder’s account. Computershare purchases shares in the open market in connection with the obligations under the plan.

**Equity**

***Registration Statement***

Our shelf registration statement permits us to issue, through one or more transactions, up to an aggregate of $300.0 million in securities, consisting of common stock, preferred stock, subscription rights, debt securities and warrants to purchase common stock or preferred stock. As of September 30, 2022, we had the ability to issue up to an additional $295.5 million in securities under the registration statement.

***Common Stock***

In May 2021, we entered into an equity distribution agreement with Jefferies LLC, as amended in August 2022 (the "Jefferies Sales Agreement") under which we have the ability to issue and sell, from time to time, shares of our common stock with an aggregate offering price of up to $60.0 million. During the year ended September 30, 2022, we sold 430,425 shares of our common stock under the Jefferies Sales Agreement, at a weighted-average price of $10.53 per share and raised $4.5 million of gross proceeds. Net proceeds, after deducting commissions and offering costs borne by us, were approximately $4.5 million. As of September 30, 2022, we had a remaining capacity to sell up to an additional $47.8 million of our common stock under the Jefferies Sales Agreement.

We anticipate issuing equity securities to obtain additional capital in the future. However, we cannot determine the timing or terms of any future equity issuances or whether we will be able to issue equity on terms favorable to us, or at all. To the extent that our common stock trades at a market price below our NAV per share, we will generally be precluded from raising equity capital through public offerings of our common stock, other than pursuant to stockholder and independent director approval or a rights offering to existing common stockholders.

On September 30, 2022, the closing market price of our common stock was $8.49 per share, a 6.5% discount to our September 30, 2022 NAV per share of $9.08.

**Revolving Line of Credit**

On May 13, 2021, we, through Business Loan, amended and restated the Credit Facility to, among other things, (i) decrease the commitment amount from $205.0 million to $175.0 million, (ii) extend the revolving period end date to October 31, 2023, (iii) extend the maturity date to October 31, 2025 (at which time all principal and interest will be due and payable if the Credit Facility is not extended by the revolving period end date), (iv) reduce the interest rate margin to 2.70% during the revolving period and 3.25% thereafter, with a LIBOR floor of 0.35%, (v) revise the unused fee to include an additional fee tier of 0.35% per annum on the daily undrawn amounts if the average unused amount is equal to or less than 35% during the applicable period, (vi) provide for certain excess concentration limits, including a reduced second lien limit and a new broadly syndicated loan limit and (vii) add customary LIBOR replacement language. We incurred fees of approximately $1.1 million in connection with this amendment and restatement, which are being amortized through our Credit Facility's revolving period end date of October 31, 2023.

On September 12, 2022, we, through Business Loan, entered into Amendment No. 1 to the Credit Facility to update the reference rate from LIBOR to Term SOFR plus an 11 basis point credit spread adjustment. On September 20, 2022, we, through Business Loan, entered into Amendment No. 2 to the Credit Facility to increase the size of the credit facility by $50.0 million from $175.0 million to $225.0 million, as permitted under the terms of the Credit Facility.

Interest is payable monthly during the term of our Credit Facility. Available borrowings are subject to various constraints imposed under our Credit Facility, based on the aggregate loan balance pledged by Business Loan, which varies as loans are added and repaid, regardless of whether such repayments are prepayments or made as contractually required. Our Credit Facility also requires that any interest or principal payments on pledged loans be remitted directly by the borrower into a lockbox account with KeyBank and with The Bank of New York Mellon Trust Company, N.A. as custodian. KeyBank, which also serves as the trustee of the account, generally remits the collected funds to us once a month.

Our Credit Facility contains covenants that require Business Loan to maintain its status as a separate legal entity, prohibit certain significant corporate transactions (such as mergers, consolidations, liquidations or dissolutions), and restrict material changes to our credit and collection policies without the lenders' consents. Our Credit Facility generally limits distributions to our stockholders on a fiscal year basis to the sum of our net investment income, net capital gains and amounts elected to have been paid during the prior year in accordance with Section 855(a) of the Code. Business Loan is also subject to certain limitations on the type of loan investments it can apply as collateral towards the borrowing base to

receive additional borrowing availability under our Credit Facility, including restrictions on geographic concentrations, sector concentrations, loan size, payment frequency and status, average life, portfolio company leverage and lien property. Our Credit Facility further requires Business Loan to comply with other financial and operational covenants, which obligate Business Loan to, among other things, maintain certain financial ratios, including asset and interest coverage and a minimum number of 25 obligors required in the borrowing base.

Additionally, we are required to maintain (i) a minimum net worth (defined in our Credit Facility to include any outstanding mandatorily redeemable preferred stock) of $325.0 million plus 50.0% of all equity and subordinated debt raised after May 13, 2021 less 50% of any equity and subordinated debt retired or redeemed after May 13, 2021, which equates to $336.7 million as of September 30, 2022, (ii) asset coverage with respect to "senior securities representing indebtedness" of at least 150% (or such percentage as may be set forth in Section 18 of the 1940 Act, as modified by Section 61 of the 1940 Act), and (iii) our status as a BDC under the 1940 Act and as a RIC under the Code.

As of September 30, 2022, and as defined in our Credit Facility, we had a net worth of $512.3 million, asset coverage on our "senior securities representing indebtedness" of 190.4% and an active status as a BDC and RIC. In addition, as of September 30, 2022, we had 33 obligors in our Credit Facility's borrowing base and we were in compliance with all of our Credit Facility covenants. Refer to Note 5—*Borrowings* of the notes to our *Consolidated Financial Statements* included elsewhere in this Annual Report for additional information regarding our Credit Facility.

**Notes Payable**

In November 2021, we completed a private placement of $50.0 million aggregate principal amount of 3.75% Notes due 2027 (the "2027 Notes") for net proceeds of approximately $48.5 million after deducting initial purchasers' costs, commissions and offering expenses borne by us. The 2027 Notes will mature on May 1, 2027 and may be redeemed in whole or in part at any time or from time to time at the Company's option prior to maturity at par plus a "make-whole" premium, if applicable. The 2027 Notes bear interest at a rate of 3.75% per year. Interest is payable semi-annually on May 1 and November 1 of each year (which equates to approximately $1.9 million per year).

In April 2022, pursuant to the registration rights agreement we entered into in connection with the 2027 Notes, we conducted an exchange offer through which we offered to exchange all of our then outstanding 2027 Notes (the "Restricted Notes") that were issued on November 4, 2021, for an equal aggregate principal amount of our new 3.75% Notes due 2027 (the "Exchange Notes") that had been registered with the SEC under the Securities Act. The terms of the Exchange Notes are identical to those of the outstanding Restricted Notes, except that the transfer restrictions and registration rights relating to the Restricted Notes do not apply to the Exchange Notes, and the Exchange Notes do not provide for the payment of additional interest in the event of a registration default.

In December 2020, we completed an offering of $100.0 million aggregate principal amount of 5.125% Notes due 2026 (the "2026 Notes") for net proceeds of approximately $97.7 million after deducting underwriting discounts, commissions and offering expenses borne by us. In March 2021, we completed an offering of an additional $50.0 million aggregate principal amount of the 2026 Notes for net proceeds of approximately $50.6 million after adding premiums and deducting underwriting costs, commissions and offering expenses borne by us. The 2026 Notes will mature on January 31, 2026 and may be redeemed in whole or in part at any time or from time to time at the Company's option prior to maturity at par plus a "make-whole" premium, if applicable. The 2026 Notes bear interest at a rate of 5.125% per year. Interest is payable semi-annually on January 31 and July 31 of each year (which equates to approximately $7.7 million per year).

In October 2019, we completed an offering of $38.8 million aggregate principal amount of 5.375% Notes due 2024 (the "2024 Notes"), inclusive of the overallotment option exercised by the underwriters, for net proceeds of approximately $37.5 million after deducting underwriting discounts, commissions and offering expenses borne by us. On November 1, 2021, we voluntarily redeemed the 2024 Notes with an aggregate principal amount outstanding of $38.8 million. The 2024 Notes would have otherwise matured on November 1, 2024.

In November 2018, we completed an offering of $57.5 million aggregate principal amount of 6.125% Notes due 2023 (the "2023 Notes"), inclusive of the overallotment option exercised by the underwriters, for net proceeds of $55.4 million after deducting underwriting discounts, commissions and offering expenses borne by us. On January 7, 2021, we voluntarily redeemed the 2023 Notes with an aggregate principal amount outstanding of $57.5 million. The redemption amount was $58.1 million inclusive of accrued interest through the date of redemption. In connection with the voluntary redemption of the 2023 Notes, we incurred a loss on extinguishment of debt of $1.2 million, which is primarily comprised of the unamortized deferred issuance costs at the time of redemption. The 2023 Notes would have otherwise matured on November 1, 2024.

The indenture relating to the 2027 Notes and the 2026 Notes contains certain covenants, including (i) an inability to incur additional debt or issue additional debt or preferred securities unless the Company's asset coverage meets the threshold specified in the 1940 Act after such borrowing, (ii) an inability to declare any dividend or distribution (except a dividend payable in our stock) on a class of our capital stock or to purchase shares of our capital stock unless the Company's asset coverage meets the threshold specified in the 1940 Act at the time of (and giving effect to) such declaration or purchase, and (iii) if, at any time, we are not subject to the reporting requirements of the Exchange Act, we will provide the holders of the 2027 Notes and the 2026 Notes, as applicable, and the trustee with audited annual consolidated financial statements and unaudited interim consolidated financial statements.

**Off-Balance Sheet Arrangements**

We generally recognize success fee income when the payment has been received. As of September 30, 2022 and 2021, we had off-balance sheet success fee receivables on our accruing debt investments of $4.7 million and $11.7 million (or approximately $0.13 per common share and $0.34 per common share), respectively, that would be owed to us, generally upon a change of control of the portfolio companies. Consistent with GAAP, we generally have not recognized our success fee receivables and related income in our Consolidated Financial Statements until earned. Due to the contingent nature of our success fees, there are no guarantees that we will be able to collect all of these success fees or know the timing of such collections.

**Contractual Obligations**

We have lines of credit, delayed draw term loans, and an uncalled capital commitment with certain of our portfolio companies that have not been fully drawn. Since these commitments have expiration dates and we expect many will never be fully drawn, the total commitment amounts do not necessarily represent future cash requirements. We estimate the fair value of the combined unused lines of credit, the unused delayed draw term loans, and the uncalled capital commitment as of September 30, 2022 and 2021 to be immaterial.

The following table shows our contractual obligations as of September 30, 2022, at cost:

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| **Contractual Obligations[A]** | **Less than 1 Year** | **1-3 Years** | **3-5 Years** | **More than 5 Years** | **Total** |
| Credit Facility[B] | $ — | $ — | $ 141,800 | $ — | $ 141,800 |
| Notes Payable | — | — | 200,000 | — | 200,000 |
| Interest expense on debt obligations[C] | 18,755 | 37,509 | 6,297 | — | 62,561 |
| **Total** | **$ 18,755** | **$ 37,509** | **$ 348,097** | **$ —** | **$ 404,361** |

(A) Excludes our unused line of credit commitments, unused delayed draw term loans, and uncalled capital commitments to our portfolio companies in an aggregate amount of $74.8 million, at cost, as of September 30, 2022.

(B) Principal balance of borrowings outstanding under our Credit Facility, based on the maturity date following the current contractual revolver period end date.

(C) Includes estimated interest payments on our Credit Facility, 2027 Notes, and 2026 Notes. The amount of interest expense calculated for purposes of this table was based upon rates and balances as of September 30, 2022.

**Critical Accounting Estimates**

The preparation of financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect the reported consolidated amounts of assets and liabilities, including disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. Actual results could differ materially from those estimates under different assumptions or conditions. We have identified our investment valuation policy (which has been approved by our Board of Directors) as our most critical accounting policy, which is described in Note 2—*Summary of Significant Accounting Policies* in the accompanying notes to our *Consolidated Financial Statements* included elsewhere in this Annual Report. Additionally, refer to Note 3—*Investments* in our accompanying *Notes to Consolidated Financial Statements* included elsewhere in this Annual Report for additional information regarding fair value measurements and our application of Financial Accounting Standards Board Accounting Standards Codification Topic 820, *"Fair Value Measurements and Disclosures."* We have also identified our revenue recognition policy as a critical accounting policy, which is described in Note 2—*Summary of Significant*

*Accounting Policies* in our accompanying *Notes to Consolidated Financial Statements* included elsewhere in this Annual Report.

***Investment Valuation***

Credit Monitoring and Risk Rating

The Adviser monitors a wide variety of key credit statistics that provide information regarding our portfolio companies to help us assess credit quality and portfolio performance and, in some instances, used as inputs in our valuation techniques. Generally, we, through the Adviser, participate in periodic board meetings of our portfolio companies in which we hold board seats and also require them to provide annual audited and monthly unaudited financial statements. Using these statements or comparable information and board discussions, the Adviser calculates and evaluates certain credit statistics.

The Adviser risk rates all of our investments in debt securities. The Adviser does not risk rate our equity securities. For syndicated loans that have been rated by an SEC registered Nationally Recognized Statistical Rating Organization ("NRSRO"), the Adviser generally uses the average of two corporate level NRSRO's risk ratings for such security. For all other debt securities, the Adviser uses a proprietary risk rating system. While the Adviser seeks to mirror the NRSRO systems, we cannot provide any assurance that the Adviser's risk rating system will provide the same risk rating as an NRSRO would for these securities. The Adviser's risk rating system is used to estimate the probability of default on debt securities and the expected loss if there is a default. The Adviser's risk rating system uses a scale of 0 to >10, with >10 being the lowest probability of default. It is the Adviser's understanding that most debt securities of medium-sized companies do not exceed the grade of BBB on an NRSRO scale, so there would be no debt securities in the middle market that would meet the definition of AAA, AA or A. Therefore, the Adviser's scale begins with the designation >10 as the best risk rating which may be equivalent to a BBB from an NRSRO; however, no assurance can be given that a >10 on the Adviser's scale is equal to a BBB or Baa2 on an NRSRO scale. The Adviser's risk rating system covers both qualitative and quantitative aspects of the business and the securities we hold.

The following table reflects risk ratings for all proprietary loans in our portfolio as of September 30, 2022 and 2021, representing approximately 97.9% and 95.5%, respectively, of the principal balance of all debt investments in our portfolio at the end of each period:

| | As of September 30, | |
|---|---|---|
| **Rating** | **2022** | **2021** |
| Highest | **10.0** | 10.0 |
| Average | **7.1** | 6.6 |
| Weighted Average | **7.6** | 7.0 |
| Lowest | **1.0** | 1.0 |

The following table reflects the risk ratings for all syndicated loans in our portfolio that were rated by an NRSRO as of September 30, 2022 and 2021, representing approximately 1.6% and 3.9%, respectively, of the principal balance of all debt investments in our portfolio at the end of each period:

| | As of September 30, | |
|---|---|---|
| **Rating** | **2022** | **2021** |
| Highest | **4.0** | 5.0 |
| Average | **3.4** | 4.6 |
| Weighted Average | **3.6** | 4.5 |
| Lowest | **3.0** | 4.0 |

The following table reflects the risk ratings for all syndicated loans in our portfolio that were not rated by an NRSRO as of September 30, 2022 and 2021, representing approximately 0.5% and 0.6%, respectively, of the principal balance of all debt investments in our portfolio at the end of each period:

| | As of September 30, | |
|---|---|---|
| **Rating** | **2022** | **2021** |
| Highest | **5.0** | 5.0 |
| Average | **5.0** | 5.0 |
| Weighted Average | **5.0** | 5.0 |
| Lowest | **5.0** | 5.0 |

***Tax Status***

We intend to continue to maintain our qualification as a RIC under Subchapter M of the Code for federal income tax purposes and also to limit certain federal excise taxes imposed on RICs. Refer to Note 10—*Federal and State Income Taxes* in our accompanying *Notes to Consolidated Financial Statements* included elsewhere in this Annual Report for additional information regarding our tax status.

***Recent Accounting Pronouncements***

Refer to Note 2—*Summary of Significant Accounting Policies* in the notes to our accompanying *Consolidated Financial Statements* included elsewhere in this Annual Report for a description of recent accounting pronouncements.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. The prices of securities held by us may decline in response to certain events, including those directly involving the companies whose securities are owned by us; conditions affecting the general economy; overall market changes, including due to inflation; local, regional or global political, social or economic instability; and interest rate fluctuations.

The primary risk we believe we are exposed to is interest rate risk. Because we borrow money to make investments, our net investment income is dependent upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. We use a combination of debt and equity capital to finance our investing activities. We may use interest rate risk management techniques from time to time to limit our exposure to interest rate fluctuations. Such techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act.

All of our variable-rate debt investments have rates generally associated with either the current LIBOR, SOFR, or prime rate. As of September 30, 2022, our portfolio of debt investments on a principal basis consisted of the following:

| | |
|---|---|
| Variable rates | 88.5 % |
| Fixed rates | 11.5 |
| Total | 100.0 % |

To illustrate the potential impact of changes in market interest rates on our net increase in net assets resulting from operations, we have performed the following hypothetical analysis, which assumes that our balance sheet and contractual

interest rates remain constant as of September 30, 2022 and no further actions are taken to alter our existing interest rate sensitivity.

| Basis Point Change[A] | Increase (Decrease) in Interest Income | Increase (Decrease) in Interest Expense | Net Increase (Decrease) in Net Assets Resulting from Operations[B] |
|---|---|---|---|
| Up 200 basis points | $ 10,552 | $ 2,836 | $ 7,716 |
| Up 100 basis points | 5,276 | 1,418 | 3,858 |
| Up 50 basis points | 2,638 | 709 | 1,929 |
| Down 50 basis points | (2,638) | (709) | (1,929) |
| Down 100 basis points | (5,276) | (1,418) | (3,858) |
| Down 200 basis points | (9,739) | (2,836) | (6,903) |

(A) Illustrates the potential impact of changes in market rates as compared to 30-day LIBOR of 3.14% and 30-day SOFR of 3.04% as of September 30, 2022.
(B) Excludes the potential impact of changes in incentive fees.

Although management believes that this analysis is indicative of our existing interest rate sensitivity, it does not adjust for potential changes in credit quality, size and composition of our loan portfolio on the balance sheet and other business developments, including any replacement of LIBOR, that could affect net increase in net assets resulting from operations or otherwise impact our results or operations. Accordingly, actual results could differ significantly from those in the hypothetical analysis in the table above.

We may also experience risk associated with investing in securities of companies with foreign operations. Some of our portfolio companies have operations located outside the U.S. These risks include fluctuations in foreign currency exchange rates, imposition of foreign taxes, changes in exportation regulations and political and social instability.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### Index to Consolidated Financial Statements

**Management's Annual Report on Internal Control over Financial Reporting**

To the Stockholders and Board of Directors of Gladstone Capital Corporation:

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and include those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and the dispositions of our assets; (2) provide reasonable assurance that our transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with appropriate authorizations; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of our management, we assessed the effectiveness of our internal control over financial reporting as of September 30, 2022, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework (2013).* Based on its assessment, management has concluded that our internal control over financial reporting was effective as of September 30, 2022.

November 14, 2022

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of Gladstone Capital Corporation

***Opinion on the Financial Statements***

We have audited the accompanying consolidated statements of assets and liabilities, including the consolidated schedules of investments, of Gladstone Capital Corporation and its subsidiaries (the "Company") as of September 30, 2022 and 2021, and the related consolidated statements of operations, changes in net assets and cash flows for each of the three years in the period ended September 30, 2022, including the related notes and financial statement schedule listed in the index appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2022 and 2021, and the results of its operations, changes in its net assets and its cash flows for each of the three years in the period ended September 30, 2022 in conformity with accounting principles generally accepted in the United States of America.

We have also previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of assets and liabilities, including the consolidated schedules of investments, of the Company as of September 30, 2020, 2019, 2018, 2017, 2016, 2015, 2014, and 2013, and the related consolidated statements of operations, changes in net assets and cash flows for the years ended September 30, 2019, 2018, 2017, 2016, 2015, 2014, and 2013 (none of which are presented herein), and we expressed unqualified opinions on those consolidated financial statements. In our opinion, the information set forth in the Senior Securities table of the Company for each of the ten years in the period ended September 30, 2022, appearing on pages 47-48 under Item 5 of this Form 10-K, is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

***Basis for Opinion***

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

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

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our procedures included confirmation of securities owned as of September 30, 2022 and 2021 by correspondence with the custodian, agent banks and portfolio company investees; when replies were not received, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

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

*Valuation of Level 3 Investments*

As described in Notes 2 and 3 to the consolidated financial statements, the Company held $643.16 million of total level 3 investments at fair value as of September 30, 2022. Management uses significant unobservable inputs in estimating the fair value of its level 3 investments, including (i) with respect to investments valued using a total enterprise value, portfolio company earnings before interest, taxes, depreciation and amortization ("EBITDA") and EBITDA multiples, revenue and revenue multiples, or a discounted cash flow analysis using estimated risk-adjusted discount rates; (ii) with respect to investments valued using a yield analysis, a modified discount rate; and (iii) with respect to investments valued using market quotations for which a limited market exists, the lower indicative bid price in the bid-to-ask price range. The principal considerations for our determination that performing procedures relating to the valuation of level 3 investments is a critical audit matter are (i) the significant judgment by management to determine the fair value of these level 3 investments using a total enterprise value or yield analysis due to the use of significant unobservable inputs, which in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence related to the EBITDA and EBITDA multiples and revenue and revenue multiples used in a total enterprise value and the modified discount rate used in a yield analysis, and (ii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others, either (i) testing management's process for determining the fair value estimate, including testing the completeness and accuracy of data provided by management, evaluating the appropriateness of management's valuation methods, and evaluating the reasonableness of the EBITDA and EBITDA multiples and revenue and revenue multiples used in a total enterprise value and the modified discount rate used in a yield analysis by considering current and past performance of the investment, consistency of the unobservable inputs with external market data and evidence obtained in other areas of the audit, and management's historical forecasting accuracy, or (ii) the involvement of professionals with specialized skill and knowledge to assist in developing an independent fair value estimate for certain level 3 investments and comparison of management's estimate to the independently developed estimate. Developing an independent fair value estimate involved testing the completeness and accuracy of data provided by management and independently developing significant unobservable inputs related to the modified discount rate for those investments valued using a yield analysis and the EBITDA and EBITDA multiples or revenue and revenue multiples for those investments valued using a total enterprise value.

/s/ PricewaterhouseCoopers LLP

Washington, DC
November 14, 2022

We have served as the Company's auditor since 2002.

**GLADSTONE CAPITAL CORPORATION**
**CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES**
**(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)**

| | September 30, 2022 | September 30, 2021 |
|---|---|---|
| **ASSETS** | | |
| Investments, at fair value: | | |
| Non-Control/Non-Affiliate investments (Cost of **$571,736** and $447,566, respectively) | **$ 574,811** | $ 454,601 |
| Affiliate investments (Cost of **$49,412** and $70,682, respectively) | **39,091** | 82,281 |
| Control investments (Cost of **$34,905** and $28,264, respectively) | **35,713** | 20,730 |
| Cash and cash equivalents | **2,011** | 671 |
| Restricted cash and cash equivalents | **96** | 175 |
| Interest receivable, net | **2,737** | 2,361 |
| Due from administrative agent | **3,199** | 2,951 |
| Deferred financing costs, net | **836** | 1,033 |
| Other assets, net | **2,474** | 1,697 |
| **TOTAL ASSETS** | **$ 660,968** | $ 566,500 |
| **LIABILITIES** | | |
| Line of credit at fair value (Cost of **$141,800** and $50,500, respectively) | **$ 141,800** | $ 50,500 |
| Notes payable, net of unamortized deferred financing costs of **$2,393** and $2,202, respectively | **197,607** | 186,611 |
| Accounts payable and accrued expenses | **500** | 490 |
| Interest payable | **2,517** | 1,797 |
| Fees due to Adviser[(A)] | **2,104** | 2,255 |
| Fee due to Administrator[(A)] | **423** | 382 |
| Other liabilities | **530** | 6,026 |
| **TOTAL LIABILITIES** | **$ 345,481** | $ 248,061 |
| Commitments and contingencies[(B)] | | |
| **NET ASSETS** | | |
| Common stock, $0.001 par value per share, **44,560,000** and 44,560,000 shares authorized, respectively, and **34,734,796** and 34,304,371 shares issued and outstanding, respectively | **$ 35** | $ 34 |
| Capital in excess of par value[(C)] | **395,542** | 392,494 |
| Cumulative net unrealized appreciation (depreciation) of investments | **(6,438)** | 11,100 |
| Under (over) distributed net investment income[(C)] | **(500)** | 149 |
| Accumulated net realized losses | **(73,152)** | (85,338) |
| Total distributable loss | **(80,090)** | (74,089) |
| **TOTAL NET ASSETS** | **$ 315,487** | $ 318,439 |
| **NET ASSET VALUE PER COMMON SHARE** | **$ 9.08** | $ 9.28 |

(A) Refer to Note 4—*Related Party Transactions* for additional information.
(B) Refer to Note 11—*Commitments and Contingencies* for additional information.
(C) Refer to Note 9—*Distributions to Common Stockholders* for additional information.

*THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.*

**GLADSTONE CAPITAL CORPORATION**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
**(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)**

| | Year ended September 30, | | |
|---|---|---|---|
| | **2022** | **2021** | **2020** |
| **INVESTMENT INCOME** | | | |
| Interest income | | | |
| Non-Control/Non-Affiliate investments | **$ 43,771** | $ 40,953 | $ 37,469 |
| Affiliate investments | **3,523** | 4,815 | 4,296 |
| Control investments | **2,454** | 1,646 | 1,661 |
| Cash and cash equivalents | **11** | — | 17 |
| Total interest income (excluding PIK interest income) | **49,759** | 47,414 | 43,443 |
| PIK interest income | | | |
| Non-Control/Non-Affiliate investments | **4,014** | 2,545 | 2,578 |
| Affiliate investments | **215** | — | — |
| Total PIK interest income | **4,229** | 2,545 | 2,578 |
| Total interest income | **53,988** | 49,959 | 46,021 |
| Success fee income | | | |
| Non-Control/Non-Affiliate investments | **3,231** | 202 | 350 |
| Affiliate investments | **1,563** | — | — |
| Total success fee income | **4,794** | 202 | 350 |
| Dividend income | | | |
| Non-Control/Non-Affiliate investments | **2,181** | 1,645 | 166 |
| Control investments | **1,281** | 611 | 559 |
| Total dividend income | **3,462** | 2,256 | 725 |
| Other income | **906** | 1,377 | 863 |
| Total investment income | **63,150** | 53,794 | 47,959 |
| **EXPENSES** | | | |
| Base management fee[(A)] | **10,247** | 8,674 | 7,568 |
| Loan servicing fee[(A)] | **6,329** | 5,579 | 5,819 |
| Incentive fee[(A)] | **7,511** | 5,746 | 5,251 |
| Administration fee[(A)] | **1,610** | 1,438 | 1,430 |
| Interest expense on line of credit and notes payable | **12,966** | 11,513 | 9,991 |
| Amortization of deferred financing costs | **1,175** | 1,347 | 1,484 |
| Professional fees | **803** | 806 | 877 |
| Other general and administrative expenses | **1,362** | 1,101 | 1,228 |
| Expenses, before credits from Adviser | **42,003** | 36,204 | 33,648 |
| Credit to base management fee - loan servicing fee[(A)] | **(6,329)** | (5,579) | (5,819) |
| Credit to fees from Adviser - other[(A)] | **(4,803)** | (2,953) | (5,033) |
| Total expenses, net of credits | **30,871** | 27,672 | 22,796 |
| **NET INVESTMENT INCOME** | **32,279** | 26,122 | 25,163 |
| **NET REALIZED AND UNREALIZED GAIN (LOSS)** | | | |
| Net realized gain (loss): | | | |
| Non-Control/Non-Affiliate investments | **504** | 4,179 | (7,413) |
| Affiliate investments | **13,408** | — | (63) |
| Control investments | **(8,496)** | — | — |
| Other | **(243)** | (999) | (1,407) |
| Total net realized gain (loss) | **5,173** | 3,180 | (8,883) |
| Net unrealized appreciation (depreciation): | | | |

| | | | |
|---|---|---|---|
| Non-Control/Non-Affiliate investments | **(3,960)** | 33,786 | (11,355) |
| Affiliate investments | **(21,920)** | 16,742 | (1,643) |
| Control investments | **8,342** | 4,819 | (5,672) |
| Other | — | (350) | 517 |
| Total net unrealized appreciation (depreciation) | **(17,538)** | 54,997 | (18,153) |
| Net realized and unrealized gain (loss) | **(12,365)** | 58,177 | (27,036) |
| **NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS** | **$ 19,914** | $ 84,299 | $ (1,873) |
| **BASIC AND DILUTED PER COMMON SHARE:** | | | |
| Net investment income | **$ 0.94** | $ 0.79 | $ 0.81 |
| Net increase (decrease) in net assets resulting from operations | **$ 0.58** | $ 2.54 | $ (0.06) |
| **WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:** | | | |
| Basic and Diluted | **34,351,663** | 33,234,482 | 31,040,852 |

(A) Refer to Note 4—*Related Party Transactions* for additional information.

*THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.*

**GLADSTONE CAPITAL CORPORATION**
**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**
**(DOLLAR AMOUNTS IN THOUSANDS)**

| | Year ended September 30, | | |
|---|---|---|---|
| | **2022** | **2021** | **2020** |
| **OPERATIONS** | | | |
| Net investment income | **$ 32,279** | $ 26,122 | $ 25,163 |
| Net realized gain (loss) on investments | **5,416** | 4,179 | (7,476) |
| Net realized loss on other | **(243)** | (999) | (1,407) |
| Net unrealized appreciation (depreciation) of investments | **(17,538)** | 55,347 | (18,670) |
| Net unrealized appreciation (depreciation) of other | **—** | (350) | 517 |
| Net increase (decrease) in net assets from operations | **19,914** | 84,299 | (1,873) |
| **DISTRIBUTIONS** | | | |
| Distributions to common stockholders from net investment income (**$0.76**, $0.75, and $0.80 per share, respectively)[(A)] | **(25,916)** | (24,987) | (24,752) |
| Distributions to common stockholders from return of capital (**$0.04**, $0.03, and $0.01 per share, respectively)[(A)] | **(1,406)** | (985) | (411) |
| Net decrease in net assets from distributions | **(27,322)** | (25,972) | (25,163) |
| **CAPITAL TRANSACTIONS** | | | |
| Issuance of common stock | **4,533** | 26,850 | 11,664 |
| Offering costs for issuance of common stock | **(77)** | (481) | (215) |
| Net increase (decrease) in net assets from capital transactions | **4,456** | 26,369 | 11,449 |
| **NET INCREASE (DECREASE) IN NET ASSETS** | **(2,952)** | 84,696 | (15,587) |
| **NET ASSETS, BEGINNING OF YEAR** | **318,439** | 233,743 | 249,330 |
| **NET ASSETS, END OF YEAR** | **$ 315,487** | $ 318,439 | $ 233,743 |

[(A)] Refer to Note 9 – *Distributions to Common Stockholders* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

*THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.*

**GLADSTONE CAPITAL CORPORATION**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(DOLLAR AMOUNTS IN THOUSANDS)**

| | Year ended September 30, | | |
|---|---|---|---|
| | **2022** | **2021** | **2020** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net increase (decrease) in net assets resulting from operations | **$ 19,914** | $ 84,299 | $ (1,873) |
| Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities: | | | |
| Purchase of investments | **(274,898)** | (181,841) | (149,906) |
| Principal repayments on investments | **159,992** | 126,816 | 75,992 |
| Proceeds from sale of investments | **15,848** | 15,848 | 2,763 |
| Increase in investments due to paid-in-kind interest or other | **(4,532)** | (5,994) | (2,400) |
| Net change in premiums, discounts and amortization | **(445)** | 876 | (329) |
| Net realized loss (gain) on investments | **(5,416)** | (4,179) | 7,685 |
| Net unrealized depreciation (appreciation) of investments | **17,538** | (55,347) | 18,670 |
| Net realized loss (gain) on other | **243** | 999 | 1,407 |
| Net unrealized depreciation (appreciation) of other | **—** | 350 | (517) |
| Amortization of deferred financing costs | **1,175** | 1,347 | 1,484 |
| Changes in assets and liabilities: | | | |
| Decrease (increase) in interest receivable, net | **(376)** | 640 | (376) |
| Decrease (increase) in funds due from administrative agent | **(248)** | (848) | 723 |
| Decrease (increase) in other assets, net | **(787)** | (941) | 255 |
| Increase (decrease) in accounts payable and accrued expenses | **10** | 113 | (199) |
| Increase (decrease) in interest payable | **720** | 616 | 339 |
| Increase (decrease) in fees due to Adviser[A] | **(151)** | 569 | 234 |
| Increase (decrease) in fee due to Administrator[A] | **41** | 53 | (37) |
| Increase (decrease) in other liabilities | **(5,029)** | 2,562 | (6) |
| Net cash provided by (used in) operating activities | **(76,401)** | (14,062) | (46,091) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from line of credit | **328,900** | 238,800 | 204,500 |
| Repayments on line of credit | **(237,600)** | (316,300) | (143,400) |
| Redemption of mandatorily redeemable preferred stock | **—** | — | (51,750) |
| Proceeds from issuance of notes payable | **50,000** | 150,000 | 38,813 |
| Redemption of notes payable | **(38,813)** | (57,500) | — |
| Financing costs | **(1,968)** | (3,036) | (1,677) |
| Proceeds from issuance of common stock | **4,533** | 26,850 | 11,664 |
| Offering costs for issuance of common stock | **(68)** | (403) | (175) |
| Distributions paid to common stockholders | **(27,322)** | (25,972) | (25,163) |
| Net cash provided by (used in) financing activities | **77,662** | 12,439 | 32,812 |
| **NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS** | **1,261** | (1,623) | (13,279) |
| **CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS, BEGINNING OF YEAR** | **846** | 2,469 | 15,748 |
| **CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS, END OF YEAR** | **$ 2,107** | $ 846 | $ 2,469 |
| **CASH PAID DURING YEAR FOR INTEREST** | **$ 12,246** | $ 10,897 | $ 9,652 |
| **NON-CASH ACTIVITIES[B]** | **7,489** | 6,633 | — |

(A) Refer to Note 4—*Related Party Transactions* for additional information.

(B) Non-cash activities relate to estimated tax liabilities and escrows associated with portfolio company exits and the following transactions:

- In June 2022, our investment in LWO Acquisitions Company LLC was restructured, resulting in non-cash activity of $6.8 million and new investments in Lonestar EMS, LLC, which are listed on the accompanying *Consolidated Schedule of Investments* as of September 30, 2022.
- In June 2021, our investment in NetFortris Corp. was restructured. As part of the transaction, approximately $3.5 million of fees and accrued interest were capitalized to the term loan.
- Approximately $3.1 million of non-cash activities consists of estimated tax liabilities for portfolio company exits that occurred during the year ended September 30, 2021.

*THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.*

# GLADSTONE CAPITAL CORPORATION
# CONSOLIDATED SCHEDULE OF INVESTMENTS
# SEPTEMBER 30, 2022
# (DOLLAR AMOUNTS IN THOUSANDS)

| Company and Investment[A][B][W][K] | Principal/ Shares/ Units[J][I] | Cost | Fair Value |
|---|---|---|---|
| **NON-CONTROL/NON-AFFILIATE INVESTMENTS[M] – 182.2%** | | | |
| **Secured First Lien Debt – 131.2%** | | | |
| **Aerospace and Defense – 23.4%** | | | |
| Antenna Research Associates, Inc. – Term Debt (SOFR + 10.0%, 13.0% Cash, 4.0% PIK, Due 11/2026)[S] | $ 21,973 | $ 21,973 | $ 21,973 |
| Ohio Armor Holdings, LLC – Term Debt (L + 8.0%, 11.1% Cash, Due 2/2026)[S] | 18,913 | 18,913 | 18,558 |
| SpaceCo Holdings, LLC – Line of Credit, $100 available (L + 7.0%, 10.8% Cash, Due 12/2025)[S][U] | 1,900 | 1,900 | 1,886 |
| SpaceCo Holdings, LLC – Term Debt (L + 7.0%, 10.8% Cash, Due 12/2025)[S][U] | 31,719 | 31,326 | 31,481 |
| | | **74,112** | **73,898** |
| **Beverage, Food, and Tobacco – 18.7%** | | | |
| Café Zupas – Line of Credit, $4,000 available (L + 7.4%, 10.5% Cash, Due 12/2024)[S] | — | — | — |
| Café Zupas – Delayed Draw Term Loan, $0 available (L + 7.4%, 10.5% Cash, Due 12/2024)[S] | 1,970 | 1,970 | 1,958 |
| Café Zupas – Term Debt (L + 7.4%, 10.5% Cash, Due 12/2024)[S] | 23,460 | 23,460 | 23,313 |
| Eegee's LLC – Line of Credit, $1,000 available (L + 8.3%, 11.4% Cash, Due 6/2026)[S] | — | — | — |
| Eegee's LLC – Delayed Draw Term Loan, $4,500 available (L + 8.3%, 11.4% Cash, Due 6/2026)[S] | 3,000 | 3,000 | 2,910 |
| Eegee's LLC – Term Debt (L + 8.3%, 11.4% Cash, Due 6/2026)[S] | 17,000 | 17,000 | 16,490 |
| Salt & Straw, LLC – Line of Credit, $1,200 available (L + 8.0%, 11.1% Cash, Due 9/2027)[S] | 800 | 800 | 800 |
| Salt & Straw, LLC – Delayed Draw Term Loan, $11,500 available (L + 8.0%, 11.1% Cash, Due 9/2027)[S] | — | — | — |
| Sokol & Company Holdings, LLC – Term Debt (SOFR + 7.0%, 10.0% Cash, Due 8/2027)[S][AA] | 13,500 | 13,500 | 13,500 |
| | | **59,730** | **58,971** |
| **Buildings and Real Estate – 0.5%** | | | |
| GFRC 360, LLC – Line of Credit, $500 available (L + 8.0%, 11.1% Cash, Due 9/2023)[S] | 700 | 700 | 681 |
| GFRC 360, LLC – Term Debt (L + 8.0%, 11.1% Cash, Due 9/2023)[S] | 1,000 | 1,000 | 973 |
| | | **1,700** | **1,654** |
| **Diversified/Conglomerate Manufacturing – 22.3%** | | | |
| Engineering Manufacturing Technologies, LLC – Line of Credit, $3,000 available (L + 8.3%, 11.4% Cash, Due 10/2026)[S] | — | — | — |
| Engineering Manufacturing Technologies, LLC – Term Debt (L + 8.3%, 11.4% Cash, Due 10/2026)[S] | 22,500 | 22,500 | 22,134 |
| Salvo Technologies, Inc. – Term Debt (SOFR + 9.5%, 12.5% Cash, Due 4/2027)[S][AA] | 11,887 | 11,887 | 11,619 |
| Viva Railings, LLC – Line of Credit, $4,000 available (L + 7.0%, 10.1% Cash, Due 5/2027)[S] | — | — | — |
| Viva Railings, LLC – Term Debt (L + 7.0%, 10.1% Cash, Due 5/2027)[S] | 21,800 | 21,800 | 21,364 |
| Unirac Holdings, Inc. – Line of Credit, $2,222 available (SOFR + 6.5%, 9.5% Cash, Due 9/2027)[S][AA] | — | — | — |
| Unirac Holdings, Inc. – Delayed Draw Term Loan, $2,778 available (SOFR + 6.5%, 9.5% Cash, Due 9/2027)[S][AA] | — | — | — |
| Unirac Holdings, Inc. – Term Debt (SOFR + 6.5%, 9.5% Cash, Due 9/2027)[S][AA] | 15,000 | 14,628 | 15,000 |
| | | **70,815** | **70,117** |
| **Diversified/Conglomerate Service – 31.1%** | | | |
| Axios Industrial Group, LLC – Term Debt (SOFR + 9.5%, 12.6% Cash, Due 10/2027)[S][AA] | 9,000 | 9,000 | 8,741 |
| Axios Industrial Group, LLC– Delayed Draw Term Loan, $5,000 available (SOFR + 9.5%, 12.6% Cash, Due 10/2027)[S][AA] | 3,000 | 3,000 | 2,914 |
| DKI Ventures, LLC – Term Debt (SOFR + 8.0%, 11.0% Cash, Due 12/2023)[S] | 5,915 | 5,915 | 4,554 |
| ENET Holdings, LLC – Term Debt (L + 7.3%, 10.4% Cash, Due 4/2025)[S] | 24,360 | 24,360 | 23,142 |
| Fix-It Group, LLC – Line of Credit, $3,000 available (L + 7.0%, 10.1% Cash, Due 12/2026)[S][U] | — | — | — |
| Fix-It Group, LLC – Term Debt (L + 7.0%, 10.1% Cash, Due 12/2026)[S][U] | 10,000 | 10,000 | 9,950 |
| Fix-It Group, LLC– Delayed Draw Term Loan, $10,000 available (L + 7.0%, 10.1% Cash, Due 12/2026)[S][U] | — | — | — |

**GLADSTONE CAPITAL CORPORATION**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
**SEPTEMBER 30, 2022**
**(DOLLAR AMOUNTS IN THOUSANDS)**

| | | | |
|---|---|---|---|
| MCG Energy Solutions, LLC – Line of Credit, $3,000 available (L + 7.5%, 10.6% Cash, Due 3/2026)[S] | — | — | — |
| MCG Energy Solutions, LLC – Term Debt (L + 7.5%, 10.6% Cash, 3.5% PIK, Due 3/2026)[S] | 20,820 | 20,820 | 19,779 |
| R2i Holdings, LLC – Line of Credit, $1,171 available (8.0% PIK, Due 12/2023)[F][Y] | 829 | 829 | 829 |
| R2i Holdings, LLC – Term Debt (8.0% PIK, Due 12/2023)[F][Y] | 18,000 | 18,000 | 18,000 |
| WorkforceQA, LLC– Line of Credit, $2,000 available (L + 6.5%, 9.6% Cash, Due 12/2026)[S][U] | — | — | — |
| WorkforceQA, LLC – Term Debt (L + 8.5%, 11.6% Cash, Due 12/2026)[S][H][U] | 10,000 | 10,000 | 9,975 |
| | | **101,924** | **97,884** |

*THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.*

**GLADSTONE CAPITAL CORPORATION**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
**SEPTEMBER 30, 2022**
**(DOLLAR AMOUNTS IN THOUSANDS)**

| Company and Investment[A][B][W][K] | Principal/ Shares/ Units[J][I] | Cost | Fair Value |
|---|---|---|---|
| **Healthcare, Education, and Childcare - 31.3%** | | | |
| ALS Education, LLC – Line of Credit, $3,000 available (L + 7.0%, 10.1% Cash, Due 5/2025)[C] | — | — | — |
| ALS Education, LLC – Term Debt (L + 7.0%, 10.1% Cash, Due 5/2025)[C] | 19,690 | 19,690 | 19,468 |
| HH-Inspire Acquisition, Inc. – Line of Credit, $1,500 available (L + 6.8%, 9.9% Cash, Due 12/2026)[C][U] | 1,500 | 1,500 | 1,489 |
| HH-Inspire Acquisition, Inc. – Term Debt (L + 6.8%, 9.9% Cash, Due 12/2026)[C][U] | 16,000 | 16,000 | 15,880 |
| HH-Inspire Acquisition, Inc. – Term Debt (L + 6.8%, 9.9% Cash, Due 12/2026)[C][U] | 8,000 | 8,000 | 7,940 |
| HH-Inspire – Delayed Draw Term Loan, $0 available (L + 6.8%, 9.9% Cash, Due 12/2026)[C][U] | 10,000 | 10,000 | 9,925 |
| Pansophic Learning Ltd. – Term Debt (L + 7.3%, 10.4% Cash, Due 3/2027)[C] | 28,000 | 27,961 | 27,825 |
| Pansophic Learning Ltd. – Term Debt (L + 7.3%, 10.4% Cash, Due 3/2027)[C] | 5,000 | 4,993 | 4,969 |
| Turn Key Health Clinics, LLC – Line of Credit, $1,500 available (L + 7.3%, 10.4% Cash, Due 6/2026)[C] | 500 | 500 | 495 |
| Turn Key Health Clinics, LLC – Term Debt (L + 7.3%, 10.4% Cash, Due 6/2026)[C] | 11,000 | 11,000 | 10,890 |
| | | **99,644** | **98,881** |
| **Machinery -1.7%** | | | |
| Arc Drilling Holdings LLC – Line of Credit, $1,000 available (L + 8.0%, 11.1% Cash, Due 11/2025)[C] | — | — | — |
| Arc Drilling Holdings LLC – Term Debt (L + 9.5%, 12.6% Cash, 3.0% PIK, Due 11/2025)[C] | 5,625 | 5,625 | 5,350 |
| | | **5,625** | **5,350** |
| **Printing and Publishing – 0.0%** | | | |
| Chinese Yellow Pages Company – Line of Credit, $0 available (PRIME + 4.0%, 10.3% Cash, Due 2/2015)[C][V][Q] | 107 | 107 | — |
| **Telecommunications – 2.2%** | | | |
| B+T Group Acquisition, Inc.(S) – Line of Credit, $0 available (L + 11.0%, 14.1% Cash, Due 12/2024)[C] | 1,200 | 1,200 | 1,146 |
| B+T Group Acquisition, Inc.(S) – Term Debt (L + 11.0%, 14.1% Cash, Due 12/2024)[C] | 6,000 | 6,000 | 5,730 |
| | | **7,200** | **6,876** |
| **Total Secured First Lien Debt** | | **$ 420,857** | **$ 413,631** |
| **Secured Second Lien Debt – 34.3%** | | | |
| **Automobile – 3.5%** | | | |
| Sea Link International IRB, Inc. – Term Debt (14.5% PIK, Due 12/2025)[C][F] | $ 11,719 | **$ 11,679** | **$ 11,074** |
| **Beverage, Food, and Tobacco – 1.0%** | | | |
| 8th Avenue Food & Provisions, Inc. – Term Debt (L + 7.8%, 10.9% Cash, Due 10/2026)[C] | 3,682 | **3,698** | **3,020** |

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**GLADSTONE CAPITAL CORPORATION**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
**SEPTEMBER 30, 2022**
**(DOLLAR AMOUNTS IN THOUSANDS)**

| Company and Investment[A][B][W][K] | Principal/ Shares/ Units[J][I] | Cost | Fair Value |
|---|---|---|---|
| **Diversified/Conglomerate Manufacturing – 10.8%** | | | |
| Springfield, Inc. – Term Debt (L + 10.0%, 13.1% Cash, Due 12/2026)[S] | 30,000 | 30,000 | 29,738 |
| Tailwind Smith Cooper Intermediate Corporation – Term Debt (L + 9.0%, 12.1% Cash, Due 5/2027)[J] | 5,000 | 4,829 | 4,313 |
| | | **34,829** | **34,051** |
| **Diversified/Conglomerate Service – 2.3%** | | | |
| CHA Holdings, Inc. – Term Debt (L + 8.8%, 12.5% Cash, Due 4/2026)[D][U] | 3,000 | 2,967 | 2,700 |
| Gray Matter Systems, LLC – Term Debt (11.3% Cash, Due 12/2026)[C][F] | 2,100 | 2,069 | 2,084 |
| Gray Matter Systems, LLC – Delayed Draw Term Loan, $4,000 available (11.3% Cash, Due 12/2026)[C][F] | 2,500 | 2,476 | 2,481 |
| | | **7,512** | **7,265** |
| **Healthcare, Education, and Childcare – 9.1%** | | | |
| Giving Home Health Care, LLC – Term Debt (12.5% Cash, Due 2/2028)[C][F] | 28,800 | **28,800** | **28,800** |
| **Machinery – 0.2%** | | | |
| CPM Holdings, Inc. – Term Debt (L + 8.3%, 11.4% Cash, Due 11/2026)[D] | 798 | **798** | **758** |
| **Oil and Gas – 7.4%** | | | |
| Imperative Holdings Corporation – Term Debt (L + 10.3%, 13.4% Cash, Due 9/2024)[S] | 24,016 | **23,968** | **23,295** |
| **Total Secured Second Lien Debt** | | **$ 111,284** | **$ 108,263** |
| **Unsecured Debt – 0.0%** | | | |
| **Diversified/Conglomerate Service – 0.0%** | | | |
| Frontier Financial Group Inc. – Convertible Debt (6.0%, Due 6/2022)[E][F] | $ 198 | **$ 198** | **$ 55** |
| **Preferred Equity – 5.6%** | | | |
| **Automobile – 0.0%** | | | |
| Sea Link International IRB, Inc. – Preferred Stock[E][G] | 98,039 | **98** | **153** |
| **Beverage, Food, and Tobacco – 0.0%** | | | |
| Triple H Food Processors, LLC – Preferred Stock[E][G] | 75 | **75** | **120** |
| **Buildings and Real Estate – 0.2%** | | | |
| GFRC 360, LLC – Preferred Stock[E][G] | 1,000 | **1,025** | **551** |
| **Diversified/Conglomerate Manufacturing – 0.8%** | | | |
| Salvo Technologies, Inc. – Preferred Stock[E][G] | 2,500 | **2,500** | **2,584** |
| **Diversified/Conglomerate Service – 2.6%** | | | |
| Frontier Financial Group Inc. – Preferred Stock[E][G] | 766 | 500 | — |
| Frontier Financial Group Inc. – Preferred Stock Warrant[E][G] | 168 | — | — |
| MCG Energy Solutions, LLC – Preferred Stock[E] | 7,000,000 | 7,000 | 8,151 |
| | | **7,500** | **8,151** |
| **Healthcare, Education, and Childcare – 0.3%** | | | |
| HH-Inspire Acquisition, Inc. – Preferred Stock[E][G] | 854,848 | **956** | **945** |
| **Oil and Gas – 0.6%** | | | |
| FES Resources Holdings LLC – Preferred Equity Units[E][G] | 6,350 | 6,350 | — |
| Imperative Holdings Corporation – Preferred Equity Units[E][G] | 1,474,225 | 632 | 2,028 |
| | | **6,982** | **2,028** |
| **Telecommunications – 1.1%** | | | |
| B+T Group Acquisition, Inc.[S] – Preferred Stock[E][G] | 6,130 | 2,024 | 2,718 |
| NetFortris Holdings LLC – Preferred Stock[E][G] | 7,890,860 | 789 | 469 |
| | | **2,813** | **3,187** |
| **Total Preferred Equity** | | **$ 21,949** | **$ 17,719** |

*THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.*

**GLADSTONE CAPITAL CORPORATION**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
**SEPTEMBER 30, 2022**
**(DOLLAR AMOUNTS IN THOUSANDS)**

| Company and Investment[A][B][W][K] | Principal/ Shares/ Units[J][I] | Cost | Fair Value |
|---|---|---|---|
| **Common Equity – 11.1%** | | | |
| **Aerospace and Defense – 4.7%** | | | |
| Antenna Research Associates, Inc. – Common Equity Units[E][G] | 4,283 | $ 4,283 | $ 13,734 |
| Ohio Armor Holdings, LLC – Common Equity[E][G] | 100 | 1,000 | 1,017 |
| | | **5,283** | **14,751** |
| **Automobile – 0.0%** | | | |
| Sea Link International IRB, Inc.– Common Equity Units[E][G] | 823,333 | **823** | **105** |
| **Beverage, Food, and Tobacco – 0.7%** | | | |
| Sokol & Company Holdings, LLC - Common Stock[E][G] | 1,500,000 | 1,500 | 1,500 |
| Triple H Food Processors, LLC – Common Stock[E][G] | 250,000 | 250 | 672 |
| | | **1,750** | **2,172** |
| **Buildings and Real Estate – 0.0%** | | | |
| GFRC 360, LLC – Common Stock Warrants[E][G] | 45.0 % | — | — |
| **Diversified/Conglomerate Manufacturing – 0.6%** | | | |
| Engineering Manufacturing Technologies, LLC – Common Stock[E][G] | 6,000 | **3,000** | **1,773** |
| **Diversified/Conglomerate Service – 0.1%** | | | |
| WorkforceQA, LLC – Common Stock[E][G] | 500 | **500** | **456** |
| **Healthcare, Education, and Childcare – 2.5%** | | | |
| Giving Home Health Care, LLC - Warrant[E][G] | 10,667 | 19 | 19 |
| GSM MidCo LLC – Common Stock[E][G] | 767 | 767 | 1,359 |
| Leeds Novamark Capital I, L.P. – Limited Partnership Interest ($843 uncalled capital commitment)[G][L][R] | 3.5 % | 1,223 | 6,397 |
| | | **2,009** | **7,775** |
| **Machinery – 0.0%** | | | |
| Arc Drilling Holdings LLC – Common Stock[E][G] | 15,000 | **1,500** | — |
| **Oil and Gas – 0.0%** | | | |
| FES Resources Holdings LLC – Common Equity Units[E][G] | 6,233 | — | — |
| Total Safety Holdings, LLC – Common Equity[E][G] | 435 | 499 | 50 |
| | | **499** | **50** |
| **Personal and Non-Durable Consumer Products (Manufacturing Only) – 0.0%** | | | |
| Funko Acquisition Holdings, LLC[S] – Common Units[G][T] | 4,239 | **22** | **58** |
| **Telecommunications – 0.0%** | | | |
| B+T Group Acquisition, Inc.[S] – Common Stock Warrant[E][G] | 1.5 % | — | **25** |
| **Textiles and Leather – 2.5%** | | | |
| Targus Cayman HoldCo, Ltd. – Common Stock[G][Y][Z] | 3,076,414 | **2,062** | **7,978** |
| **Total Common Equity** | | **$ 17,448** | **$ 35,143** |
| **Total Non-Control/Non-Affiliate Investments** | | **$ 571,736** | **$ 574,811** |

*THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS*

**GLADSTONE CAPITAL CORPORATION**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
**SEPTEMBER 30, 2022**
**(DOLLAR AMOUNTS IN THOUSANDS)**

| Company and Investment[A][B][W][K] | Principal/ Shares/ Units[J][I] | Cost | Fair Value |
|---|---|---|---|
| **AFFILIATE INVESTMENTS[N] - 12.4%** | | | |
| **Secured First Lien Debt – 11.0%** | | | |
| **Diversified/Conglomerate Manufacturing – 0.8%** | | | |
| Edge Adhesives Holdings, Inc.[S] – Term Debt (L + 5.5%, 8.6% Cash, Due 8/2024)[E] | $ 6,140 | **$ 6,140** | **$ 2,550** |
| **Diversified/Conglomerate Service – 10.2%** | | | |
| Encore Dredging Holdings, LLC – Line of Credit, $3,000 available (L + 8.3%, 11.4% Cash, Due 12/2025)[S] | — | — | — |
| Encore Dredging Holdings, LLC – Term Debt (L + 7.0%, 10.1% Cash, 1.5% PIK, Due 12/2025)[S] | 23,611 | 23,611 | 22,962 |
| Encore Dredging Holdings, LLC – Term Debt (L + 7.0%, 10.1% Cash, 2.5% PIK, Due 12/2025)[S] | 4,532 | 4,532 | 4,407 |
| Encore Dredging Holdings, LLC – Delayed Draw Term Loan, $0 available (L + 7.0%, 10.1% Cash, 1.5% PIK, Due 12/2025)[S] | 5,023 | 5,023 | 4,885 |
| | | **33,166** | **32,254** |
| **Total Secured First Lien Debt** | | **$ 39,306** | **$ 34,804** |
| **Preferred Equity – 1.2%** | | | |
| **Diversified/Conglomerate Manufacturing – 0.0%** | | | |
| Edge Adhesives Holdings, Inc.[S] – Preferred Stock[E][G] | 5,466 | **$ 5,466** | **$ —** |
| **Diversified/Conglomerate Service – 0.9%** | | | |
| Encore Dredging Holdings, LLC[S] – Preferred Stock[E][G] | 3,840,000 | **3,840** | **2,842** |
| **Personal and Non-Durable Consumer Products (Manufacturing Only) – 0.3%** | | | |
| Canopy Safety Brands, LLC – Preferred Stock[E][G] | 500,000 | **500** | **798** |
| **Total Preferred Equity** | | **$ 9,806** | **$ 3,640** |
| **Common Equity – 0.2%** | | | |
| **Personal and Non-Durable Consumer Products (Manufacturing Only) – 0.2%** | | | |
| Canopy Safety Brands, LLC – Common Stock[E][G] | 800,000 | **300** | **647** |
| **Total Common Equity** | | **$ 300** | **$ 647** |
| **Total Affiliate Investments** | | **$ 49,412** | **$ 39,091** |

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**GLADSTONE CAPITAL CORPORATION**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
**SEPTEMBER 30, 2022**
**(DOLLAR AMOUNTS IN THOUSANDS)**

| Company and Investment[A][B][W][K] | Principal/ Shares/ Units[J][I] | Cost | Fair Value |
|---|---|---|---|
| **CONTROL INVESTMENTS[O] – 11.3%** | | | |
| **Secured First Lien Debt – 4.9%** | | | |
| **Diversified/Conglomerate Manufacturing – 1.0%** | | | |
| Lonestar EMS, LLC – Term Debt (8.0% Cash, Due 6/2027)[E][F] | $ 3,250 | **$ 3,250** | **$ 3,030** |
| **Personal and Non-Durable Consumer Products (Manufacturing Only) – 3.6%** | | | |
| WB Xcel Holdings, LLC - Line of Credit, $32 available (L + 10.5%, 13.6% Cash, Due 11/2026)[E] | 1,468 | 1,468 | 1,468 |
| WB Xcel Holdings, LLC - Term Loan (L + 10.5%, 13.6% Cash, Due 11/2026)[E] | 9,925 | 9,925 | 9,925 |
| | | **11,393** | **11,393** |
| **Printing and Publishing – 0.3%** | | | |
| TNCP Intermediate HoldCo, LLC – Line of Credit, $1,000 available (8.0% Cash, Due 10/2024)[E][F] | 1,000 | **1,000** | **1,000** |
| **Total Secured First Lien Debt** | | **$ 15,643** | **$ 15,423** |
| **Secured Second Lien Debt – 2.4%** | | | |
| **Automobile– 2.4%** | | | |
| Defiance Integrated Technologies, Inc. – Term Debt (L + 9.5%, 12.6% Cash, Due 5/2026)[E] | $ 7,665 | **$ 7,665** | **$ 7,665** |
| **Unsecured Debt – 0.0%** | | | |
| **Diversified/Conglomerate Manufacturing – 0.0%** | | | |
| LWO Acquisitions Company LLC – Term Debt (Due 6/2023)[E][P] | $ 95 | **$ 95** | **$ —** |
| **Preferred Equity – 1.8%** | | | |
| **Personal and Non-Durable Consumer Products (Manufacturing Only) – 1.8%** | | | |
| WB Xcel Holdings, LLC - Preferred Stock[E][G] | 333 | **$ 2,750** | **$ 5,687** |
| **Common Equity – 2.2%** | | | |
| **Automobile– 0.4%** | | | |
| Defiance Integrated Technologies, Inc. – Common Stock[E][G] | 33,321 | **$ 580** | **$ 1,147** |
| **Diversified/Conglomerate Manufacturing – 0.0%** | | | |
| Circuitronics EMS Holdings LLC – Common Units[E][G] | 921,000 | 921 | — |
| Lonestar EMS, LLC – Common Units[E][G] | 100 % | 6,750 | — |
| | | **7,671** | **—** |
| **Machinery – 1.1%** | | | |
| PIC 360, LLC – Common Equity Units[E][G] | 750 | **1** | **3,454** |
| **Printing and Publishing – 0.7%** | | | |
| TNCP Intermediate HoldCo, LLC – Common Equity Units[E][G] | 790,000 | **500** | **2,337** |
| **Total Common Equity** | | **$ 8,752** | **$ 6,938** |
| **Total Control Investments** | | **$ 34,905** | **$ 35,713** |
| **TOTAL INVESTMENTS – 205.9%** | | **$ 656,053** | **$ 649,615** |

(A) Certain of the securities listed in this schedule are issued by affiliate(s) of the indicated portfolio company. The majority of the securities listed, totaling $577.6 million at fair value, are pledged as collateral under our revolving line of credit, as described further in Note 5—*Borrowings* in the accompanying *Notes to Consolidated Financial Statements*. Under the Investment Company Act of 1940, as amended (the "1940 Act"), we may not acquire any non-qualifying assets unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. As of September 30, 2022, our investments in Leeds Novamark Capital I, L.P. ("Leeds") and Funko Acquisition Holdings, LLC ("Funko") are considered non-qualifying assets under Section 55 of the 1940 Act. Such non-qualifying assets represent 1.0% of total investments, at fair value, as of September 30, 2022.

(B) Unless indicated otherwise, all cash interest rates are indexed to 30-day London Interbank Offered Rate ("LIBOR" or "L"), which was 3.14% as of September 30, 2022. If applicable, paid-in-kind ("PIK") interest rates are noted separately from the cash interest rate. Certain securities are subject to an interest rate floor. The cash interest rate is the greater of the floor or LIBOR plus a spread. Due dates represent the contractual maturity date.

(C) Fair value was based on an internal yield analysis or on estimates of value submitted by ICE Data Pricing and Reference Data, LLC ("ICE").

(D) Fair value was based on the indicative bid price on or near September 30, 2022, offered by the respective syndication agent's trading desk.

(E) Fair value was based on the total enterprise value of the portfolio company, which was then allocated to the portfolio company's securities in order of their relative priority in the capital structure.

(F) Debt security has a fixed interest rate.

**GLADSTONE CAPITAL CORPORATION**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
**SEPTEMBER 30, 2022**
**(DOLLAR AMOUNTS IN THOUSANDS)**

(G) Security is non-income producing.
(H) The Company has entered into an agreement that entitles it to the "last out" tranche of the first lien secured loan, whereby the "first out" tranche will receive priority as to the "last out" tranche with respect to payments of principal, interest, and any other amounts due thereunder. Therefore, the Company receives a higher interest rate than the contractual stated interest rate of LIBOR plus 6.50% (Floor 1.0%) per the credit agreement and the Consolidated Schedule of Investments above reflects such higher rate.
(I) Represents the principal balance for debt investments and the number of shares/units held for equity investments. Warrants are represented as a percentage of ownership, as applicable.
(J) Where applicable, aggregates all shares of a class of stock owned without regard to specific series owned within such class (some series of which may or may not be voting shares) or aggregates all warrants to purchase shares of a class of stock owned without regard to specific series of such class of stock such warrants allow us to purchase.
(K) Category percentages represent the fair value of each category and subcategory as a percentage of net assets as of September 30, 2022.
(L) There are certain limitations on our ability to withdraw our partnership interest prior to dissolution of the entity, which must occur no later than May 9, 2024 or two years after all outstanding leverage has matured.
(M) Non-Control/Non-Affiliate investments, as defined by the 1940 Act, are those that are neither Control nor Affiliate investments and in which we own less than 5.0% of the issued and outstanding voting securities.
(N) Affiliate investments, as defined by the 1940 Act, are those in which we own, with the power to vote, between and inclusive of 5.0% and 25.0% of the issued and outstanding voting securities.
(O) Control investments, as defined by the 1940 Act, are those where we have the power to exercise a controlling influence over the management or policies of the portfolio company, which may include owning, with the power to vote, more than 25.0% of the issued and outstanding voting securities.
(P) Debt security does not have a stated interest rate that is payable thereon.
(Q) Investment maturity date has passed. Investment continues to make applicable interest payments.
(R) Fair value was based on net asset value provided by the fund as a practical expedient.
(S) One of our affiliated funds, Gladstone Investment Corporation, co-invested with us in this portfolio company pursuant to an exemptive order granted by the U.S. Securities and Exchange Commission.
(T) Our investment in Funko was valued using Level 2 inputs within the Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 820, "Fair Value Measurements and Disclosures" ("ASC 820") fair value hierarchy. Our common units in Funko are convertible to class A common stock in Funko, Inc. upon meeting certain requirements. Fair value was based on the closing market price of shares of Funko, Inc. as of the reporting date, less a discount for lack of marketability. Funko, Inc. is traded on the Nasdaq Global Select Market under the trading symbol "FNKO." Refer to Note 3—*Investments* in the accompanying *Notes to Consolidated Financial Statements* for additional information.
(U) The cash interest rate on this investment was indexed to 90-day LIBOR, which was 3.75% as of September 30, 2022.
(V) The cash interest rate on this investment was indexed to the U.S. Prime Rate ("PRIME"), which was 6.25% as of September 30, 2022.
(W) Unless indicated otherwise, all of our investments are valued using Level 3 inputs within the ASC 820 fair value hierarchy. Refer to Note 3 —*Investments* in the accompanying *Notes to Consolidated Financial Statements* for additional information.
(X) Cumulative gross unrealized depreciation for federal income tax purposes is $52.3 million; cumulative gross unrealized appreciation for federal income tax purposes is $35.2 million. Cumulative net unrealized depreciation is $17.1 million, based on a tax cost of $666.7 million.
(Y) Fair value was based on the expected exit or payoff amount, where such event has occurred or is expected to occur imminently.
(Z) Investment was exited subsequent to September 30, 2022. Refer to Note 15 – *Subsequent Events* in the accompanying *Notes to the Consolidated Financial Statements* for additional information.
(AA) The cash interest rate on this investment was indexed to the 30-day Secured Overnight Financing Rate ("SOFR"), which was 3.04% as of September 30, 2022.

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**GLADSTONE CAPITAL CORPORATION**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
**SEPTEMBER 30, 2021**
**(DOLLAR AMOUNTS IN THOUSANDS)**

| Company and Investment[A][B][W][K] | Principal/ Shares/ Units[J][I] | Cost | Fair Value |
|---|---|---|---|
| **NON-CONTROL/NON-AFFILIATE INVESTMENTS[M] – 142.8%** | | | |
| **Secured First Lien Debt – 95.5%** | | | |
| **Aerospace and Defense – 20.3%** | | | |
| Antenna Research Associates, Inc. – Term Debt (L + 10.0%, 12.0% Cash, 4.0% PIK, Due 11/2023)[S] | $ 11,763 | $ 11,763 | $ 11,763 |
| Ohio Armor Holdings, LLC – Term Debt (L + 8.0%, 9.0% Cash, Due 2/2026)[C] | 19,500 | 19,500 | 19,549 |
| SpaceCo Holdings, LLC – Line of Credit, $1,300 available (L + 6.8%, 7.8% Cash, Due 12/2025)[S] | 700 | 700 | 700 |
| SpaceCo Holdings, LLC – Term Debt (L + 6.8%, 7.8% Cash, Due 12/2025)[S] | 32,544 | 32,044 | 32,544 |
| | | **64,007** | **64,556** |
| **Beverage, Food, and Tobacco – 13.5%** | | | |
| Café Zupas – Line of Credit, $4,000 available (L + 7.4%, 8.9% Cash, Due 12/2024)[S] | — | — | — |
| Café Zupas – Delayed Draw Term Debt, $3,030 available (L + 7.4%, 8.9% Cash, Due 12/2024)[S] | 1,970 | 1,970 | 1,987 |
| Café Zupas – Term Debt (L + 7.4%, 8.9% Cash, Due 12/2024)[S] | 24,000 | 24,000 | 24,210 |
| Eegee's LLC – Line of Credit, $1,000 available (L + 7.3%, 8.3% Cash, Due 6/2026)[S] | — | — | — |
| Eegee's LLC – Delayed Draw Term Debt, $7,500 available (L + 7.3%, 8.3% Cash, Due 6/2026)[S] | — | — | — |
| Eegee's LLC – Term Debt (L + 7.3%, 8.3% Cash, Due 6/2026)[S] | 17,000 | 17,000 | 16,936 |
| | | **42,970** | **43,133** |
| **Buildings and Real Estate – 0.5%** | | | |
| GFRC 360, LLC – Line of Credit, $500 available (L + 8.0%, 9.0% Cash, Due 9/2022)[S] | 700 | 700 | 699 |
| GFRC 360, LLC – Term Debt (L + 8.0%, 9.0% Cash, Due 9/2022)[S] | 1,000 | 1,000 | 999 |
| | | **1,700** | **1,698** |
| **Diversified/Conglomerate Manufacturing – 3.8%** | | | |
| Unirac, Inc. – Line of Credit, $1,003 available (L + 7.0%, 8.0% Cash, Due 6/2026)[C][U] | 251 | 251 | 250 |
| Unirac, Inc. – Delayed Draw Term Debt, $1,254 available (L + 7.0%, 8.0% Cash, Due 6/2026)[C][U] | — | — | — |
| Unirac, Inc. – Term Debt (L + 7.0%, 8.0% Cash, Due 6/2026)[C][U] | 11,921 | 11,652 | 11,891 |
| | | **11,903** | **12,141** |
| **Diversified/Conglomerate Service – 21.3%** | | | |
| DKI Ventures, LLC – Line of Credit, $2,500 available (L + 8.3%, 9.3% Cash, 2.0% PIK, Due 12/2021)[S] | — | — | — |
| DKI Ventures, LLC – Term Debt (L + 8.3%, 9.3% Cash, 2.0% PIK, Due 12/2023)[C] | 5,739 | 5,724 | 5,008 |
| ENET Holdings, LLC – Term Debt (L + 8.8%, 10.2% Cash, Due 12/2022)[S] | 1,000 | 1,000 | 785 |
| ENET Holdings, LLC – Term Debt (L + 8.8%, 10.2% Cash, Due 4/2025)[S] | 29,000 | 29,000 | 22,765 |
| MCG Energy Solutions, LLC – Line of Credit, $3,000 available (L + 7.5%, 8.5% Cash, Due 3/2026)[S] | — | — | — |
| MCG Energy Solutions, LLC – Term Debt (L + 7.5%, 8.5% Cash, 1.5% PIK, Due 3/2026)[S] | 20,129 | 20,129 | 19,927 |
| MCG Energy Solutions, LLC – Delayed Draw Term Debt, $3,000 available (L + 7.5%, 8.5% Cash, 1.5% PIK, Due 3/2026)[S] | — | — | — |
| R2i Holdings, LLC – Line of Credit, $1,171 available (8.0% Cash, Due 12/2021)[C][F] | 829 | 829 | 803 |
| R2i Holdings, LLC – Term Debt (8.0% Cash, Due 12/2021)[C][F] | 19,000 | 19,000 | 18,406 |
| | | **75,682** | **67,694** |
| **Healthcare, Education, and Childcare – 24.9%** | | | |
| ALS Education, LLC – Line of Credit, $3,000 available (L + 7.0%, 8.5% Cash, Due 5/2025)[C] | — | — | — |
| ALS Education, LLC – Term Debt (L + 7.0%, 8.5% Cash, Due 5/2025)[C] | 20,680 | 20,680 | 20,809 |
| Effective School Solutions LLC – Line of Credit, $2,000 available (L + 7.3%, 8.3% Cash, Due 12/2025)[S] | — | — | — |
| Effective School Solutions LLC – Term Debt (L + 7.3%, 8.3% Cash, Due 12/2025)[S] | 19,000 | 19,000 | 19,095 |
| Effective School Solutions LLC – Delayed Draw Term Debt, $3,200 available (L + 7.3%, 8.3% Cash, Due 12/2025)[S] | — | — | — |
| EL Academies, Inc. – Delayed Draw Term Debt, $0 available (L + 8.0%, 9.0% Cash, Due 8/2022)[C] | 16,000 | 16,000 | 16,000 |
| EL Academies, Inc. – Term Debt (L + 8.0%, 9.0% Cash, Due 8/2022)[C] | 12,000 | 12,000 | 12,000 |
| Turn Key Health Clinics, LLC – Line of Credit, $1,500 available (L + 7.3%, 8.3% Cash, Due 6/2026)[S] | 500 | 500 | 499 |
| Turn Key Health Clinics, LLC – Term Debt (L + 7.3%, 8.3% Cash, Due 6/2026)[S] | 11,000 | 11,000 | 10,986 |
| | | **79,180** | **79,389** |

**GLADSTONE CAPITAL CORPORATION**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
**SEPTEMBER 30, 2021**
**(DOLLAR AMOUNTS IN THOUSANDS)**

| Company and Investment[A][B][W][K] | Principal/ Shares/ Units[J][I] | Cost | Fair Value |
|---|---|---|---|
| **Machinery – 1.8%** | | | |
| Arc Drilling Holdings LLC – Line of Credit, $875 available (L + 8.0%, 9.3% Cash, Due 11/2022)[S] | 125 | 125 | 122 |
| Arc Drilling Holdings LLC – Term Debt (L + 9.5%, 10.8% Cash, 3.0% PIK, Due 11/2022)[S] | 5,824 | 5,824 | 5,577 |
| | | **5,949** | **5,699** |
| **Printing and Publishing – 0.0%** | | | |
| Chinese Yellow Pages Company – Line of Credit, $0 available (PRIME + 4.0%, 7.3% Cash, Due 2/2015)[S][V][Q] | $ 107 | **107** | — |
| **Telecommunications – 9.4%** | | | |
| B+T Group Acquisition, Inc.[S] – Line of Credit, $0 available (L + 11.0%, 13.0% Cash, Due 12/2021)[S] | 1,200 | 1,200 | 1,158 |
| B+T Group Acquisition, Inc.[S] – Term Debt (L + 11.0%, 13.0% Cash, Due 12/2021)[S] | 6,000 | 6,000 | 5,790 |
| NetFortris Corp. – Term Debt (L + 11.0%, 4.0% Cash, 7.5% PIK, Due 5/2021)[C][Q] | 27,350 | 26,946 | 22,837 |
| | | **34,146** | **29,785** |
| **Total Secured First Lien Debt** | | **$ 315,644** | **$ 304,095** |
| **Secured Second Lien Debt – 30.6%** | | | |
| **Automobile – 3.3%** | | | |
| Sea Link International IRB, Inc. – Term Debt (11.3% Cash, 2.0% PIK, Due 3/2023)[C][F] | $ 10,893 | **$ 10,893** | **$ 10,376** |
| **Beverage, Food, and Tobacco – 1.1%** | | | |
| 8th Avenue Food & Provisions, Inc. – Term Debt (L + 7.8%, 7.8% Cash, Due 10/2026)[D] | 3,682 | **3,702** | **3,646** |
| **Chemicals, Plastics, and Rubber – 3.2%** | | | |
| Phoenix Aromas & Essential Oils, LLC — Term Debt (L + 9.3%, 10.3% Cash, Due 5/2024)[C] | 10,012 | **9,986** | **10,062** |
| **Diversified/Conglomerate Manufacturing – 1.5%** | | | |
| Tailwind Smith Cooper Intermediate Corporation – Term Debt (L + 9.0%, 9.1% Cash, Due 5/2027)[D] | 5,000 | **4,801** | **4,701** |
| **Diversified/Conglomerate Service – 8.7%** | | | |
| CHA Holdings, Inc. – Term Debt (L + 8.8%, 9.8% Cash, Due 4/2026)[D][U] | 3,000 | 2,960 | 2,700 |
| Gray Matter Systems, LLC – Term Debt (12.0% Cash, Due 12/2026)[C][F] | 8,100 | 8,064 | 8,130 |
| Keystone Acquisition Corp. – Term Debt (L + 9.3%, 10.3% Cash, Due 5/2025)[D][U] | 4,000 | 3,954 | 3,790 |
| Prophet Brand Strategy – Delayed Draw Term Debt, $5,000 available (L + 8.5%, 10.5% Cash, Due 2/2025)[C][Z] | — | — | — |
| Prophet Brand Strategy – Term Debt (L + 8.5%, 10.5% Cash, Due 2/2025)[C][Z] | 13,000 | 13,000 | 13,130 |
| | | **27,978** | **27,750** |
| **Healthcare, Education, and Childcare – 1.8%** | | | |
| Medical Solutions Holdings, Inc. — Term Debt (L + 8.4%, 9.4% Cash, Due 6/2025)[C] | 3,000 | 2,974 | 2,940 |
| Medical Solutions Holdings, Inc. — Term Debt (L + 8.8%, 9.8% Cash, Due 6/2025)[C] | 3,000 | 2,957 | 2,940 |
| | | **5,931** | **5,880** |
| **Home and Office Furnishings, Housewares and Durable Consumer Products – 3.2%** | | | |
| Belnick, Inc. – Term Debt (11.0% Cash, Due 8/2023)[C][F] | 10,000 | **10,000** | **10,025** |
| **Machinery – 0.2%** | | | |
| CPM Holdings, Inc. – Term Debt (L + 8.3%, 8.3% Cash, Due 11/2026)[D] | 798 | **798** | **790** |
| **Oil and Gas – 7.6%** | | | |
| Imperative Holdings Corporation – Term Debt (L + 10.3%, 12.3% Cash, 1.8% PIK, Due 9/2022)[S] | 26,569 | **26,569** | **24,178** |
| **Total Secured Second Lien Debt** | | **$ 100,658** | **$ 97,408** |
| **Unsecured Debt – 0.0%** | | | |
| **Diversified/Conglomerate Service – 0.0%** | | | |
| Frontier Financial Group Inc. – Convertible Debt (6.0%, Due 6/2022)[E][F] | $ 198 | **$ 198** | **$ 10** |
| **Preferred Equity – 5.7%** | | | |
| **Automobile – 0.0%** | | | |
| Sea Link International IRB, Inc. – Preferred Stock[E][G] | 98,039 | **98** | **127** |
| **Beverage, Food, and Tobacco – 0.0%** | | | |
| Triple H Food Processors, LLC – Preferred Stock[E][G] | 75 | **75** | **102** |
| **Buildings and Real Estate – 0.3%** | | | |
| GFRC 360, LLC – Preferred Stock[E][G] | 1,000 | **1,025** | **864** |

**GLADSTONE CAPITAL CORPORATION**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
**SEPTEMBER 30, 2021**
**(DOLLAR AMOUNTS IN THOUSANDS)**

| Company and Investment[A][B][W][K] | Principal/ Shares/ Units[J][I] | Cost | Fair Value |
|---|---|---|---|
| **Diversified/Conglomerate Service – 2.8%** | | | |
| Frontier Financial Group Inc. – Preferred Stock[E][G] | 766 | 500 | — |
| Frontier Financial Group Inc. – Preferred Stock Warrant[E][G] | 168 | — | — |
| MCG Energy Solutions, LLC – Preferred Stock[E] | 7,000,000 | 7,000 | 8,861 |
| | | **7,500** | **8,861** |
| **Oil and Gas – 0.5%** | | | |
| FES Resources Holdings LLC – Preferred Equity Units[E][G] | 6,350 | 6,350 | — |
| Imperative Holdings Corporation – Preferred Equity Units[E][G] | 13,740 | 632 | 1,551 |
| | | **6,982** | **1,551** |
| **Telecommunications – 2.1%** | | | |
| B+T Group Acquisition, Inc.[S] – Preferred Stock[E][G] | 6,130 | 2,024 | 5,691 |
| NetFortris Corp. – Preferred Stock[E][G] | 7,890,860 | 789 | 914 |
| | | **2,813** | **6,605** |
| **Total Preferred Equity** | | **$ 18,493** | **$ 18,110** |
| **Common Equity – 11.0%** | | | |
| **Aerospace and Defense – 4.8%** | | | |
| Antenna Research Associates, Inc. – Common Equity Units[E][G] | 4,283 | $ 4,283 | $ 13,444 |
| Ohio Armor Holdings, LLC – Common Equity[E][G] | 1,000 | 1,000 | 1,749 |
| | | **5,283** | **15,193** |
| **Automobile– 0.1%** | | | |
| Sea Link International IRB, Inc.– Common Equity Units[E][G] | 823,333 | **823** | **300** |
| **Beverage, Food, and Tobacco – 0.5%** | | | |
| Triple H Food Processors, LLC – Common Stock[E][G] | 250,000 | **250** | **1,504** |
| **Buildings and Real Estate – 0.0%** | | | |
| GFRC 360, LLC – Common Stock Warrants[E][G] | 45.0 % | — | — |
| **Healthcare, Education, and Childcare – 2.3%** | | | |
| GSM MidCo LLC – Common Stock[E][G] | 767 | 767 | 924 |
| Leeds Novamark Capital I, L.P. – Limited Partnership Interest ($843 uncalled capital commitment)[G][L][R] | 3.5 % | 1,358 | 6,487 |
| | | **2,125** | **7,411** |
| **Machinery – 0.0%** | | | |
| Arc Drilling Holdings LLC – Common Stock[E][G] | 15,000 | **1,500** | **—** |
| **Oil and Gas – 0.0%** | | | |
| FES Resources Holdings LLC – Common Equity Units[E][G] | 6,233 | — | — |
| Total Safety Holdings, LLC – Common Equity[E][G] | 435 | 499 | 132 |
| | | **499** | **132** |
| **Personal and Non-Durable Consumer Products (Manufacturing Only) – 0.0%** | | | |
| Funko Acquisition Holdings, LLC[S] – Common Units[G][T] | 6,290 | **30** | **78** |
| **Telecommunications – 0.1%** | | | |
| B+T Group Acquisition, Inc.[S] – Common Stock Warrant[E][G] | 1.5 % | — | 330 |
| NetFortris Corp. – Common Stock Warrant[E][G] | 1 | 1 | — |
| | | **1** | **330** |
| **Textiles and Leather – 3.2%** | | | |
| Targus Cayman HoldCo, Ltd. – Common Stock[E][G] | 3,076,414 | **2,062** | **10,030** |
| **Total Common Equity** | | **$ 12,573** | **$ 34,978** |
| **Total Non-Control/Non-Affiliate Investments** | | **$ 447,566** | **$ 454,601** |
| **AFFILIATE INVESTMENTS[N] – 25.8%** | | | |
| **Secured First Lien Debt – 9.1%** | | | |
| **Diversified/Conglomerate Manufacturing – 1.7%** | | | |
| Edge Adhesives Holdings, Inc.[S] – Term Debt (L + 10.5%, 12.5% Cash, Due 2/2022)[C] | $ 5,540 | **$ 5,540** | **$ 5,540** |
| **Diversified/Conglomerate Service – 7.4%** | | | |
| Encore Dredging Holdings, LLC – Line of Credit, $3,000 available (L + 8.0%, 9.0% Cash, Due 12/2025)[C] | — | — | — |
| Encore Dredging Holdings, LLC – Term Debt (L + 8.0%, 9.0% Cash, Due 12/2025)[C] | 23,500 | 23,500 | 23,618 |

**GLADSTONE CAPITAL CORPORATION**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
**SEPTEMBER 30, 2021**
**(DOLLAR AMOUNTS IN THOUSANDS)**

| Company and Investment[A][B][W][K] | Principal/ Shares/ Units[J][I] | Cost | Fair Value |
|---|---|---|---|
| Encore Dredging Holdings, LLC – Delayed Draw Term Debt, $5,000 available (L + 8.0%, 9.0% Cash, Due 12/2025)[Y] | — | — | — |
| | | 23,500 | 23,618 |
| **Total Secured First Lien Debt** | | **$ 29,040** | **$ 29,158** |
| **Secured Second Lien Debt – 9.6%** | | | |
| **Diversified Natural Resources, Precious Metals and Minerals – 9.6%** | | | |
| Lignetics, Inc. – Term Debt (L + 9.8%, 11.8% Cash, Due 6/2026)[Y][Z] | $ 6,000 | $ 6,000 | $ 6,540 |
| Lignetics, Inc. – Term Debt (L + 9.8%, 11.8% Cash, Due 6/2026)[Y][Z] | 8,000 | 8,000 | 8,633 |
| Lignetics, Inc. – Term Debt (L + 9.8%, 11.8% Cash, Due 6/2026)[Y][Z] | 3,300 | 3,300 | 3,491 |
| Lignetics, Inc. – Term Debt (L + 9.8%, 11.8% Cash, Due 6/2026)[Y][Z] | 3,000 | 3,000 | 3,199 |
| Lignetics, Inc. – Term Debt (L + 9.8%, 11.8% Cash, Due 6/2026)[Y][Z] | 2,500 | 2,500 | 2,500 |
| Lignetics, Inc. – Term Debt (L + 9.8%, 11.8% Cash, Due 6/2026)[Y][Z] | 6,200 | 6,200 | 6,200 |
| | | 29,000 | 30,563 |
| **Total Secured Second Lien Debt** | | **$ 29,000** | **$ 30,563** |
| **Preferred Equity – 3.4%** | | | |
| **Diversified/Conglomerate Manufacturing – 0.0%** | | | |
| Edge Adhesives Holdings, Inc[S] – Preferred Stock[E][G] | 5,466 | **$ 5,466** | **$ —** |
| **Diversified/Conglomerate Service– 1.4%** | | | |
| Encore Dredging Holdings, LLC– Preferred Stock[E][G] | 3,200,000 | **3,200** | **4,525** |
| **Diversified Natural Resources, Precious Metals and Minerals – 1.8%** | | | |
| Lignetics, Inc. – Preferred Stock[G][Y][Z] | 78,097 | **1,321** | **5,602** |
| **Personal and Non-Durable Consumer Products (Manufacturing Only) – 0.2%** | | | |
| Canopy Safety Brands, LLC – Preferred Stock[E][G] | 500,000 | **500** | **739** |
| **Total Preferred Equity** | | **$ 10,487** | **$ 10,866** |
| **Common Equity – 3.7%** | | | |
| **Diversified Natural Resources, Precious Metals and Minerals – 3.5%** | | | |
| Lignetics, Inc. – Common Stock[G][Y][Z] | 152,603 | **$ 1,855** | **$ 10,969** |
| **Personal and Non-Durable Consumer Products (Manufacturing Only) – 0.2%** | | | |
| Canopy Safety Brands, LLC – Common Stock[E][G] | 800,000 | **300** | **725** |
| **Total Common Equity** | | **$ 2,155** | **$ 11,694** |
| **Total Affiliate Investments** | | **$ 70,682** | **$ 82,281** |
| **CONTROL INVESTMENTS[O] – 6.5%** | | | |
| **Secured First Lien Debt – 1.3%** | | | |
| **Diversified/Conglomerate Manufacturing – 0.9%** | | | |
| LWO Acquisitions Company LLC – Term Debt (L + 7.5%, 10.0% Cash, Due 6/2021)[F][Q] | $ 6,000 | $ 6,000 | $ 2,841 |
| LWO Acquisitions Company LLC – Term Debt (Due 6/2021)[F][P][Q] | 10,632 | 10,632 | — |
| | | 16,632 | 2,841 |
| **Printing and Publishing – 0.4%** | | | |
| TNCP Intermediate HoldCo, LLC – Line of Credit, $700 available (8.0% Cash, Due 10/2024)[F][F] | 1,300 | **1,300** | **1,300** |
| **Total Secured First Lien Debt** | | **$ 17,932** | **$ 4,141** |
| **Secured Second Lien Debt – 2.5%** | | | |
| **Automobile– 2.5%** | | | |
| Defiance Integrated Technologies, Inc. – Term Debt (L + 9.5%, 11.0% Cash, Due 5/2026)[F] | $ 7,985 | **$ 7,985** | **$ 7,985** |
| **Unsecured Debt – 0.0%** | | | |
| **Diversified/Conglomerate Manufacturing – 0.0%** | | | |
| LWO Acquisitions Company LLC – Term Debt (Due 6/2023)[F][P] | $ 95 | **$ 95** | **$ —** |
| **Preferred Equity – 0.1%** | | | |
| **Automobile– 0.1%** | | | |
| Defiance Integrated Technologies, Inc. – Preferred Stock[E][G] | 6,043 | **$ 250** | **$ 270** |
| **Common Equity – 2.6%** | | | |
| **Automobile– 0.8%** | | | |
| Defiance Integrated Technologies, Inc. – Common Stock[E][G] | 33,231 | **$ 580** | **$ 2,623** |
| **Diversified/Conglomerate Manufacturing – 0.0%** | | | |
| LWO Acquisitions Company LLC – Common Units[E][G] | 921,000 | **921** | **—** |

**GLADSTONE CAPITAL CORPORATION**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
**SEPTEMBER 30, 2021**
**(DOLLAR AMOUNTS IN THOUSANDS)**

| Company and Investment[A][B][W][K] | Principal/ Shares/ Units[J][I] | Cost | Fair Value |
|---|---|---|---|
| **Machinery – 1.3%** | | | |
| PIC 360, LLC – Common Equity Units[E][G] | 750 | **1** | **3,983** |
| **Printing and Publishing – 0.5%** | | | |
| TNCP Intermediate HoldCo, LLC – Common Equity Units[E][G] | 790,000 | **500** | **1,728** |
| **Total Common Equity** | | **$ 2,002** | **$ 8,334** |
| **Total Control Investments** | | **$ 28,264** | **$ 20,730** |
| **TOTAL INVESTMENTS – 175.1%** | | **$ 546,512** | **$ 557,612** |

(1) Certain of the securities listed in this schedule are issued by affiliate(s) of the indicated portfolio company. The majority of the securities listed, totaling $512.0 million at fair value, are pledged as collateral under our revolving line of credit, as described further in Note 5—*Borrowings* in the accompanying *Notes to Consolidated Financial Statements* . Under the Investment Company Act of 1940, as amended (the "1940 Act"), we may not acquire any non-qualifying assets unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. As of September 30, 2021, our investments in Leeds Novamark Capital I, L.P. ("Leeds") and Funko Acquisition Holdings, LLC ("Funko") are considered non-qualifying assets under Section 55 of the 1940 Act. Such non-qualifying assets represent 1.2% of total investments, at fair value, as of September 30, 2021.

(2) Unless indicated otherwise, all cash interest rates are indexed to 30-day London Interbank Offered Rate ("LIBOR" or "L"), which was 0.08% as of September 30, 2021. If applicable, paid-in-kind ("PIK") interest rates are noted separately from the cash interest rate. Certain securities are subject to an interest rate floor. The cash interest rate is the greater of the floor or LIBOR plus a spread. Due dates represent the contractual maturity date.

(3) Fair value was based on an internal yield analysis or on estimates of value submitted by ICE Data Pricing and Reference Data, LLC ("ICE").

(4) Fair value was based on the indicative bid price on or near September 30, 2021, offered by the respective syndication agent's trading desk.

(5) Fair value was based on the total enterprise value of the portfolio company, which was then allocated to the portfolio company's securities in order of their relative priority in the capital structure.

(6) Debt security has a fixed interest rate.

(7) Security is non-income producing.

(8) Reserved.

(9) Represents the principal balance for debt investments and the number of shares/units held for equity investments. Warrants are represented as a percentage of ownership, as applicable.

(10) Where applicable, aggregates all shares of a class of stock owned without regard to specific series owned within such class (some series of which may or may not be voting shares) or aggregates all warrants to purchase shares of a class of stock owned without regard to specific series of such class of stock such warrants allow us to purchase.

(11) Category percentages represent the fair value of each category and subcategory as a percentage of net assets as of September 30, 2021.

(12) There are certain limitations on our ability to withdraw our partnership interest prior to dissolution of the entity, which must occur no later than May 9, 2024 or two years after all outstanding leverage has matured.

(13) Non-Control/Non-Affiliate investments, as defined by the 1940 Act, are those that are neither Control nor Affiliate investments and in which we own less than 5.0% of the issued and outstanding voting securities.

(14) Affiliate investments, as defined by the 1940 Act, are those in which we own, with the power to vote, between and inclusive of 5.0% and 25.0% of the issued and outstanding voting securities.

(15) Control investments, as defined by the 1940 Act, are those where we have the power to exercise a controlling influence over the management or policies of the portfolio company, which may include owning, with the power to vote, more than 25.0% of the issued and outstanding voting securities.

(16) Debt security does not have a stated interest rate that is payable thereon.

(17) Investment maturity date has passed. Investment continues to make applicable interest payments.

(18) Fair value was based on net asset value provided by the fund as a practical expedient.

(19) One of our affiliated funds, Gladstone Investment Corporation, co-invested with us in this portfolio company pursuant to an exemptive order granted by the U.S. Securities and Exchange Commission.

(20) Our investment in Funko was valued using Level 2 inputs within the Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 820, "Fair Value Measurements and Disclosures" ("ASC 820") fair value hierarchy. Our common units in Funko are convertible to class A common stock in Funko, Inc. upon meeting certain requirements. Fair value was based on the closing market price of shares of Funko, Inc. as of the reporting date, less a discount for lack of marketability. Funko, Inc. is traded on the Nasdaq Global Select Market under the trading symbol "FNKO." Refer to Note 3—*Investments* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

(21) The cash interest rate on this investment was indexed to 90-day LIBOR, which was 0.13% as of September 30, 2021.

(22) The cash interest rate on this investment was indexed to the U.S. Prime Rate ("PRIME"), which was 3.25% as of September 30, 2021.

(23) Unless indicated otherwise, all of our investments are valued using Level 3 inputs within the ASC 820 fair value hierarchy. Refer to Note 3— *Investments* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

(24) Cumulative gross unrealized depreciation for federal income tax purposes is $59.4 million; cumulative gross unrealized appreciation for federal income tax purposes is $57.7 million. Cumulative net unrealized depreciation is $1.7 million, based on a tax cost of $559.3 million.

(25) Fair value was based on the expected exit or payoff amount, where such event has occurred or is expected to occur imminently.

(26) Investment was exited subsequent to September 30, 2021.

**GLADSTONE CAPITAL CORPORATION**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**SEPTEMBER 30, 2022**
**(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA AND AS OTHERWISE INDICATED)**

## NOTE 1. ORGANIZATION

Gladstone Capital Corporation was incorporated under the Maryland General Corporation Law on May 30, 2001 and completed an initial public offering on August 24, 2001. The terms "the Company," "we," "our" and "us" all refer to Gladstone Capital Corporation and its consolidated subsidiaries. We are an externally managed, closed-end, non-diversified management investment company that has elected to be treated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"), and are applying the guidance of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946 "Financial Services-Investment Companies" ("ASC 946"). In addition, we have elected to be treated for U.S. federal income tax purposes as a regulated investment company ("RIC") under the Internal Revenue Code of 1986, as amended (the "Code"). We were established for the purpose of investing in debt and equity securities of established private businesses operating in the United States ("U.S."). Our investment objectives are to: (1) achieve and grow current income by investing in debt securities of established lower middle market companies (which we generally define as companies with annual earnings before interest, taxes, depreciation and amortization ("EBITDA") of $3 million to $15 million) in the U.S. that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time; and (2) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities, in connection with our debt investments, that we believe can grow over time to permit us to sell our equity investments for capital gains.

Gladstone Business Loan, LLC ("Business Loan"), a wholly-owned subsidiary of ours, was established on February 3, 2003, for the sole purpose of holding certain investments pledged as collateral under our line of credit. The financial statements of Business Loan are consolidated with those of Gladstone Capital Corporation.

We are externally managed by Gladstone Management Corporation (the "Adviser"), an affiliate of ours and an SEC registered investment adviser, pursuant to an investment advisory and management agreement (as amended and/or restated from time to time, the "Advisory Agreement"). Administrative services are provided by Gladstone Administration, LLC (the "Administrator"), an affiliate of ours and the Adviser, pursuant to an administration agreement (the "Administration Agreement"). Refer to Note 4 —*Related Party Transactions* for additional information regarding these arrangements.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Basis of Presentation*

We prepare our *Consolidated Financial Statements* and the accompanying notes in accordance with accounting principles generally accepted in the U.S. ("GAAP") and conform to Regulation S-X. Management believes it has made all necessary adjustments so that our accompanying *Consolidated Financial Statements* are presented fairly and that all such adjustments are of a normal recurring nature. Our accompanying *Consolidated Financial Statements* include our accounts and the accounts of our wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

*Consolidation*

In accordance with Article 6 of Regulation S-X, we do not consolidate portfolio company investments. Under the investment company rules and regulations pursuant to the American Institute of Certified Public Accountants Audit and Accounting Guide for Investment Companies, codified in ASC 946, we are precluded from consolidating any entity other than another investment company, except that ASC 946 provides for the consolidation of a controlled operating company that provides substantially all of its services to the investment company or its consolidated subsidiaries.

*Use of Estimates*

Preparing financial statements requires management to make estimates and assumptions that affect the amounts reported in our accompanying *Consolidated Financial Statements* and these *Notes to Consolidated Financial Statements.* Actual results may differ from those estimates.

*Reclassifications*

Certain prior period amounts have been reclassified to conform to the current period presentation in the*Consolidated Financial Statements* and the accompanying *Notes to Consolidated Financial Statements.* Reclassifications did not impact net increase in net assets resulting from operations, total assets, total liabilities, or total net assets, or *Consolidated Statements of Cash Flows* classifications.

*Classification of Investments*

In accordance with the provisions of the 1940 Act applicable to BDCs, we classify portfolio investments on our accompanying*Consolidated Financial Statements* into the following categories:

- *Control Investments*—Control investments are those where we have the power to exercise a controlling influence over the management or policies of the portfolio company, which may include owning, with the power to vote, more than 25.0% of the issued and outstanding voting securities of such portfolio company;
- *Affiliate Investments*—Affiliate investments are those in which we own, with the power to vote, between 5.0% and 25.0% of the issued and outstanding voting securities that are not classified as Control investments; and
- *Non-Control/Non-Affiliate Investments*—Non-Control/Non-Affiliate investments are those that are neither control nor affiliate investments and in which we own less than 5.0% of the issued and outstanding voting securities.

*Cash and cash equivalents*

We consider all short-term, highly liquid investments that are both readily convertible to cash and have a maturity of three months or less at the time of purchase to be cash equivalents. Cash is carried at cost, which approximates fair value. We place our cash with financial institutions, and at times, cash held in checking accounts may exceed the Federal Deposit Insurance Corporation insured limit. We seek to mitigate this concentration of credit risk by depositing funds with major financial institutions.

*Restricted Cash and Cash Equivalents*

Restricted cash is cash held in escrow that was generally received as part of an investment exit. Restricted cash is carried at cost, which approximates fair value.

*Investment Valuation Policy*

Accounting Recognition

We record our investments at fair value in accordance with the FASB ASC Topic 820, “Fair Value Measurements and Disclosures” (“ASC 820”) and the 1940 Act. Investment transactions are recorded on the trade date. Realized gains or losses are generally measured by the difference between the net proceeds from the repayment or sale and the cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized, and include investments charged off during the period, net of recoveries. Unrealized appreciation or depreciation primarily reflects the change in investment fair values, including the reversal of previously recorded unrealized appreciation or depreciation when gains or losses are realized.

Board Responsibility

In December 2020, the SEC adopted Rule 2a-5 under the 1940 Act, which permits a BDC’s board of directors to designate its investment adviser as a valuation designee to perform fair value determinations for its investment portfolio, subject to the active oversight of such board. Our board of directors (the “Board of Directors”) has approved investment valuation policies and procedures pursuant to Rule 2a-5 (the “Policy”) and, in July 2022, designated the Adviser to serve as the Board of Directors’ valuation designee.

In accordance with the 1940 Act and SEC Rule 2a-5, our Board of Directors has the ultimate responsibility for reviewing and determining, in good faith, the fair value of our investments for which market quotations are not readily available based on our Policy and for overseeing the valuation designee. Such review and oversight includes receiving written fair value determinations and supporting materials provided by the valuation designee, in coordination with the Administrator

and with the oversight by the Company's chief valuation officer (collectively, the "Valuation Team"). The Valuation Committee of our Board of Directors (comprised entirely of independent directors) meets to review the valuation determinations and supporting materials, discusses the information provided by the Valuation Team, determines whether the Valuation Team has followed the Policy, and reviews other facts and circumstances, including current valuation risks, conflicts of interest, material valuation matters, appropriateness of valuation methodologies, back-testing results, price challenges/overrides, and ongoing monitoring and oversight of pricing services. After the Valuation Committee concludes its meeting, it and the chief valuation officer, representing the Valuation Designee, present the Valuation Committee's findings to the entire Board of Directors so that the full Board of Directors may review and approve in good faith the Valuation Designee's determined fair values of such investments in accordance with the Policy.

There is no single standard for determining fair value (especially for privately-held businesses), as fair value depends upon the specific facts and circumstances of each individual investment. In determining the fair value of our investments, the Valuation Team, led by the chief valuation officer, uses the Policy, and each quarter the Valuation Committee and Board of Directors review the Policy to determine if changes thereto are advisable and whether the Valuation Team has applied the Policy consistently.

Use of Third Party Valuation Firms

The Valuation Team engages third party valuation firms to provide independent assessments of fair value of certain of our investments.

ICE Data Pricing and Reference Data, LLC ("ICE"), a valuation specialist, generally provides estimates of fair value on our proprietary debt investments. The Valuation Team generally assigns ICE's estimates of fair value to our debt investments where we do not have the ability to effectuate a sale of the applicable portfolio company. The Valuation Team corroborates ICE's estimates of fair value using one or more of the valuation techniques discussed below. The Valuation Team's estimate of value on a specific debt investment may significantly differ from ICE's. When this occurs, our Valuation Committee and Board of Directors review whether the Valuation Team has followed the Policy and whether the Valuation Team's recommended fair value is reasonable in light of the Policy and other facts and circumstances before determining fair value.

We may engage other independent valuation firms to provide earnings multiple ranges, as well as other information, and evaluate such information for incorporation into the total enterprise value ("TEV") of certain of our investments. Generally, at least once per year, we engage an independent valuation firm to value or review the valuation of each of our significant equity investments, which includes providing the information noted above. The Valuation Team evaluates such information for incorporation into our TEV, including review of all inputs provided by the independent valuation firm. The Valuation Team then makes a recommendation to our Valuation Committee and Board of Directors as to the fair value. Our Board of Directors reviews the recommended fair value, and whether it is reasonable in light of the Policy, and other relevant facts and circumstances before determining fair value.

Valuation Techniques

In accordance with ASC 820, the Valuation Team uses the following techniques when valuing our investment portfolio:

- *Total Enterprise Value* — In determining the fair value using a TEV, the Valuation Team first calculates the TEV of the portfolio company by incorporating some or all of the following factors: the portfolio company's ability to make payments and other specific portfolio company attributes; the earnings of the portfolio company (the trailing or projected 12 month revenue or EBITDA); EBITDA multiples obtained from our indexing methodology whereby the original transaction EBITDA multiple at the time of our closing is indexed to a general subset of comparable disclosed transactions and EBITDA multiples from recent sales to third parties of similar securities in similar industries; a comparison to publicly traded securities in similar industries, and other pertinent factors. The Valuation Team generally reviews industry statistics and may use outside experts when gathering this information. Once the TEV is determined for a portfolio company, the Valuation Team generally allocates the TEV to the portfolio company's securities based on the facts and circumstances of the securities, which typically results in the allocation of fair value to securities based on the order of their relative priority in the capital structure. Generally, the Valuation Team uses TEV to value our equity investments and, in the circumstances where we have the ability to effectuate a sale of a portfolio company, our debt investments.

  TEV is primarily calculated using EBITDA and EBITDA multiples; however, TEV may also be calculated using revenue and revenue multiples or a discounted cash flow ("DCF") analysis whereby future expected cash flows of

the portfolio company are discounted to determine a net present value using estimated risk-adjusted discount rates, which incorporate adjustments for nonperformance and liquidity risks.

- *Yield Analysis* — The Valuation Team generally determines the fair value of our debt investments for which we do not have the ability to effectuate a sale of the applicable portfolio company using the yield analysis, which includes a DCF calculation and assumptions that the Valuation Team believes market participants would use, including, estimated remaining life, current market yield, current leverage, and interest rate spreads. This technique develops a modified discount rate that incorporates risk premiums including increased probability of default, increased loss upon default and increased liquidity risk. Generally, the Valuation Team uses the yield analysis to corroborate both estimates of value provided by ICE and market quotes.
- *Market Quotes* — For our investments for which a limited market exists, we generally base fair value on readily available and reliable market quotations which are corroborated by the Valuation Team (generally by using the yield analysis described above). In addition, the Valuation Team assesses trading activity for similar investments and evaluates variances in quotations and other market insights to determine if any available quoted prices are reliable. Typically, the Valuation Team uses the lower indicative bid price ("IBP") in the bid-to-ask price range obtained from the respective originating syndication agent's trading desk on or near the valuation date. The Valuation Team may take further steps to consider additional information to validate that price in accordance with the Policy. For securities that are publicly traded, we generally base fair value on the closing market price of the securities we hold as of the reporting date. For restricted securities that are publicly traded, we generally base fair value on the closing market price of the securities we hold as of the reporting date less a discount for the restriction, which includes consideration of the nature and term to expiration of the restriction.
- *Investments in Funds* — For equity investments in other funds for which we cannot effectuate a sale of the fund, the Valuation Team generally determines the fair value of our invested capital at the net asset value ("NAV") provided by the fund. Any invested capital that is not yet reflected in the NAV provided by the fund is valued at par value. The Valuation Team may also determine fair value of our investments in other investment funds based on the capital accounts of the underlying entity.

In addition to the valuation techniques listed above, the Valuation Team may also consider other factors when determining the fair value of our investments, including: the nature and realizable value of the collateral, including external parties' guaranties, any relevant offers or letters of intent to acquire the portfolio company, timing of expected loan repayments, and the markets in which the portfolio company operates.

Fair value measurements of our investments may involve subjective judgments and estimates and due to the uncertainty inherent in valuing these securities, the determinations of fair value may fluctuate from period to period and may differ materially from the values that could be obtained if a ready market for these securities existed. Our NAV could be materially affected if the determinations regarding the fair value of our investments are materially different from the values that we ultimately realize upon our disposal of such securities. Additionally, changes in the market environment and other events that may occur over the life of the investment may cause the gains or losses ultimately realized on these investments to be different than the valuations currently assigned. Further, such investments are generally subject to legal and other restrictions on resale or otherwise are less liquid than publicly traded securities. If we were required to liquidate a portfolio investment in a forced or liquidation sale, we could realize significantly less than the value at which it is recorded.

Refer to Note 3—*Investments* for additional information regarding fair value measurements and our application of ASC 820.

*Revenue Recognition*

Interest Income Recognition

Interest income, including the amortization of premiums, acquisition costs and amendment fees, the accretion of original issue discounts ("OID"), and paid-in-kind ("PIK") interest, is recorded on the accrual basis to the extent that such amounts are expected to be collected. Generally, when a loan becomes 90 days or more past due or if our qualitative assessment indicates that the debtor is unable to service its debt or other obligations, we will place the loan on non-accrual status and cease recognizing interest income on that loan for financial reporting purposes until the borrower has demonstrated the ability and intent to pay contractual amounts due. However, we remain contractually entitled to this interest. Interest payments received on non-accrual loans may be recognized as income or applied to the cost basis depending upon management's judgment. Generally, non-accrual loans are restored to accrual status when past due principal and interest are paid and, in management's judgment, are likely to remain current, or due to a restructuring such that the interest income is deemed to be collectible. As of September 30, 2022 and 2021, there were no loans on non-accrual status.

We currently hold, and we expect to hold in the future, some loans in our portfolio that contain OID or PIK provisions. We recognize OID for loans originally issued at discounts and recognize the income over the life of the obligation based on an effective yield calculation. PIK interest, computed at the contractual rate specified in a loan agreement, is added to the principal balance of a loan and recorded as income over the life of the obligation. Thus, the actual collection of PIK income may be deferred until the time of debt principal repayment. To maintain our ability to be taxed as a RIC, we may need to pay out both OID and PIK non-cash income amounts in the form of distributions, even though we have not yet collected the cash on either.

As of September 30, 2022 and 2021, we held four and six OID loans, respectively, primarily from syndicated loans as well as some participation interests in our portfolio. We recorded OID income of $0.5 million, $0.3 million, and $0.3 million during the years ended September 30, 2022, 2021, and 2020, respectively. The unamortized balance of OID investments as of September 30, 2022 and 2021 totaled $0.9 million and $1.1 million, respectively. As of September 30, 2022 and 2021, we had six and seven investments which had a PIK interest component, respectively. We recorded PIK interest income of $4.2 million, $2.5 million, and $2.6 million during the years ended September 30, 2022, 2021, and 2020, respectively. We collected $2.4 million, $3.4 million, and $0.1 million of PIK interest in cash during the years ended September 30, 2022, 2021, and 2020, respectively.

Success Fee Income Recognition

We record success fees as income when earned, which often occurs upon receipt of cash. Success fees are generally contractually due upon a change of control in a portfolio company, typically resulting from an exit or sale, and are non-recurring.

Dividend Income Recognition

We accrue dividend income on preferred and common equity securities to the extent that such amounts are expected to be collected and if we have the option to collect such amounts in cash or other consideration.

*Deferred Financing and Offering Costs*

Deferred financing and offering costs consist of costs incurred to obtain financing, including lender fees and legal fees. Certain costs associated with our Credit Facility (as defined below) are deferred and amortized using the straight-line method, which approximates the effective interest method, over the term of our Credit Facility's revolving period. Costs associated with the issuance of our notes payable are presented as discounts to the principal amount of the notes payable and are amortized using the straight-line method, which approximates the effective interest method, over the term of the notes. Costs associated with the issuance of our mandatorily redeemable preferred stock are presented as discounts to the liquidation value of the mandatorily redeemable preferred stock and are amortized using the straight-line method, which approximates the effective interest method, over the term of the respective series of preferred stock. Refer to Note 5 — *Borrowings* and Note 6 — *Mandatorily Redeemable Preferred Stock* for further discussion.

*Related Party Fees*

We are party to the Advisory Agreement with the Adviser, which is owned and controlled by our chairman and chief executive officer. In accordance with the Advisory Agreement, we pay the Adviser fees as compensation for its services, consisting of a base management fee and an incentive fee. Additionally, we pay the Adviser a loan servicing fee as compensation for its services as servicer under the terms of our revolving line of credit with KeyBank National Association ("KeyBank"), as administrative agent, lead arranger and lender (as amend and/or restated from time to time, our "Credit Facility"). These fees are accrued at the end of the quarter when the services are performed and generally paid the following quarter.

We are also party to the Administration Agreement with the Administrator, which is owned and controlled by our chairman and chief executive officer, whereby we pay separately for administrative services. Refer to Note 4— *Related Party Transactions* for additional information regarding these related party fees and agreements.

*Income Taxes*

We intend to continue to qualify for treatment as a RIC under subchapter M of the Code, which generally allows us to avoid paying corporate income taxes on any income or gains that we distribute to our stockholders. We intend to continue

to distribute sufficient dividends to eliminate taxable income. Refer to Note 10—*Federal and State Income Taxes* for additional information regarding our RIC requirements.

ASC 740, *"Income Taxes"* requires the evaluation of tax positions taken or expected to be taken in the course of preparing our tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authorities. Tax positions not deemed to satisfy the "more-likely-than-not" threshold would be recorded as a tax benefit or expense in the current fiscal year. We have evaluated the implications of ASC 740, for all open tax years and in all major tax jurisdictions, and determined that there is no material impact on our accompanying *Consolidated Financial Statements*. Our federal tax returns for fiscal years 2019 to 2021 remain subject to examination by the Internal Revenue Service ("IRS").

*Distributions*

Distributions to stockholders are recorded on the ex-dividend date. We are required to pay out at least 90.0% of our Investment Company Taxable Income (as defined below), which is generally our net ordinary income plus the excess of our net short-term capital gains over net long-term capital losses for each taxable year as a distribution to our stockholders in order to maintain our ability to be taxed as a RIC under Subchapter M of the Code. It is our policy to pay out as a distribution up to 100.0% of those amounts. The amount to be paid is determined by our Board of Directors each quarter and is based on the annual earnings estimated by our management. Based on that estimate, a distribution is declared each quarter and is paid out monthly over the course of the respective quarter. Refer to Note 9—*Distributions to Common Stockholders* for further information.

Our transfer agent, Computershare, Inc., offers a dividend reinvestment plan for our common stockholders. This is an "opt in" dividend reinvestment plan, meaning that common stockholders may elect to have their cash distributions automatically reinvested in additional shares of our common stock. Common stockholders who do not make such election will receive their distributions in cash. Common stockholders who receive distributions in the form of stock will be subject to the same federal, state and local tax consequences as stockholders who elect to receive their distributions in cash. As plan agent, Computershare, Inc. purchases shares in the open market in connection with the obligations under the plan.

*Recent Accounting Pronouncements*

In June 2022, the FASB issued Accounting Standards Update 2022-03, "Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions" ("ASU 2022-03"), which clarifies the measurement and presentation of fair value for equity securities subject to contractual restrictions that prohibit the sale of the equity security. ASU 2022-03 is effective for annual reporting periods beginning after December 15, 2023, including interim periods within those fiscal years, with early adoption permitted. Our adoption of ASU 2022-03 did not have a material impact on our financial position, results of operations or cash flows.

In August 2021, the FASB issued Accounting Standards Update 2021-06, *"Presentation of Financial Statements (Topic 205): Financial Services – Depository and Lending (Topic 942), and Financial Services – Investment Companies (Topic 946)"* ("ASU 2021-06"), which codifies SEC final rules. ASU 2021-06 is effective immediately. Our adoption of ASU 2021-06 did not have a material impact on our financial position, results of operations or cash flows.

**NOTE 3. INVESTMENTS**

In accordance with ASC 820, the fair value of each investment is determined to be the price that would be received for an investment in a current sale, which assumes an orderly transaction between willing market participants on the measurement date. This fair value definition focuses on exit price in the principal, or most advantageous, market and prioritizes, within a measurement of fair value, the use of market-based inputs over entity-specific inputs. ASC 820 also establishes the following three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of a financial instrument as of the measurement date.

- *Level 1* — inputs to the valuation methodology are quoted prices (unadjusted) for identical financial instruments in active markets;
- *Level 2* — inputs to the valuation methodology include quoted prices for similar financial instruments in active or inactive markets, and inputs that are observable for the financial instrument, either directly or indirectly, for substantially the full term of the financial instrument. Level 2 inputs are those in markets for which there are few transactions, the prices are not current, little public information exists or instances where prices vary substantially over time or among brokered market makers; and

- *Level 3* — inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs are those inputs that reflect assumptions that market participants would use when pricing the financial instrument and can include the Valuation Team's assumptions based upon the best available information.

When a determination is made to classify our investments within Level 3 of the valuation hierarchy, such determination is based upon the significance of the unobservable factors to the overall fair value measurement. However, Level 3 financial instruments typically include, in addition to the unobservable, or Level 3, inputs, observable inputs (or components that are actively quoted and can be validated to external sources). The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. Investments in funds measured using NAV as a practical expedient are not categorized within the fair value hierarchy.

As of September 30, 2022, all of our investments were valued using Level 3 inputs within the ASC 820 fair value hierarchy, except for our investment in Funko Acquisition Holdings, LLC ("Funko"), which was valued using Level 2 inputs, and our investment in Leeds Novamark Capital I, L.P. ("Leeds"), which was valued using NAV as a practical expedient. As of September 30, 2021, all of our investments were valued using Level 3 inputs within the ASC 820 fair value hierarchy, except for our investment in Funko, which was valued using Level 2 inputs, and our investment in Leeds, which was valued using NAV as a practical expedient.

We transfer investments in and out of Level 1, 2, and 3 of the valuation hierarchy as of the beginning balance sheet date, based on changes in the use of observable and unobservable inputs utilized to perform the valuation for the period. During the years ended September 30, 2022 and 2021, there were no investments transferred into or out of Levels 1, 2 or 3 of the valuation hierarchy.

As of September 30, 2022 and 2021, our investments, by security type, at fair value were categorized as follows within the ASC 820 fair value hierarchy:

| | | Fair Value Measurements | | |
|---|---|---|---|---|
| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| **As of September 30, 2022:** | | | | |
| Secured first lien debt | $ 463,858 | $ — | $ — | $ 463,858 |
| Secured second lien debt | 115,928 | — | — | 115,928 |
| Unsecured debt | 55 | — | — | 55 |
| Preferred equity | 27,046 | — | — | 27,046 |
| Common equity/equivalents | 36,331 (A) | — | 58 (B) | 36,273 |
| **Total Investments as of September 30, 2022:** | **$ 643,218** | **$ —** | **$ 58** | **$ 643,160** |

| | Fair Value | Fair Value Measurements: Quoted Prices in Active Markets for Identical Assets (Level 1) | Fair Value Measurements: Significant Other Observable Inputs (Level 2) | Fair Value Measurements: Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| **As of September 30, 2021:** | | | | |
| Secured first lien debt | $ 337,394 | $ — | $ — | $ 337,394 |
| Secured second lien debt | 135,956 | — | — | 135,956 |
| Unsecured debt | 10 | — | — | 10 |
| Preferred equity | 29,246 | — | — | 29,246 |
| Common equity/equivalents | 48,519 (A) | — | 78 (B) | 48,441 |
| **Total Investments as of September 30, 2021:** | **$ 551,125** | **$ —** | **$ 78** | **$ 551,047** |

(A) Excludes our investment in Leeds with a fair value of $6.4 million and $6.5 million as of September 30, 2022 and 2021, respectively. Leeds was valued using NAV as a practical expedient.

(B) Fair value was determined based on the closing market price of shares of Funko, Inc. (our units in Funko can be converted into common shares of Funko, Inc.) at the reporting date less a discount for lack of marketability as our investment was subject to certain restrictions.

The following table presents our portfolio investments, valued using Level 3 inputs within the ASC 820 fair value hierarchy and carried at fair value as of September 30, 2022 and 2021 by caption on our accompanying *Consolidated Statements of Assets and Liabilities,* and by security type:

| | Total Recurring Fair Value Measurements Reported in *Consolidated Statements of Assets and Liabilities* Using Significant Unobservable Inputs (Level 3) | |
|---|---|---|
| | **September 30, 2022** | **September 30, 2021** |
| **Non-Control/Non-Affiliate Investments** | | |
| Secured first lien debt | **$ 413,631** | $ 304,095 |
| Secured second lien debt | **108,263** | 97,408 |
| Unsecured debt | **55** | 10 |
| Preferred equity | **17,719** | 18,110 |
| Common equity/equivalents | **28,688** [(A)] | 28,413 [(B)] |
| Total Non-Control/Non-Affiliate Investments | **$ 568,356** | $ 448,036 |
| **Affiliate Investments** | | |
| Secured first lien debt | **$ 34,804** | $ 29,158 |
| Secured second lien debt | **—** | 30,563 |
| Preferred equity | **3,640** | 10,866 |
| Common equity/equivalents | **647** | 11,694 |
| Total Affiliate Investments | **$ 39,091** | $ 82,281 |
| **Control Investments** | | |
| Secured first lien debt | **$ 15,423** | $ 4,141 |
| Secured second lien debt | **7,665** | 7,985 |
| Preferred equity | **5,687** | 270 |
| Common equity/equivalents | **6,938** | 8,334 |
| Total Control Investments | **$ 35,713** | $ 20,730 |
| **Total Investments at Fair Value Using Level 3 Inputs** | **$ 643,160** | **$ 551,047** |

[(A)] Excludes our investments in Leeds and Funko with fair values of $6.4 million and $58 thousand, respectively, as of September 30, 2022. Leeds was valued using NAV as a practical expedient, and Funko was valued using Level 2 inputs.

[(B)] Excludes our investments in Leeds and Funko with fair values of $6.5 million and $78 thousand, respectively, as of September 30, 2021. Leeds was valued using NAV as a practical expedient, and Funko was valued using Level 2 inputs.

In accordance with ASC 820, the following table provides quantitative information about our Level 3 fair value measurements of our investments as of September 30, 2022 and 2021. The table below is not intended to be all-inclusive, but rather provides information on the significant Level 3 inputs as they relate to our fair value measurements. The weighted average calculations in the table below are based on the principal balances for all debt related calculations and on the cost basis for all equity related calculations for the particular input.

| | Quantitative Information about Level 3 Fair Value Measurements | | | | | |
|---|---|---|---|---|---|---|
| | | | | | Range / Weighted Average as of | |
| | September 30, 2022 | September 30, 2021 | Valuation Techniques/ Methodologies | Unobservable Input | September 30, 2022 | September 30, 2021 |
| Secured first lien debt[A] | **$ 423,912** | $ 321,490 | Yield Analysis | Discount Rate | 8.0%–29.5% / 11.8% | 7.5%–31.2% / 12.4% |
| | **39,946** | 15,904 | TEV | EBITDA multiple | 4.8x–6.7x / 6.2x | 5.4x–5.9x / 5.9x |
| | | | | EBITDA | $800–$10,257 / $7,605 | $620–$10,209 / $9,255 |
| | | | | Revenue multiple | 0.3x–0.6x / 0.5x | 0.3x–0.3x / 0.3x |
| | | | | Revenue | $11,514–$16,320 / $14,656 | $9,968–$9,968 / $9,968 |
| Secured second lien debt | **97,472** | 106,464 | Yield Analysis | Discount Rate | 11.5%–15.4% / 13.8% | 10.1%—23.7% / 14.7% |
| | **10,791** | 21,507 | Market Quote | IBP | 82.0%–95.0% / 86.5% | 90.0%–99.0% / 95.7% |
| | **7,665** | 7,985 | TEV | EBITDA multiple | 5.6x–5.6x / 5.6x | 6.0x–6.0x / 6.0x |
| | | | | EBITDA | $3,299–$3,299 / $3,299 | $3,125–$3,125 / $3,125 |
| Unsecured debt | **55** | 10 | TEV | Revenue multiple | 0.3x–1.3x / l.0x | 0.3x–1.4x / l.0x |
| | | | | Revenue | $764–$11,514 / $4,249 | $752–$9,968 / $3,740 |
| Preferred and common equity / equivalents[B] | **63,319** | 77,687 | TEV | EBITDA multiple | 4.1x–11.0x / 6.5x | 3.7x–9.5x / 7.2x |
| | | | | EBITDA | $800–$74,512 / $11,742 | $620–$62,547 / $14,788 |
| | | | | Revenue multiple | 0.3x–4.4x / 1.4x | 0.3x–4.0x / 2.0x |
| | | | | Revenue | $764–$42,926 / $19,963 | $752–$144,889 / $29,437 |
| **Total Level 3 Investments, at Fair Value** | **$ 643,160** | $ 551,047 | | | | |

(A) Fair value as of September 30, 2022 includes one proprietary debt investment totaling $18.8 million, which was valued using the expected payoff amount as the unobservable input. Fair value as of September 30, 2021 includes two proprietary debt investments totaling $43.7 million, which were valued using the expected payoff amount as the unobservable input.

(B) Fair value as of September 30, 2022 includes one syndicated equity investment totaling $8.0 million, which was valued using the expected payoff amount as the unobservable input. Fair value as of September 30, 2021 includes one proprietary equity investment totaling $16.6 million, which was valued using the expected payoff amount as the unobservable input. Fair value as of September 30, 2022 excludes our investments in Leeds and Funko with fair values of $6.4 million and $58 thousand, respectively, as of September 30, 2022. Fair value as of September 30, 2021 excludes our investments in Leeds and Funko with fair values of $6.5 million and $78 thousand, respectively, as of September 30, 2021. Leeds was valued using NAV as a practical expedient and Funko was valued using Level 2 inputs as of both September 30, 2022 and 2021.

Fair value measurements can be sensitive to changes in one or more of the valuation inputs. Changes in discount rates, EBITDA or EBITDA multiples (or revenue or revenue multiples), each in isolation, may change the fair value of certain of our investments. Generally, an increase/(decrease) in market yields, discount rates, or a (decrease)/increase in EBITDA or EBITDA multiples (or revenue or revenue multiples) may result in a (decrease)/increase, respectively, in the fair value of certain of our investments.

*Changes in Level 3 Fair Value Measurements of Investments*

The following tables provide the changes in fair value, broken out by security type, during the years ended September 30, 2022 and 2021 for all investments for which we determine fair value using unobservable (Level 3) inputs.

**Fair Value Measurements Using Significant Unobservable Inputs (Level 3)**

| Year Ended September 30, 2022 | Secured First Lien Debt | Secured Second Lien Debt | Unsecured Debt | Preferred Equity | Common Equity/ Equivalents | Total |
|---|---|---|---|---|---|---|
| Fair Value as of September 30, 2021 | **$ 337,394** | **$ 135,956** | **$ 10** | **$ 29,246** | **$ 48,441** | **$ 551,047** |
| Total gains (losses): | | | | | | |
| Net realized gain (loss)[A] | (8,471) | — | (25) | — | 13,876 | 5,380 |
| Net unrealized appreciation (depreciation)[B] | (693) | 267 | 20 | (3,166) | (12,968) | (16,540) |
| Reversal of prior period net depreciation (appreciation) on realization[B] | 13,967 | (1,601) | 25 | (4,309) | (9,113) | (1,031) |
| New investments, repayments and settlements:[C] | | | | | | |
| Issuances/originations | 204,970 | 62,570 | 25 | 6,846 | 5,019 | 279,430 |
| Settlements/repayments | (77,898) | (81,264) | — | (250) | — | (159,412) |
| Net proceeds from sales | 1,339 | — | — | (1,321) | (15,732) | (15,714) |
| Transfers | (6,750) | — | — | — | 6,750 | — |
| **Fair Value as of September 30, 2022** | **$ 463,858** | **$ 115,928** | **$ 55** | **$ 27,046** | **$ 36,273** | **$ 643,160** |

**Fair Value Measurements Using Significant Unobservable Inputs (Level 3)**

| Year Ended September 30, 2021 | Secured First Lien Debt | Secured Second Lien Debt | Unsecured Debt | Preferred Equity | Common Equity/ Equivalents | Total |
|---|---|---|---|---|---|---|
| Fair Value as of September 30, 2020 | **$ 213,468** | **$ 196,986** | **$ 4,299** | **$ 7,000** | **$ 23,881** | **$ 445,634** |
| Total gains (losses): | | | | | | — |
| Net realized gain (loss)[A] | — | — | — | — | 3,849 | 3,849 |
| Net unrealized appreciation (depreciation)[B] | 2,246 | 7,931 | (7) | 11,948 | 37,578 | 59,696 |
| Reversal of prior period net depreciation (appreciation) on realization[B] | 72 | (763) | 133 | — | (6,069) | (6,627) |
| New investments, repayments and settlements:[C] | | | | | | |
| Issuances/originations | 166,517 | 9,607 | 113 | 10,298 | 1,300 | 187,835 |
| Settlements/repayments | (24,909) | (97,805) | (4,528) | — | — | (127,242) |
| Net proceeds from sales | — | — | — | — | (12,098) | (12,098) |
| Transfers | (20,000) | 20,000 | — | — | — | — |
| **Fair Value as of September 30, 2021** | **$ 337,394** | **$ 135,956** | **$ 10** | **$ 29,246** | **$ 48,441** | **$ 551,047** |

(A) Included in net realized gain (loss) on investments on our accompanying *Consolidated Statements of Operations* for the corresponding period.

(B) Included in net unrealized appreciation (depreciation) on investments on our accompanying *Consolidated Statements of Operations* for the corresponding period.

(C) Includes increases in the cost basis of investments resulting from new portfolio investments, accretion of discounts, PIK, and other non-cash disbursements to portfolio companies, as well as decreases in the cost basis of investments resulting from principal repayments or sales, the amortization of premiums and acquisition costs and other cost-basis adjustments.

*Investment Activity*

Proprietary Investments

As of September 30, 2022 and 2021, we held 46 and 38 proprietary investments with an aggregate fair value of $630.8 million and $525.9 million, or 97.1% and 94.3% of the total portfolio at fair value, respectively. The following significant proprietary investment transactions occurred during the year ended September 30, 2022:

- In October 2021, we invested $26.3 million in Engineering Manufacturing Technologies, LLC through secured first lien debt and equity.
- In November 2021, our investment in Lignetics, Inc. was sold, which resulted in the recognition of success fee income of $1.6 million and a realized gain of $13.4 million. In connection with the sale, we received net cash proceeds of approximately $47.2 million, including the repayment of our debt investment of $29.0 million at par.
- In November 2021, our investment in Prophet Brand Strategy paid off at par for net cash proceeds of $13.1 million.In conjunction with the payoff, we received a prepayment fee of $0.1 million.
- In November 2021, our investment in Effective School Solutions LLC paid off at par for net cash proceeds of $19.5 million.In conjunction with the payoff, we received a prepayment fee of $0.5 million.
- In November 2021, we invested $13.4 million in WB Xcel Holdings, LLC through secured first lien debt and equity.
- In December 2021, our investment in Phoenix Aromas & Essential Oils, LLC paid off at par for net cash proceeds of $10.0 million.
- In December 2021, we invested $10.0 million in Fix-it Group, Inc. through secured first lien debt.
- In December 2021, we invested $10.5 million in Workforce QA LLC through secured first lien debt and equity.
- In December 2021, we invested $30.0 million in Springfield, Inc. through secured second lien debt.
- In December 2021, we invested $16.8 million in HH-Inspire Acquisition, Inc. (“HH-Inspire”) through secured first lien debt and preferred equity. In June 2022, we invested an additional $11.5 million in HH-Inspire through secured first lien debt. In August 2022, we invested an additional $0.2 million in HH-Inspire through additional preferred equity. In September 2022, we invested an additional $8.0 million in HH-Inspire through secured first lien debt.
- In January 2022, our investment in Belnick, Inc. paid off at par for net cash proceeds of $10.0 million.
- In March 2022, we invested $5.0 million in Pansophic Learning Ltd., an existing portfolio company, through secured first lien debt.
- In March 2022, our investment in NetFortris Corp. was sold, which resulted in the recognition of success fee income of $3.2 million. In connection with the sale, we received net cash proceeds of $29.0 million, including the repayment of our debt investment of $28.8 million at par. We continue to retain an equity investment in NetFortris Holdings LLC with a cost basis of $0.8 million and fair value of $0.5 million as of September 30, 2022.
- In April 2022, we invested $12.0 million in Axios Industrial Group, LLC through secured first lien debt.
- In April 2022, we invested $14.4 million in Salvo Technologies, Inc. through secured first lien debt and membership units.
- In May 2022, we invested $21.8 million in Viva Railings, LLC through secured first lien debt.
- In June 2022, our investment in LWO Acquisitions Company LLC (“LWO”) was restructured upon emergence from Chapter 11 bankruptcy protection. As part of the restructuring, our existing $16.8 million debt investment in LWO was converted to $3.3 million of first lien debt and $6.8 million of common equity in Lonestar EMS, LLC. In conjunction with the restructuring, we recorded a net realized loss of approximately $8.5 million, including the write off of approximately $1.8 million in other receivables.

- In August 2022, we invested $28.8 million in Giving Home Health Care LLC through secured second lien debt and common equity warrants.
- In August 2022, we invested $15.0 million in Sokol & Company Holdings, LLC through secured first lien debt and common equity.
- In August 2022, we invested an additional $2.5 million in Gray Matter Systems, LLC, an existing investment, through secured second lien debt.
- In September 2022, we invested an additional $10.5 million in Antenna Research Associates, Inc., an existing investment, through secured first lien debt.
- In September 2022, we extended Salt and Straw, LLC a $2.0 million line of credit commitment and an $11.5 million delayed draw term loan commitment. We funded $0.8 million on the line of credit at close.
- In September 2022, Unirac, Inc. was sold. In conjunction with the sale, we received net cash proceeds of $11.8 million, including the repayment of our debt investment at par and a $0.1 million prepayment penalty.
- In September 2022, we invested $15.0 million in Unirac Holdings, Inc. through secured first lien debt. We also extended Unirac Holdings, Inc. a $2.2 million line of credit commitment and a $2.8 million delayed draw term loan commitment, both of which were both unfunded at close.

Syndicated Investments

As of September 30, 2022 and 2021, we held six and eight syndicated investments with an aggregate fair value of $18.8 million and $31.7 million, or 2.9% and 5.7% of the total portfolio at fair value, respectively. The following significant syndicated investment transactions occurred during the year ended September 30, 2022:

- In November 2021, our investment in Medical Solutions Holdings, Inc. paid off at par for net cash proceeds of $6.0 million.
- In January 2022, our investment in Keystone Acquisition Corp. paid off at par for net cash proceeds of $4.0 million.

*Investment Concentrations*

As of September 30, 2022, our investment portfolio consisted of investments in 52 portfolio companies located in 24 states in 13 different industries, with an aggregate fair value of $649.6 million. The five largest investments at fair value as of September 30, 2022 totaled $174.5 million, or 26.9% of our total investment portfolio, as compared to the five largest investments at fair value as of September 30, 2021 totaling $166.2 million, or 29.8% of our total investment portfolio. As of September 30, 2022 and 2021, our average investment by obligor was $12.6 million and $11.9 million at cost, respectively.

The following table outlines our investments by security type as of September 30, 2022 and 2021:

| | September 30, 2022 | | | | September 30, 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | Cost | | Fair Value | | Cost | | Fair Value | |
| Secured first lien debt | **$ 475,806** | **72.5 %** | **$ 463,858** | **71.4 %** | $ 362,616 | 66.3 % | $ 337,394 | 60.5 % |
| Secured second lien debt | **118,949** | **18.2** | **115,928** | **17.8** | 137,643 | 25.2 | 135,956 | 24.4 |
| Unsecured debt | **293** | **0.0** | **55** | **0.0** | 293 | 0.1 | 10 | 0.0 |
| Total debt investments | **595,048** | **90.7** | **579,841** | **89.2** | 500,552 | 91.6 | 473,360 | 84.9 |
| Preferred equity | **34,505** | **5.3** | **27,046** | **4.2** | 29,230 | 5.3 | 29,246 | 5.2 |
| Common equity/equivalents | **26,500** | **4.0** | **42,728** | **6.6** | 16,730 | 3.1 | 55,006 | 9.9 |
| Total equity investments | **61,005** | **9.3** | **69,774** | **10.8** | 45,960 | 8.4 | 84,252 | 15.1 |
| **Total Investments** | **$ 656,053** | **100.0 %** | **$ 649,615** | **100.0 %** | $ 546,512 | 100.0 % | $ 557,612 | 100.0 % |

Our investments at fair value consisted of the following industry classifications as of September 30, 2022 and 2021:

| | September 30, 2022 | | September 30, 2021 | |
|---|---|---|---|---|
| **Industry Classification** | **Fair Value** | **Percentage of Total Investments** | **Fair Value** | **Percentage of Total Investments** |
| Diversified/Conglomerate Service | **$ 148,907** | **22.9 %** | $ 132,458 | 23.8 % |
| Healthcare, Education, and Childcare | **136,401** | **21.0** | 92,680 | 16.6 |
| Diversified/Conglomerate Manufacturing | **114,105** | **17.6** | 25,223 | 4.5 |
| Aerospace and Defense | **88,649** | **13.6** | 79,749 | 14.3 |
| Beverage, Food, and Tobacco | **64,283** | **9.9** | 48,385 | 8.7 |
| Oil and Gas | **25,373** | **3.9** | 25,861 | 4.6 |
| Automobile | **20,144** | **3.1** | 21,681 | 3.9 |
| Personal and Non-Durable Consumer Products | **18,583** | **2.9** | 1,542 | 0.3 |
| Telecommunications | **10,088** | **1.6** | 36,720 | 6.6 |
| Machinery | **9,562** | **1.5** | 10,472 | 1.9 |
| Textiles and Leather | **7,978** | **1.2** | 10,030 | 1.8 |
| Diversified Natural Resources, Precious Metals, and Minerals | — | — | 47,134 | 8.4 |
| Chemicals, Plastics, and Rubber | — | — | 10,062 | 1.8 |
| Home and Office Furnishings, Housewares, and Durable Consumer Products | — | — | 10,025 | 1.8 |
| Other, < 2.0% | **5,542** | **0.8** | 5,590 | 1.0 |
| **Total Investments** | **$ 649,615** | **100.0 %** | $ 557,612 | 100.0 % |

Our investments at fair value were included in the following U.S. geographic regions as of September 30, 2022 and 2021:

| | September 30, 2022 | | September 30, 2021 | |
|---|---|---|---|---|
| **Location** | **Fair Value** | **Percentage of Total Investments** | **Fair Value** | **Percentage of Total Investments** |
| South | **$ 326,524** | **50.3 %** | $ 238,917 | 42.8 % |
| West | **169,415** | **26.1** | 184,247 | 33.0 |
| Midwest | **118,191** | **18.2** | 85,970 | 15.5 |
| Northeast | **35,485** | **5.4** | 48,478 | 8.7 |
| **Total Investments** | **$ 649,615** | **100.0 %** | $ 557,612 | 100.0 % |

The geographic composition indicates the location of the headquarters for our portfolio companies. A portfolio company may have additional locations in other geographic regions.

*Investment Principal Repayments*

The following table summarizes the contractual principal repayment and maturity of our investment portfolio by fiscal year, assuming no voluntary prepayments, as of September 30, 2022:

| Year Ending September 30, | Amount |
|---|---|
| 2023[A] | $ 17,708 |
| 2024 | 58,399 |
| 2025 | 80,786 |
| 2026 | 155,974 |
| 2027 | 246,348 |
| Thereafter | 36,975 |
| **Total contractual repayments** | **$ 596,190** |
| Adjustments to cost basis of debt investments | (1,142) |
| Investments in equity securities | 61,005 |
| **Investments held as of September 30, 2022 at Cost:** | **$ 656,053** |

[A] Includes debt investments with contractual principal amounts totaling $0.3 million for which the maturity date has passed as of September 30, 2022.

*Receivables from Portfolio Companies*

Receivables from portfolio companies represent non-recurring costs incurred on behalf of such portfolio companies and are included in other assets on our accompanying Consolidated Statements of Assets and Liabilities. We generally maintain an allowance for uncollectible receivables from portfolio companies when the receivable balance becomes 90 days or more past due or if it is determined, based upon management's judgment, that the portfolio company is unable to pay its obligations. We write-off accounts receivable when we have exhausted collection efforts and have deemed the receivables uncollectible. As of September 30, 2022 and 2021, we had gross receivables from portfolio companies of $0.5 million and $0.7 million, respectively. The allowance for uncollectible receivables was $0 as of each of September 30, 2022 and 2021.

**NOTE 4. RELATED PARTY TRANSACTIONS**

*Transactions with the Adviser*

We have been externally managed by the Adviser pursuant to the Advisory Agreement since October 1, 2004 pursuant to which we pay the Adviser a base management fee and an incentive fee for its services. On July 12, 2022, our Board of Directors, including a majority of the directors who are not parties to the Advisory Agreement or interested persons of such party, unanimously approved the renewal of the Advisory Agreement through August 31, 2023.

We also pay the Adviser a loan servicing fee for its role of servicer pursuant to our Credit Facility. The entire loan servicing fee paid to the Adviser by Business Loan is non-contractually, unconditionally and irrevocably credited against the base management fee otherwise payable to the Adviser, since Business Loan is a consolidated subsidiary of ours, and overall, the base management fee (including any loan servicing fee) cannot exceed 1.75% of total assets (including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings) during any given fiscal year pursuant to the Advisory Agreement.

Two of our executive officers, David Gladstone (our chairman and chief executive officer) and Terry Lee Brubaker (our vice chairman and chief operating officer), serve as directors and executive officers of the Adviser, which is 100% indirectly owned and controlled by Mr. Gladstone. Robert Marcotte (our president) also serves as executive vice president of private equity (debt) of the Adviser. Michael LiCalsi, our general counsel and secretary (who also serves as the Administrator's president, general counsel and secretary), is also the executive vice president of administration of our Adviser.

The following table summarizes the base management fee, incentive fee, and loan servicing fee and associated non-contractual, unconditional and irrevocable credits reflected in our accompanying *Consolidated Statements of Operations:*

| | Year Ended September 30, | | |
|---|---|---|---|
| | **2022** | **2021** | **2020** |
| Average total assets subject to base management fee[A] | **$ 585,543** | $ 495,657 | $ 432,457 |
| Multiplied by annual base management fee of 1.75% | **1.75 %** | 1.75 % | 1.75 % |
| **Base management fee[B]** | **10,247** | 8,674 | 7,568 |
| Portfolio company fee credit | **(4,196)** | (2,195) | (1,589) |
| Syndicated loan fee credit | **(170)** | (307) | (406) |
| **Net Base Management Fee** | **$ 5,881** | $ 6,172 | $ 5,573 |
| | | | |
| **Loan servicing fee[B]** | **$ 6,329** | $ 5,579 | $ 5,819 |
| Credit to base management fee - loan servicing fee[B] | **(6,329)** | (5,579) | (5,819) |
| **Net Loan Servicing Fee** | **$ —** | $ — | $ — |
| | | | |
| **Incentive fee [B]** | **$ 7,511** | $ 5,746 | $ 5,251 |
| Incentive fee credit | **(437)** | (451) | (3,038) |
| **Net Incentive Fee** | **$ 7,074** | $ 5,295 | $ 2,213 |
| | | | |
| Portfolio company fee credit | **$ (4,196)** | $ (2,195) | $ (1,589) |
| Syndicated loan fee credit | **(170)** | (307) | (406) |
| Incentive fee credit | **(437)** | (451) | (3,038) |
| **Credit to Fees from Adviser—Other[B]** | **$ (4,803)** | $ (2,953) | $ (5,033) |

[A] Average total assets subject to the base management fee is defined in the Advisory Agreement as total assets, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings, valued at the end of the two most recently completed quarters within the respective years and adjusted appropriately for any share issuances or repurchases during the period.

[B] Reflected as a line item on our accompanying *Consolidated Statements of Operations.*

Base Management Fee

The base management fee is payable quarterly to the Adviser pursuant to our Advisory Agreement and is assessed at an annual rate of 1.75%, computed on the basis of the value of our average total assets at the end of the two most recently-completed quarters (inclusive of the current quarter), which are total assets, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings and adjusted appropriately for any share issuances or repurchases during the period.

Additionally, pursuant to the requirements of the 1940 Act, the Adviser makes available significant managerial assistance to our portfolio companies. The Adviser may also provide other services to our portfolio companies under certain agreements and may receive fees for services other than managerial assistance. Such services may include: (i) assistance obtaining, sourcing or structuring credit facilities, long term loans or additional equity from unaffiliated third parties; (ii) negotiating important contractual financial relationships; (iii) consulting services regarding restructuring of the portfolio company and financial modeling as it relates to raising additional debt and equity capital from unaffiliated third parties; and (iv) taking a primary role in interviewing, vetting and negotiating employment contracts with candidates in connection with adding and retaining key portfolio company management team members. The Adviser non-contractually, unconditionally, and irrevocably credits 100% of any fees for such services against the base management fee that we would otherwise be required to pay to the Adviser; however, pursuant to the terms of the Advisory Agreement, a small percentage of certain of such fees, totaling $8 thousand, $0.1 million, and $0.1 million for the years ended September 30, 2022, 2021, and 2020, respectively, was retained by the Adviser in the form of reimbursement, at cost, for tasks completed by personnel of the Adviser primarily for the valuation of portfolio companies.

Our Board of Directors accepted a non-contractual, unconditional, and irrevocable credit from the Adviser to reduce the annual base management fee on syndicated loan participations to 0.5%, to the extent that proceeds resulting from borrowings were used to purchase such syndicated loan participations, for each of the years ended September 30, 2022 and 2021.

Loan Servicing Fee

The Adviser also services the loans held by Business Loan (the borrower under the Credit Facility), in return for which the Adviser receives a 1.5% annual fee payable monthly based on the aggregate outstanding balance of loans pledged under our Credit Facility. As discussed in the notes to the table above, we treat payment of the loan servicing fee pursuant to the Credit Facility as a pre-payment of the base management fee under the Advisory Agreement. Accordingly, these loan servicing fees are 100% non-contractually, unconditionally and irrevocably credited back to us by the Adviser.

Incentive Fee

The incentive fee consists of two parts: an income-based incentive fee and a capital gains-based incentive fee. The income-based incentive fee rewards the Adviser if our quarterly net investment income (before giving effect to any incentive fee) exceeds 1.75% (2.0% during the period from April 1, 2020 through March 31, 2023) of our net assets, which we define as total assets less indebtedness and before taking into account any incentive fees payable or contractually due but not payable during the period, at the end of the immediately preceding calendar quarter, adjusted appropriately for any share issuances or repurchases during the period (the "hurdle rate"). The income-based incentive fee with respect to our pre-incentive fee net investment income is generally payable quarterly to the Adviser and is computed as follows:

- no incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate;
- 100.0% of our 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 rate but is less than 2.1875% (2.4375% during the period from April 1, 2020 through March 31, 2022 and 2.50% from April 1, 2022 through March 31, 2023) of our net assets, adjusted appropriately for any share issuances or repurchases during the period, in any calendar quarter; and
- 20.0% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.1875% (2.4375% during the period from April 1, 2020 through March 31, 2022 and 2.50% from April 1, 2022 through March 31, 2023) of our net assets, adjusted appropriately for any share issuances or repurchases during the period, in any calendar quarter.

On April 12, 2022, our Board of Directors approved an amendment of the Advisory Agreement which extended the temporary revision to the hurdle rate through March 31, 2023 and increased the excess incentive fee hurdle rate from 2.1875% per quarter (8.75% annualized) to 2.50% per quarter (10.0% annualized), up from the 2.4375% per quarter (9.75% annualized) in effect since April 1, 2020.

The second part of the incentive fee is a capital gains-based incentive fee that is determined and payable in arrears as of the end of each fiscal year (or upon termination of the Advisory Agreement, as of the termination date) and equals 20.0% of our "net realized capital gains" (as defined herein) as of the end of the fiscal year. In determining the capital gains-based incentive fee payable to the Adviser, we calculate "net realized capital gains" at the end of each applicable year by subtracting the sum of our cumulative aggregate realized capital losses and our entire portfolio's aggregate unrealized capital depreciation from our cumulative aggregate realized capital gains. For this purpose, cumulative aggregate realized capital gains, if any, equals the sum of the differences between the net sales price of each investment, when sold, and the original cost of such investment since inception. Cumulative aggregate realized capital losses equals the sum of the amounts by which the net sales price of each investment, when sold, is less than the original cost of such investment since inception. The entire portfolio's aggregate unrealized capital depreciation, if any, equals the sum of the difference between the valuation of each investment as of the applicable calculation date and the original cost of such investment. At the end of the applicable fiscal year, the amount of capital gains that serves as the basis for our calculation of the capital gains-based incentive fee equals the cumulative aggregate realized capital gains less cumulative aggregate realized capital losses, less the entire portfolio's aggregate unrealized capital depreciation, if any. If this number is positive at the end of such fiscal year, then the capital gains-based incentive fee for such year equals 20.0% of such amount, less the aggregate amount of any capital gains-based incentive fees paid in respect of our portfolio in all prior years. No capital gains-based incentive fee has been recorded or paid since our inception through September 30, 2022, as cumulative unrealized capital depreciation has exceeded cumulative realized capital gains net of cumulative realized capital losses.

In accordance with GAAP, a capital gains-based incentive fee accrual is calculated using the aggregate cumulative realized capital gains and losses and aggregate cumulative unrealized capital appreciation and depreciation. If such amount is positive at the end of a period, then GAAP requires us to record a capital gains- based incentive fee equal to 20.0% of such amount, less the aggregate amount of actual capital gains-based incentive fees paid in all prior years. If such amount is negative, then there is no accrual for such period. GAAP requires that the capital gains-based incentive fee accrual consider the cumulative aggregate unrealized capital appreciation in the calculation, as a capital gains-based incentive fee would be payable if such unrealized capital appreciation were realized. There can be no assurance that such unrealized capital appreciation will be realized in the future. No GAAP accrual for a capital gains-based incentive fee has been recorded from our inception through September 30, 2022.

Our Board of Directors accepted non-contractual, unconditional and irrevocable credits from the Adviser to reduce the income-based incentive fee to the extent net investment income did not 100.0% cover distributions to common stockholders for the years ended September 30, 2022, 2021, and 2020.

*Transactions with the Administrator*

We have entered into the Administration Agreement with the Administrator to provide administrative services. We reimburse the Administrator pursuant to the Administration Agreement for the portion of expenses the Administrator incurs while performing services for us. The Administrator's expenses are primarily rent and the salaries, benefits and expenses of the Administrator's employees, including: our chief financial officer and treasurer, chief compliance officer, chief valuation officer, and general counsel and secretary (who also serves as the Administrator's president, general counsel and secretary) and their respective staffs. Two of our executive officers, David Gladstone (our chairman and chief executive officer) and Terry Lee Brubaker (our vice chairman and chief operating officer) serve as members of the board of managers and executive officers of the Administrator, which is 100% indirectly owned and controlled by Mr. Gladstone. Another of our officers, Michael LiCalsi (our general counsel and secretary), serves as the Administrator's president as well as the executive vice president of administration for the Adviser.

Our allocable portion of the Administrator's expenses is generally derived by multiplying the Administrator's total expenses by the approximate percentage of time during the current quarter the Administrator's employees performed services for us in relation to their time spent performing services for all companies serviced by the Administrator. On July 12, 2022, our Board of Directors, including a majority of the directors who are not parties to the Administration Agreement or interested persons of either party, approved the renewal of the Administration Agreement through August 31, 2023.

*Other Transactions*

Gladstone Securities, LLC ("Gladstone Securities"), a privately-held broker-dealer registered with the Financial Industry Regulatory Authority and insured by the Securities Investor Protection Corporation, which is 100% indirectly owned and controlled by Mr. Gladstone, our chairman and chief executive officer, has provided other services, such as investment banking and due diligence services, to certain of our portfolio companies, for which Gladstone Securities receives a fee. Any such fees paid by portfolio companies to Gladstone Securities do not impact the fees we pay to the Adviser or the non-contractual, unconditional and irrevocable credits against the base management fee or incentive fee. Gladstone Securities received fees from portfolio companies totaling $1.1 million, $0.8 million, and $0.9 million during the years ended September 30, 2022, 2021, and 2020, respectively.

*Related Party Fees Due*

Amounts due to related parties on our accompanying *Consolidated Statements of Assets and Liabilities* were as follows:

| | September 30, 2022 | September 30, 2021 |
|---|---|---|
| Base management fee due to (from) Adviser | **$ (189)** | $ 385 |
| Loan servicing fee due to Adviser | **423** | 343 |
| Incentive fee due to (from) Adviser | **1,870** | 1,527 |
| **Total fees due to (from) Adviser** | **2,104** | 2,255 |
| | | |
| Fee due to Administrator | **423** | 382 |
| **Total Related Party Fees Due** | **$ 2,527** | $ 2,637 |

In addition to the above fees, other operating expenses due to the Adviser as of September 30, 2022 and 2021, totaled $44 thousand and $35 thousand, respectively. In addition, net expenses payable to Gladstone Investment Corporation (for reimbursement purposes), which includes certain co-investment expenses, totaled $13 thousand and $38 thousand as of September 30, 2022 and 2021, respectively. These amounts are generally settled in the quarter subsequent to being incurred and are included in other liabilities on the accompanying *Consolidated Statements of Assets and Liabilities* as of September 30, 2022 and 2021.

**NOTE 5. BORROWINGS**

*Revolving Line of Credit*

On May 13, 2021, we, through Business Loan, amended and restated the Credit Facility to, among other things, (i) decrease the commitment amount from $205.0 million to $175.0 million, (ii) extend the revolving period end date to October 31, 2023, (iii) extend the maturity date to October 31, 2025 (at which time all principal and interest will be due and payable if the Credit Facility is not extended by the revolving period end date), (iv) reduce the interest rate margin to 2.70% during the revolving period and 3.25% thereafter, with a LIBOR floor of 0.35%, (v) revise the unused fee to include an additional fee tier of 0.35% per annum on the daily undrawn amounts if the average unused amount is equal to or less than 35% during the applicable period, (vi) provide for certain excess concentration limits, including a reduced second lien limit and a new broadly syndicated loan limit and (vii) add customary LIBOR replacement language. We incurred fees of approximately $1.1 million in connection with this amendment and restatement, which are being amortized through our Credit Facility's revolving period end date of October 31, 2023.

On September 12, 2022, we, through Business Loan, entered into Amendment No. 1 to the Credit Facility to update the reference rate from LIBOR to SOFR plus an 11 basis point credit spread adjustment. On September 20, 2022, we, through Business Loan, entered into Amendment No. 2 to the Credit Facility to increase the size of the credit facility by $50.0 million from $175.0 million to $225.0 million, as permitted under the terms of the Credit Facility.

The following tables summarize noteworthy information related to our Credit Facility:

| | As of September 30, | |
|---|---|---|
| | **2022** | **2021** |
| Commitment amount | **$ 225,000** | $ 175,000 |
| Borrowings outstanding, at cost | **141,800** | 50,500 |
| Availability[A] | **60,068** | 103,897 |

| | Year Ended September 30, | | |
|---|---|---|---|
| | **2022** | **2021** | **2020** |
| Weighted average borrowings outstanding, at cost | **$ 56,122** | $ 59,382 | $ 103,504 |
| Weighted average interest rate[B] | **6.1 %** | 5.0 % | 4.3 % |
| Commitment (unused) fees incurred | **$ 1,105** | $ 1,194 | $ 541 |

(A) Available borrowings are subject to various constraints imposed under our Credit Facility, based on the aggregate loan balance pledged by Business Loan, which varies as loans are added and repaid, regardless of whether such repayments are prepayments or made as contractually required.

(B) Includes unused commitment fees and excludes the impact of deferred financing costs.

Our Credit Facility also requires that any interest or principal payments on pledged loans be remitted directly by the borrower into a lockbox account with KeyBank. KeyBank is also the trustee of the account and generally remits the collected funds to us once each month. Amounts collected in the lockbox account with KeyBank are presented as Due from administrative agent on the accompanying *Consolidated Statement of Assets and Liabilities* as of September 30, 2022 and 2021.

Our Credit Facility contains covenants that require Business Loan to maintain its status as a separate legal entity, prohibit certain significant corporate transactions (such as mergers, consolidations, liquidations or dissolutions), and restrict material changes to our credit and collection policies without the lenders' consent. Our Credit Facility also generally limits distributions to our stockholders on a fiscal year basis to the sum of our net investment income, net capital gains and amounts elected to have been paid during the prior year in accordance with Section 855(a) of the Code. Business Loan is

also subject to certain limitations on the type of loan investments it can apply as collateral towards the borrowing base to receive additional borrowing availability under our Credit Facility, including restrictions on geographic concentrations, sector concentrations, loan size, payment frequency and status, average life and lien property. Our Credit Facility further requires Business Loan to comply with other financial and operational covenants, which obligate Business Loan to, among other things, maintain certain financial ratios, including asset and interest coverage and a minimum number of 25 obligors required in the borrowing base.

Additionally, we are required to maintain (i) a minimum net worth (defined in our Credit Facility to include any outstanding mandatorily redeemable preferred stock) of $325.0 million plus 50.0% of all equity and subordinated debt raised after May 13, 2021 less 50% of any equity and subordinated debt retired or redeemed after May 13, 2021, which equates to $336.7 million as of September 30, 2022, (ii) asset coverage with respect to "senior securities representing indebtedness" of at least 150% (or such percentage as may be set forth in Section 18 of the 1940 Act, as modified by Section 61 of the 1940 Act), and (iii) our status as a BDC under the 1940 Act and as a RIC under the Code.

As of September 30, 2022, and as defined in our Credit Facility, we had a net worth of $512.3 million, asset coverage on our "senior securities representing indebtedness" of 190.4%, calculated in accordance with the requirements of Section 18 and 61 of the 1940 Act, and an active status as a BDC and RIC. In addition, we had 33 obligors in our Credit Facility's borrowing base as of September 30, 2022. As of September 30, 2022, we were in compliance with all of our Credit Facility covenants.

*Fair Value*

We elected to apply the fair value option of ASC 825, *"Financial Instruments,"* specifically for the Credit Facility, which was consistent with our application of ASC 820 to our investments. Generally, the fair value of our Credit Facility is determined using a yield analysis which includes a DCF calculation and the assumptions that the Valuation Team believes market participants would use, including the estimated remaining life, counterparty credit risk, current market yield and interest rate spreads of similar securities as of the measurement date. As of September 30, 2022, the discount rate used to determine the fair value of our Credit Facility was one-month Term SOFR, plus 2.81% per annum, plus a 0.50% unused commitment fee. As of September 30, 2021, the discount rate used to determine the fair value of our Credit Facility was 30-day LIBOR, plus 2.97% per annum, plus a 1.00% unused commitment fee. Generally, an increase or decrease in the discount rate used in the DCF calculation may result in a corresponding decrease or increase, respectively, in the fair value of our Credit Facility. As of September 30, 2022 and 2021, our Credit Facility was valued using Level 3 inputs and any changes in its fair value are recorded in net unrealized depreciation (appreciation) of other on our accompanying *Consolidated Statements of Operations.*

The following tables present our Credit Facility carried at fair value as of September 30, 2022 and 2021, on our accompanying *Consolidated Statements of Assets and Liabilities* for Level 3 of the hierarchy established by ASC 820 and the changes in fair value of our Credit Facility during the years ended September 30, 2022 and 2021:

| | Total Recurring Fair Value Measurement Reported in Consolidated Statements of Assets and Liabilities Using Significant Unobservable Inputs (Level 3) As of September 30, | |
|---|---|---|
| | 2022 | 2021 |
| **Credit Facility** | **$ 141,800** | $ 50,500 |

**Fair Value Measurements Using Significant Unobservable Data Inputs (Level 3)**

| | Year Ended September 30, | |
|---|---|---|
| | 2022 | 2021 |
| Fair value as of September 30, 2021 and 2020, respectively | **$ 50,500** | $ 127,650 |
| Borrowings | **328,900** | 238,800 |
| Repayments | **(237,600)** | (316,300) |
| Net unrealized appreciation (depreciation) [(A)] | — | 350 |
| **Fair Value as of September 30, 2022 and 2021, respectively** | **$ 141,800** | $ 50,500 |

(A) Included in net unrealized appreciation (depreciation) of other on our accompanying *Consolidated Statements of Operations* for the years ended September 30, 2022 and 2021.

The fair value of the collateral under our Credit Facility totaled approximately $577.6 million and $512.0 million as of September 30, 2022 and 2021, respectively.

*Notes Payable*

In November 2021, we completed a private placement of $50.0 million aggregate principal amount of 3.75% Notes due 2027 (the "2027 Notes") for net proceeds of approximately $48.5 million after deducting initial purchasers' costs, commissions and offering expenses borne by us. The 2027 Notes will mature on May 1, 2027 and may be redeemed in whole or in part at any time or from time to time at the Company's option prior to maturity at par plus a "make-whole" premium, if applicable. The 2027 Notes bear interest at a rate of 3.75% per year. Interest is payable semi-annually on May 1 and November 1 of each year (which equates to approximately $1.9 million per year).

In April 2022, pursuant to the registration rights agreement we entered into in connection with the 2027 Notes, we conducted an exchange offer through which we offered to exchange all of our then outstanding 2027 Notes (the "Restricted Notes") that were issued on November 4, 2021, for an equal aggregate principal amount of our new 3.75% Notes due 2027 (the "Exchange Notes") that had been registered with the SEC under the Securities Act of 1933, as amended. The terms of the Exchange Notes are identical to those of the outstanding Restricted Notes, except that the transfer restrictions and registration rights relating to the Restricted Notes do not apply to the Exchange Notes, and the Exchange Notes do not provide for the payment of additional interest in the event of a registration default.

In December 2020, we completed an offering of $100.0 million aggregate principal amount of 5.125% Notes due 2026 (the "2026 Notes") for net proceeds of approximately $97.7 million after deducting underwriting discounts, commissions and offering expenses borne by us. In March 2021, we completed an offering of an additional $50.0 million aggregate principal amount of the 2026 Notes for net proceeds of approximately $50.6 million after adding premiums and deducting underwriting costs, commissions and offering expenses borne by us. The 2026 Notes will mature on January 31, 2026 and may be redeemed in whole or in part at any time or from time to time at the Company's option prior to maturity at par plus a "make-whole" premium, if applicable. The 2026 Notes bear interest at a rate of 5.125% per year. Interest is payable semi-annually on January 31 and July 31 of each year (which equates to approximately $7.7 million per year).

In October 2019, we completed an offering of $38.8 million aggregate principal amount of 5.375% Notes due 2024 (the "2024 Notes"), inclusive of the overallotment option exercised by the underwriters, for net proceeds of approximately $37.5 million after deducting underwriting discounts, commissions and offering expenses borne by us. On November 1, 2021, we voluntarily redeemed the 2024 Notes with an aggregate principal amount outstanding of $38.8 million. The 2024 Notes would have otherwise matured on November 1, 2024.

In November 2018, we completed an offering of $57.5 million aggregate principal amount of 6.125% Notes due 2023 (the "2023 Notes"), inclusive of the overallotment option exercised by the underwriters, for net proceeds of $55.4 million after deducting underwriting discounts, commissions and offering expenses borne by us. On January 7, 2021, we voluntarily redeemed the 2023 Notes with an aggregate principal amount outstanding of $57.5 million. The redemption amount was $58.1 million inclusive of accrued interest through the date of redemption. In connection with the voluntary redemption of the 2023 Notes, we incurred a loss on extinguishment of debt of $1.2 million, which is primarily comprised of the unamortized deferred issuance costs at the time of redemption. The 2023 Notes would have otherwise matured on November 1, 2024.

The indenture relating to the 2027 Notes and the 2026 Notes contains certain covenants, including (i) an inability to incur additional debt or issue additional debt or preferred securities unless the Company's asset coverage meets the threshold specified in the 1940 Act after such borrowing, (ii) an inability to declare any dividend or distribution (except a dividend payable in our stock) on a class of our capital stock or to purchase shares of our capital stock unless the Company's asset coverage meets the threshold specified in the 1940 Act at the time of (and giving effect to) such declaration or purchase, and (iii) if, at any time, we are not subject to the reporting requirements of the Exchange Act, we will provide the holders of the 2027 Notes and the 2026 Notes, as applicable, and the trustee with audited annual consolidated financial statements and unaudited interim consolidated financial statements.

The 2027 Notes and 2026 Notes are recorded at the principal amount, plus applicable premiums, less discounts and offering costs, on our Consolidated Statements of Assets and Liabilities.

The fair value, based on a DCF analysis, of the 2027 Notes as of September 30, 2022 was $44.2 million. The fair value, based on a DCF analysis, of the 2026 Notes as of September 30, 2022 was $142.8 million. We consider the 2027 Notes and 2026 Notes to be Level 3 within the ASC 820 fair value hierarchy.

## NOTE 6. MANDATORILY REDEEMABLE PREFERRED STOCK

In September 2017, we completed a public offering of approximately 2.1 million shares of our Series 2024 Term Preferred Stock at a public offering price of $25.00 per share. The shares of our Series 2024 Term Preferred Stock were traded under the ticker symbol "GLADN" on Nasdaq as of September 30, 2019.

On October 2, 2019, we voluntarily redeemed all 2,070,000 outstanding shares of our Series 2024 Term Preferred Stock at a redemption price of $25.00 per share, which represents the liquidation preference per share, plus accrued and unpaid dividends through October 1, 2019 in the amount of $0.004166 per share, for a total payment per share of $25.004166 and an aggregate redemption price of approximately $51.8 million. In connection with the voluntary redemption of our Series 2024 Term Preferred Stock, we incurred a loss on extinguishment of debt of $1.4 million, which has been reflected in Realized loss on other in our accompanying *Consolidated Statement of Operations* and which is primarily comprised of the unamortized deferred issuance costs at the time of redemption.

## NOTE 7. REGISTRATION STATEMENT AND COMMON EQUITY OFFERINGS

Our shelf registration statement permits us to issue, through one or more transactions, up to an aggregate of $300.0 million in securities, consisting of common stock, preferred stock, subscription rights, debt securities and warrants to purchase common stock or preferred stock. As of September 30, 2022, we had the ability to issue up to an additional $295.5 million in securities under the registration statement.

*Common Stock Offerings*

In May 2021, we entered into an equity distribution agreement with Jefferies LLC, as amended in August 2022 (the "Jefferies Sales Agreement") under which we have the ability to issue and sell, from time to time, shares of our common stock with an aggregate offering price of up to $60.0 million. During the year ended September 30, 2022, we sold 430,425 shares of our common stock under the Jefferies Sales Agreement, at a weighted-average price of $10.53 per share and raised $4.5 million of gross proceeds. Net proceeds, after deducting commissions and offering costs borne by us, were approximately $4.5 million. As of September 30, 2022, we had a remaining capacity to sell up to an additional $47.8 million of our common stock under the Jefferies Sales Agreement.

## NOTE 8. NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS PER COMMON SHARE

The following table sets forth the computation of basic and diluted net increase (decrease) in net assets resulting from operations per weighted average common share for the years ended September 30, 2022, 2021, and 2020:

| | Year Ended September 30, | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Numerator for basic and diluted net increase (decrease) in net assets resulting from operations per common share | **$ 19,914** | $ 84,299 | $ (1,873) |
| Denominator for basic and diluted weighted average common shares | **34,351,663** | 33,234,482 | 31,040,852 |
| **Basic and diluted net increase (decrease) in net assets resulting from operations per common share** | **$ 0.58** | $ 2.54 | $ (0.06) |

## NOTE 9. DISTRIBUTIONS TO COMMON STOCKHOLDERS

To qualify to be taxed as a RIC under Subchapter M of the Code, we must generally distribute to our stockholders, for each taxable year, at least 90% of our taxable ordinary income plus the excess of our net short- term capital gains over net long-term capital losses ("Investment Company Taxable Income"). The amount to be paid out as distributions to our stockholders is determined by our Board of Directors quarterly and is based on management's estimate of Investment Company Taxable Income. Based on that estimate, our Board of Directors declares three monthly distributions to common stockholders each quarter.

The federal income tax characteristics of all distributions will be reported to stockholders on the IRS Form 1099 after the end of each calendar year. Estimates of tax characterization made on a quarterly basis may not be representative of the actual tax characterization of cash distributions for the full year. Estimates made on a quarterly basis are updated as of each interim reporting date.

For the calendar year ended December 31, 2021, 100.0% of distributions to common stockholders were deemed to be paid from ordinary income for 1099 stockholder reporting purposes. For the calendar year ended December 31, 2020, 97.3% of distributions to common stockholders were deemed to be paid from ordinary income and 2.7% of distributions to common stockholders were deemed to be a return of capital for 1099 stockholder reporting purposes.

We paid the following monthly distributions to common stockholders for the years ended September 30, 2022 and 2021:

| Fiscal Year | Declaration Date | Record Date | Payment Date | Distribution per Common Share |
|---|---|---|---|---|
| **2022** | October 12, 2021 | October 22, 2021 | October 29, 2021 | **$ 0.065** |
| | October 12, 2021 | November 19, 2021 | November 30, 2021 | **0.065** |
| | October 12, 2021 | December 23, 2021 | December 31, 2021 | **0.065** |
| | January 11, 2022 | January 21, 2022 | January 31, 2022 | **0.065** |
| | January 11, 2022 | February 18, 2022 | February 28, 2022 | **0.065** |
| | January 11, 2022 | March 23, 2022 | March 31, 2022 | **0.065** |
| | April 12, 2022 | April 22, 2022 | April 29, 2022 | **0.0675** |
| | April 12, 2022 | May 20, 2022 | May 31, 2022 | **0.0675** |
| | April 12, 2022 | June 22, 2022 | June 30, 2022 | **0.0675** |
| | July 12, 2022 | July 22, 2022 | July 29, 2022 | **0.0675** |
| | July 12, 2022 | August 23, 2022 | August 31, 2022 | **0.0675** |
| | July 12, 2022 | September 22, 2022 | September 30, 2022 | **0.0675** |
| | | | **Year Ended September 30, 2022:** | **$ 0.795** |
| **2021** | October 13, 2020 | October 23, 2020 | October 30, 2020 | $ 0.065 |
| | October 13, 2020 | November 20, 2020 | November 30, 2020 | 0.065 |
| | October 13, 2020 | December 23, 2020 | December 31, 2020 | 0.065 |
| | January 12, 2021 | January 22, 2021 | January 29, 2021 | 0.065 |
| | January 12, 2021 | February 17, 2021 | February 26, 2021 | 0.065 |
| | January 12, 2021 | March 18, 2021 | March 31, 2021 | 0.065 |
| | April 13, 2021 | April 23, 2021 | April 30, 2021 | 0.065 |
| | April 13, 2021 | May 19, 2021 | May 28, 2021 | 0.065 |
| | April 13, 2021 | June 18, 2021 | June 30, 2021 | 0.065 |
| | July 13, 2021 | July 23, 2021 | July 30, 2021 | 0.065 |
| | July 13, 2021 | August 23, 2021 | August 31, 2021 | 0.065 |
| | July 13, 2021 | September 22, 2021 | September 30, 2021 | 0.065 |
| | | | **Year Ended September 30, 2021:** | $ 0.78 |

Aggregate distributions declared and paid to our common stockholders were approximately $27.3 million and$26.0 million for the years ended September 30, 2022 and 2021, respectively, and were declared based on estimates of Investment Company Taxable Income. For the fiscal years ended September 30, 2022, 2021, and 2020, distributions declared and paid exceeded taxable income available for common distributions resulting in a partial return of capital of approximately $1.4 million, $1.0 million, and $0.4 million, respectively.

The components of our net assets on a tax basis were as follows:

| | Year Ended September 30, | |
|---|---|---|
| | 2022 | 2021 |
| Common stock | **$ 35** | $ 34 |
| Capital in excess of par value | **395,542** | 392,494 |
| Cumulative net unrealized appreciation (depreciation) of investments | **(6,438)** | 11,100 |
| Cumulative net unrealized appreciation of other | **—** | — |
| Capital loss carryforward | **(62,910)** | (72,251) |
| Post-October tax loss deferral | **—** | — |
| Other temporary differences | **(10,742)** | (12,938) |
| **Net Assets** | **$ 315,487** | $ 318,439 |

We intend to retain some or all of our realized capital gains first to the extent we have available capital loss carryforwards and second, through treating the retained amount as a "deemed distribution." As of September 30, 2022, we had $62.9 million of capital loss carryforwards that do not expire.

For the years ended September 30, 2022 and 2021, we recorded the following adjustments for permanent book-tax differences to reflect tax character. Results of operations, total net assets, and cash flows were not affected by these adjustments.

| | Year Ended September 30, | |
|---|---|---|
| | 2022 | 2021 |
| Undistributed net investment income | **$ (5,606)** | $ 39 |
| Accumulated net realized losses | **7,013** | 959 |
| Capital in excess of par value | **(1,407)** | (998) |

## NOTE 10. FEDERAL AND STATE INCOME TAXES

We intend to continue to maintain our qualifications as a RIC for federal income tax purposes. As a RIC, we are generally not subject to federal income tax on the portion of our taxable income and gains that we distribute to stockholders. To maintain our qualification as a RIC, we must meet certain source-of-income and asset diversification requirements. In addition, to qualify to be taxed as a RIC, we must also meet certain annual stockholder distribution requirements. To satisfy the RIC annual distribution requirement, we must distribute to stockholders at least 90.0% of our Investment Company Taxable Income. Our policy generally is to make distributions to our stockholders in an amount up to 100.0% of our Investment Company Taxable Income. Because we have distributed more than 90.0% of our Investment Company Taxable Income, no income tax provisions have been recorded for the years ended September 30, 2022, 2021, and 2020.

In an effort to limit certain federal excise taxes imposed on RICs, a RIC has to distribute to stockholders, during each calendar year, an amount close to the sum of (1) 98.0% of our ordinary income for the calendar year, (2) 98.2%, of our capital gains in excess of capital losses for the one-year period ending on October 31 of the calendar year and (3) any ordinary income and capital gains in excess of capital losses for preceding years that were not distributed during such years. No excise tax provisions have been recorded for the years ended September 30, 2022, 2021, and 2020.

Under the RIC Modernization Act, we are permitted to carry forward capital losses that we may incur in taxable years beginning after September 30, 2011 for an unlimited period, and such capital loss carryforwards will retain their character as either short-term or long-term capital losses.

## NOTE 11. COMMITMENTS AND CONTINGENCIES

*Legal Proceedings*

We are party to certain legal proceedings incidental to the normal course of our business. We are required to establish reserves for litigation matters where those matters present loss contingencies that are both probable and estimable. When

loss contingencies are not both probable and estimable, we do not establish reserves. Based on current knowledge, we do not believe that loss contingencies, if any, arising from pending investigations, litigation or regulatory matters will have a material adverse effect on our financial condition, results of operations or cash flows. Additionally, based on our current knowledge, we do not believe such loss contingencies are both probable and estimable and therefore, as of September 30, 2022 and 2021, we had no established reserves for such loss contingencies.

*Escrow Holdbacks*

From time to time, we enter into arrangements relating to exits of certain investments whereby specific amounts of the proceeds are held in escrow to be used to satisfy potential obligations, as stipulated in the sales agreements. We record escrow amounts in Restricted cash and cash equivalents, if received in cash but subject to potential obligations or other contractual restrictions, or as escrow receivables in Other assets, net, if not yet received in cash, on our accompanying Consolidated Statements of Assets and Liabilities. We establish reserves and holdbacks against escrow amounts if we determine that it is probable and estimable that a portion of the escrow amounts will not ultimately be released or received at the end of the escrow period. Reserves and holdbacks against escrow amounts were $0.2 million and $0.3 million as of September 30, 2022 and September 30, 2021, respectively.

*Financial Commitments and Obligations*

We have lines of credit, delayed draw term loans, and an uncalled capital commitment with certain of our portfolio companies that have not been fully drawn. Since these commitments have expiration dates and we expect many will never be fully drawn, the total commitment amounts do not necessarily represent future cash requirements. We estimate the fair value of the combined unused lines of credit, the unused delayed draw term loans and the uncalled capital commitment as of September 30, 2022 and 2021 to be immaterial.

The following table summarizes the amounts of our unused lines of credit, delayed draw term loans and uncalled capital commitment, at cost, as of September 30, 2022 and 2021, which are not reflected as liabilities in the accompanying *Consolidated Statements of Assets and Liabilities:*

| | As of September 30, | |
|---|---|---|
| | **2022** | **2021** |
| Unused line of credit commitments[(A)] | **$ 36,225** | $ 25,549 |
| Delayed draw term loans[(A)] | **37,778** | 27,984 |
| Uncalled capital commitment | **843** | 843 |
| **Total** | **$ 74,846** | $ 54,376 |

(A) There may be specific covenant requirements that temporarily limit a portfolio company's availability to draw on an unused line of credit commitment or a delayed draw term loan.

## NOTE 12. FINANCIAL HIGHLIGHTS

| | As of and for the Year Ended September 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** | **2014** | **2013** |
| **Per Common Share Data:** | | | | | | | | | | |
| Net asset value at beginning of period / year[A] | **$ 9.28** | $ 7.40 | $ 8.22 | $ 8.32 | $ 8.40 | $ 8.62 | $ 9.06 | $ 9.51 | $ 9.81 | $ 8.98 |
| *Income from operations*[B] | | | | | | | | | | |
| Net investment income | **0.94** | 0.79 | 0.81 | 0.84 | 0.85 | 0.84 | 0.84 | 0.84 | 0.87 | 0.88 |
| Net realized and unrealized gain (loss) on investments | **(0.35)** | 1.79 | (0.84) | (0.15) | (0.16) | (0.12) | (0.35) | (0.50) | (0.23) | 0.49 |
| Net realized and unrealized gain (loss) on other | **(0.01)** | (0.04) | (0.03) | (0.01) | — | (0.05) | — | 0.06 | (0.11) | 0.16 |
| Total from operations | **0.58** | 2.54 | (0.06) | 0.68 | 0.69 | 0.67 | 0.49 | 0.40 | 0.53 | 1.53 |
| *Distributions to common stockholders from*[B][C] | | | | | | | | | | |
| Net Investment Income | **(0.76)** | (0.75) | (0.80) | (0.82) | (0.84) | (0.84) | (0.70) | (0.84) | (0.12) | (0.78) |
| Realized gains | **—** | — | — | — | — | — | (0.14) | — | — | — |
| Return of capital | **(0.04)** | (0.03) | (0.01) | (0.02) | — | — | — | — | (0.72) | (0.06) |
| Total distributions | **(0.80)** | (0.78) | (0.81) | (0.84) | (0.84) | (0.84) | (0.84) | (0.84) | (0.84) | (0.84) |
| *Capital share transactions*[B] | | | | | | | | | | |
| Issuance of common stock | **—** | — | — | — | — | — | — | 0.06 | — | — |
| Discounts, commissions, and offering costs | **—** | (0.01) | — | (0.01) | (0.01) | (0.04) | (0.05) | (0.01) | — | — |
| Repurchase of common stock | **—** | — | — | — | — | — | 0.02 | — | — | — |
| Repayment of principal on employee notes | **—** | — | — | — | — | — | — | — | — | 0.14 |
| Net anti-dilutive (dilutive) effect of equity offering[D] | **0.02** | 0.15 | 0.05 | 0.07 | 0.08 | (0.02) | (0.05) | (0.06) | — | — |
| Total capital share transactions | **0.02** | 0.14 | 0.05 | 0.06 | 0.07 | (0.06) | (0.08) | (0.01) | — | 0.14 |
| Other, net[B][E] | **—** | (0.02) | — | — | — | 0.01 | (0.01) | — | 0.01 | — |
| Net asset value at end of period / year[A] | **$ 9.08** | $ 9.28 | $ 7.40 | $ 8.22 | $ 8.32 | $ 8.40 | $ 8.62 | $ 9.06 | $ 9.51 | $ 9.81 |
| Per common share market value at beginning of year | **$ 11.30** | $ 7.41 | $ 9.75 | $ 9.50 | $ 9.50 | $ 8.13 | $ 8.13 | $ 8.77 | $ 8.73 | $ 8.75 |
| Per common share market value at end of year | **8.49** | 11.30 | 7.41 | 9.75 | 9.50 | 9.50 | 8.13 | 8.13 | 8.77 | 8.73 |
| Total return[F] | **(19.16)%** | 64.93 % | (15.75)% | 12.55 % | 9.53 % | 27.90 % | 11.68 % | 2.40 % | 9.62 % | 9.90 % |
| Common stock outstanding at end of year[A] | **34,734,796** | 34,304,371 | 31,566,850 | 30,345,923 | 28,501,980 | 26,160,684 | 23,344,422 | 21,131,622 | 21,000,160 | 21,000,160 |
| **Statement of Assets and Liabilities Data:** | | | | | | | | | | |
| Net assets at end of year | **$ 315,487** | $ 318,439 | $ 233,743 | $ 249,330 | $ 237,092 | $ 219,650 | $ 201,207 | $ 191,444 | $ 199,660 | $ 205,992 |
| Average net assets[G] | **320,838** | 275,509 | 235,266 | 239,851 | 234,092 | 215,421 | 193,228 | 198,864 | 201,009 | 189,599 |
| **Senior Securities Data:** | | | | | | | | | | |
| Borrowings under line of credit, at cost | **$ 141,800** | $ 50,500 | $ 128,000 | $ 66,900 | $ 110,000 | $ 93,000 | $ 71,300 | $ 127,300 | $ 36,700 | $ 46,900 |
| Mandatorily redeemable preferred stock | **—** | — | — | 51,750 | 51,750 | 51,750 | 61,000 | 61,000 | 61,000 | 38,497 |
| Notes Payable | **200,000** | 188,813 | 96,313 | 57,500 | — | — | — | — | — | — |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Ratios/Supplemental Data:** | | | | | | | | | | |
| Ratio of net expenses to average net assets [H][I] | **9.62 %** | 10.04 % | 9.69 % | 10.61 % | 9.61 % | 8.26 % | 10.16 % | 10.24 % | 9.06 % | 9.37 % |
| Ratio of net investment income to average net assets[J] | **10.06** | 9.48 | 10.70 | 10.25 | 9.86 | 9.95 | 10.08 | 8.90 | 9.14 | 9.70 |

(A) Based on actual shares outstanding at the end of the corresponding fiscal year.

(B) Based on weighted average basic per share data.

(C) The tax character of distributions is determined based on taxable income calculated in accordance with income tax regulations, which may differ from amounts determined under GAAP.

(D) During the fiscal years ended September 30, 2022, 2021, 2020, 2019, and 2018, the anti-dilution was a result of issuing common shares during the period at a price above the then-current NAV per share. During the fiscal years ended September 30, 2017, 2016, and 2015, the net dilution was a result of issuing common shares during the period at a price below the then-current NAV per share.

(E) Represents the impact of the different share amounts (weighted average shares outstanding during the fiscal year and shares outstanding at the end of the fiscal year) in the per share data calculations and rounding impacts.

(F) Total return equals the change in the ending market value of our common stock from the beginning of the fiscal year, taking into account distributions reinvested in accordance with the terms of our dividend reinvestment plan. Total return does not take into account distributions that may be characterized as a return of capital or any sales load paid by a stockholder. For further information on the estimated character of our distributions to common stockholders, refer to Note 9—*Distributions to Common Stockholders.*

(G) Computed using the average of the balance of net assets at the end of each month of the fiscal year.

(H) Ratio of net expenses to average net assets is computed using total expenses, net of credits from the Adviser, to the base management, loan servicing, and incentive fees.

(I) Had we not received any non-contractual, unconditional and irrevocable credits of fees from the Adviser, the ratio of net expenses to average net assets would have been 13.13%, 13.17%, 14.36%, 14.18%, 13.12%, 12.14%, 13.40%, 13.65%, 11.88%, and 10.18% for the fiscal years ended September 30, 2022, 2021, 2020, 2019, 2017, 2016, 2015, 2014, and 2013, respectively.

(J) Had we not received any non-contractual, unconditional and irrevocable credits of fees from the Adviser, the ratio of net investment income to average net assets would have been 6.61%, 6.40%, 6.11%, 6.74%, 6.41%, 6.13%, 6.90%, 5.55%, 6.37%, and 8.90% for the fiscal years ended September 30, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, 2014, and 2013, respectively.

**NOTE 13. UNCONSOLIDATED SIGNIFICANT SUBSIDIARIES**

In accordance with the SEC's Regulation S-X, we do not consolidate portfolio company investments. Further, in accordance with ASC 946, we are precluded from consolidating any entity other than another investment company, except that ASC 946 provides for the consolidation of a controlled operating company that provides substantially all of its services to the investment company or its consolidated subsidiaries.

We did not have any unconsolidated subsidiaries that met any of the significance conditions under Rule l-02(w)(2) of the SEC's Regulation S-X as of or during at least one of the years ended September 30, 2022, 2021, and 2020.

**NOTE 14. SUBSEQUENT EVENTS**

*Credit Facility*

In October 2022, we entered into Amendment No. 3 to the Credit Facility to increase the commitment amount by $20.0 million from $225.0 million to $245.0 million, as permitted under the terms of the Credit Facility.

*Portfolio Activity*

In October 2022, our investment in Targus Cayman HoldCo Ltd. was sold for net proceeds of approximately $8.0 million including certain receivables.

In October and November 2022, we received distributions totaling $6.0 million from our investment in Leeds Novamark Capital I, L.P. related primarily to the sale of underlying assets in the fund.

*Election of Director*

Effective October 11, 2022, Paula Novara was elected to our Board of Directors. Ms. Novara also serves as head of human resources, facilities and office management and IT of the Adviser and certain of its affiliates.

*Distributions*

In October 2022, our Board of Directors declared the following monthly cash distributions to common stockholders:

| Record Date | Payment Date | Distribution per Common Share |
|---|---|---|
| October 21, 2022 | October 31, 2022 | $ 0.07 |
| November 18, 2022 | November 30, 2022 | 0.07 |
| December 20, 2022 | December 30, 2022 | 0.07 |
| **Total for the Quarter** | | **$ 0.21** |

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

a) Disclosure Controls and Procedures

As of September 30, 2022 (the end of the period covered by this report), we, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness and design and operation of our disclosure controls and procedures. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective in timely alerting management, including the Chief Executive Officer and Chief Financial Officer, of material information about us required to be included in periodic SEC filings. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

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

Refer to the Management's Report on Internal Control over Financial Reporting located in Item 8 of thisForm 10-K.

c) Attestation Report of the Registered Public Accounting Firm

Not Applicable.

d) Change in Internal Control over Financial Reporting

There were no changes in internal controls for the three months ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

Not applicable.

## PART III

We will file a definitive Proxy Statement for our 2023 Annual Meeting of Stockholders (the "2023 Proxy Statement") with the SEC, pursuant to Regulation 14A, not later than 120 days after the end of our fiscal year. Accordingly, certain information required by Part III has been omitted under General Instruction G(3) to Form 10-K. Only those sections of the 2023 Proxy Statement that specifically address the items set forth herein are incorporated herein by reference.

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 is hereby incorporated by reference from our 2023 Proxy Statement under the caption "Election of Directors."

We have adopted a Code of Business Conduct and Ethics (the "Code of Conduct") that applies to all of our officers and directors and to the employees of our Adviser and our Administrator. The Code of Conduct is available in the Investors section of our website under "Governance – Governance Documents" at *www.gladstonecapital.com.*

### ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is hereby incorporated by reference from our 2023 Proxy Statement under the captions "Executive Compensation" and "Director Compensation."

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 is hereby incorporated by reference from our 2023 Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners and Management."

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 is hereby incorporated by reference from our 2023 Proxy Statement under the captions "Certain Transactions" and "Information Regarding our Board of Directors and Corporate Governance—Director Independence."

### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 is hereby incorporated by reference from our 2023 Proxy Statement under the caption "Independent Registered Public Accounting Firm Fees."

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

**a. DOCUMENTS FILED AS PART OF THIS ANNUAL REPORT ON FORM 10-K**

1. The following financial statements are filed herewith:



2. The following financial statement schedule is filed herewith:



No other financial statement schedules are filed herewith because (1) such schedules are not required or (2) the information has been presented in the aforementioned financial statements.

3. Exhibits

The following exhibits are filed as part of this report or are hereby incorporated by reference to exhibits previously filed with the SEC:

| | |
|---|---|
| 3.1 | Articles of Amendment and Restatement to the Articles of Incorporation, incorporated by reference to Exhibit 99.a.2 to Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-63700), filed July 27, 2001. |
| 3.2 | Articles Supplementary Establishing and Fixing the Rights and Preferences of Term Preferred Shares, including Appendix A thereto relating to the Term Preferred Shares, 7.125% Series 2016, incorporated by reference to Exhibit 2.a.2 to Post-Effective Amendment No. 5 to the Registration Statement on Form N-2 (File No. 333-162592), filed October 31, 2011. |
| 3.3 | Certificate of Correction to Articles Supplementary Establishing and Fixing the Rights and Preferences of Term Preferred Shares, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 814-00237), filed October 29, 2015. |
| 3.4 | Articles Supplementary, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 814-00237), filed September 21, 2017. |
| 3.5 | Bylaws, incorporated by reference to Exhibit 99.b to Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-63700), filed July 27, 2001. |
| 3.6 | Amendment to Bylaws, incorporated by reference to Exhibit 3.3 to the Quarterly Report on Form 10-Q (File No. 814-00237), filed February 17, 2004. |
| 3.7 | Second Amendment to Bylaws, incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K (File No. 814-00237), filed July 10, 2007. |
| 3.8 | Third Amendment to Bylaws, incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K (File No. 814-00237), filed June 10, 2011. |
| 3.9 | Fourth Amendment to Bylaws, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 814-00237), filed November 29, 2016. |

| | |
|---|---|
| 4.1 | Form of Certificate for Common Stock, incorporated by reference to Exhibit 99.d.2 to Pre-Effective Amendment No. 3 to the Registration Statement on Form N-2 (File No. 333-63700), filed August 23, 2001. |
| 4.2 | Indenture between the Registrant and U.S. Bank National Association, dated as of November 6, 2018, incorporated by reference to Exhibit 2.d.l0 to Post-Effective Amendment No. 7 to the Registration Statement on Form N-2 (File No. 333-208637), filed November 6, 2018. |
| 4.3 | Third Supplemental Indenture between Gladstone Capital Corporation and U.S. Bank National Association, dated as of December 15, 2020, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K (File No. 814-00237), filed December 15, 2020. |
| 4.4 | Fourth Supplemental Indenture between Gladstone Capital Corporation and U.S. Bank National Association, dated as of November 4, 2021, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K (File No. 814-00237), filed November 4, 2021. |
| 4.5* | Description of Securities. |
| 10.1 | Stock Transfer Agency Agreement between the Registrant and The Bank of New York, incorporated by reference to Exhibit 99.k.1 to Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-63700), filed July 27, 2001. |
| 10.2 | Custody Agreement between the Registrant and The Bank of New York, dated as of May 5, 2006, incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q (File No. 814-00237), filed August 1, 2006. |
| 10.3 | Administration Agreement between the Registrant and Gladstone Administration, LLC, dated as of October 1, 2006, incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K (File No. 814-00237), filed October 5, 2006. |
| 10.4 | Custodial Agreement, incorporated by reference to Exhibit 2.j.2 to Post-Effective Amendment No. 1 to Form N-2 (File No. 333-185191), filed December 23, 2013. |
| 10.5 | Amendment No. 1 to Custodial Agreement, incorporated by reference to Exhibit 2.j.3 to Post-EffectiveAmendment No. 1 to the Registration Statement on Form N-2 (File No. 333-185191), filed December 23, 2013. |
| 10.6 | Amendment No. 2 to Custodial Agreement, incorporated by reference to Exhibit 2.j.4 to Post-EffectiveAmendment No. 1 to the Registration Statement on Form N-2 (File No. 333-185191), filed December 23, 2013. |
| 10.7 | Fourth Amended and Restated Investment Advisory and Management Agreement between the Registrant and Gladstone Management Corporation, dated as of April 12, 2022, incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q (File No. 814-00237), filed on May 3, 2022. |
| 10.8 | Sixth Amended and Restated Credit Agreement dated as of May 13, 2021 by and among Gladstone Business Loan, LLC as Borrower, Gladstone Management Corporation as Servicer, KeyBank National Association, as Administrative Agent and the financial institutions from the time to time party thereto, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 814-00237), filed May 13, 2021. |
| 10.9* | Amendment No. 1 to the Sixth Amended and Restated Credit Agreement dated as of September 12, 2022 by and among Gladstone Business Loan, LLC as Borrower, Gladstone Management Corporation as Servicer, KeyBank National Association, as Administrative Agent and the financial institutions from the time to time party thereto. |
| 10.10* | Amendment No. 2 to the Sixth Amended and Restated Credit Agreement dated as of September 20, 2022 by and among Gladstone Business Loan, LLC as Borrower, Gladstone Management Corporation as Servicer, KeyBank National Association, as Administrative Agent and the financial institutions from the time to time party thereto. |
| 10.11* | Amendment No. 3 to the Sixth Amended and Restated Credit Agreement dated as of October 31, 2022 by and among Gladstone Business Loan, LLC as Borrower, Gladstone Management Corporation as Servicer, KeyBank National Association, as Administrative Agent and the financial institutions from the time to time party thereto. |

| | |
|---|---|
| 21* | Subsidiaries of the Registrant. |
| 23.1* | Consent of PricewaterhouseCoopers LLP. |
| 31.1* | Certification of Chief Executive Officer pursuant to section 302 of The Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of Chief Financial Officer pursuant to section 302 of The Sarbanes-Oxley Act of 2002. |
| 32.1** | Certification of Chief Executive Officer pursuant to section 906 of The Sarbanes-Oxley Act of 2002. |
| 32.2** | Certification of Chief Financial Officer pursuant to section 906 of The Sarbanes-Oxley Act of 2002. |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |
| 101.DEF | XBRL Definition Linkbase |
| 104 | Cover Page Interactive Data File (formatted in iXBRL and contained in Exhibit 101) |

* Filed herewith

** Furnished herewith

**ITEM 16. FORM 10-K SUMMARY**

None.

**SIGNATURES**

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

**GLADSTONE CAPITAL CORPORATION**

Date: November 14, 2022 By: /s/ NICOLE SCHALTENBRAND
Nicole Schaltenbrand
Chief Financial Officer and Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: November 14, 2022 By: /s/ DAVID GLADSTONE
David Gladstone
Chief Executive Officer and Chairman of the Board of Directors (principal executive officer)

Date: November 14, 2022 By: /s/ TERRY LEE BRUBAKER
Terry Lee Brubaker
Vice Chairman of the Board of Directors, Chief Operating Officer

Date: November 14, 2022 By: /s/ NICOLE SCHALTENBRAND
Nicole Schaltenbrand
Chief Financial Officer and Treasurer (principal financial and accounting officer)

Date: November 14, 2022 By: /s/ ANTHONY W. PARKER
Anthony W. Parker
Director

Date: November 14, 2022 By: /s/ JOHN OUTLAND
John Outland
Director

Date: November 14, 2022 By: /s/ MICHELA A. ENGLISH
Michela A. English
Director

Date: November 14, 2022 By: /s/ PAUL ADELGREN
Paul Adelgren
Director

Date: November 14, 2022 By: /s/ WALTER H. WILKINSON, JR.
Walter H. Wilkinson, Jr.
Director

Date: November 14, 2022 By: /s/ PAULA NOVARA
Paula Novara
Director

**SCHEDULE 12-14**

**GLADSTONE CAPITAL CORPORATION**
**INVESTMENTS IN AND ADVANCES TO AFFILIATES**
**(AMOUNTS IN THOUSANDS)**

| Company and Investment[A][B][D][L][M] | Principal/ Shares/Units[K] | Net Realized Gain (Loss) for Period | Amount of Investment Income[C] | Value as of September 30, 2021 | Gross Additions[D] | Gross Reductions[E] | Net Unrealized Appreciation (Depreciation) | Value as of September 30, 2022 |
|---|---|---|---|---|---|---|---|---|
| **AFFILIATE INVESTMENTS—12.4%** | | | | | | | | |
| **Secured First Lien Debt—11.0%** | | | | | | | | |
| **Diversified/Conglomerate Manufacturing—0.8%** | | | | | | | | |
| Edge Adhesives Holdings, Inc.—Term Debt (L + 5.5%. 8.6% Cash, Due 8/2024) | $ 6,140 | — | 534 | 5,540 | 600 | — | (3,590) | 2,550 |
| **Diversified/Conglomerate Service—10.2%** | | | | | | | | |
| Encore Dredging Holdings, LLC—Line of Credit, $3,000 available (L + 8.3%, 11.4% Cash, Due 12/2025) | — | — | 128 | — | 3,000 | (3,000) | — | — |
| Encore Dredging Holdings, LLC—Term Debt (L + 7.0%, 10.1% Cash, 1.5% PIK, Due 12/2025) | 23,611 | — | 2,273 | 23,618 | 111 | — | (767) | 22,962 |
| Encore Dredging Holdings, LLC—Term Debt (L + 7.0%, 10.1% Cash, 2.5% PIK, Due 12/2025)[F] | 4,532 | — | 189 | — | 4,532 | — | (125) | 4,407 |
| Encore Dredging Holdings, LLC—Delayed Draw Term Loan, $0 available (L + 7.0%, 10.1% Cash, 1.5% PIK, Due 12/2025) | 5,023 | — | 311 | — | 5,023 | — | (138) | 4,885 |
| | | **—** | **$ 2,901** | **$ 23,618** | **$ 12,666** | **$ (3,000)** | **$ (1,030)** | **$ 32,254** |
| **Total Secured First Lien Debt** | | **$ —** | **$ 3,435** | **$ 29,158** | **$ 13,266** | **(3,000)** | **$ (4,620)** | **$ 34,804** |
| **Secured Second Lien Debt—0.0%** | | | | | | | | |
| **Diversified Natural Resources, Precious Metals and Minerals—0.0%** | | | | | | | | |
| Lignetics, Inc.—Term Debt[G] | $ — | $ — | $ 613 | $ 6,540 | $ — | $ (6,000) | $ (540) | $ — |
| Lignetics, Inc.—Term Debt[G] | — | — | 729 | 8,633 | — | (8,000) | (633) | — |
| Lignetics, Inc.—Term Debt[G] | — | — | 230 | 3,491 | — | (3,300) | (191) | — |
| Lignetics, Inc.—Term Debt[G] | — | — | 204 | 3,199 | — | (3,000) | (199) | — |
| Lignetics, Inc.—Term Debt[G] | — | — | 45 | 2,500 | — | (2,500) | — | — |
| Lignetics, Inc.—Term Debt[G] | — | — | 89 | 6,200 | — | (6,200) | — | — |
| | | **$ —** | **$ 1,910** | **$ 30,563** | **$ —** | **$ (29,000)** | **$ (1,563)** | **$ —** |
| **Preferred Equity —1.2%** | | | | | | | | |

| Company and Investment[A][B][I][L][M] | Principal/ Shares/Units[K] | Net Realized Gain (Loss) for Period | Amount of Investment Income[C] | Value as of September 30, 2021 | Gross Additions[D] | Gross Reductions[E] | Net Unrealized Appreciation (Depreciation) | Value as of September 30, 2022 |
|---|---|---|---|---|---|---|---|---|
| **Diversified/Conglomerate Manufacturing — 0.0%** | | | | | | | | |
| Edge Adhesives Holdings, Inc.—Preferred Stock | 5,466 | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| **Diversified/Conglomerate Service—0.9%** | | | | | | | | |
| Encore Dredging Holdings, LLC—Preferred Stock | 3,840,000 | — | — | 4,525 | 640 | — | (2,323) | 2,842 |
| **Diversified Natural Resources, Precious Metals and Minerals—0.0%** | | | | | | | | |
| Lignetics, Inc.—Preferred Stock[G] | — | — | — | 5,602 | — | (1,321) | (4,281) | — |
| **Personal and Non-Durable Consumer Products (Manufacturing Only)—0.3%** | | | | | | | | |
| Canopy Safety Brands, LLC—Preferred Stock | 500,000 | — | — | 739 | — | — | 59 | 798 |
| **Total Preferred Equity** | | **$ —** | **$ —** | **$ 10,866** | **$ 640** | **$ (1,321)** | **$ (6,545)** | **$ 3,640** |
| **Common Equity—0.2%** | | | | | | | | |
| **Diversified Natural Resources, Precious Metals and Minerals—0.0%** | | | | | | | | |
| Lignetics, Inc.—Common Stock[G] | — | $ 13,408 | $ — | $ 10,969 | $ — | $ (1,855) | $ (9,114) | $ — |
| **Personal and Non-Durable Consumer Products (Manufacturing Only)—0.2%** | | | | | | | | |
| Canopy Safety Brands, LLC—Common Stock | 800,000 | — | — | 725 | — | — | (78) | 647 |
| **Total Common Equity** | | $ 13,408 | $ — | $ 11,694 | $ — | $ (1,855) | $ (9,192) | $ 647 |
| **TOTAL AFFILIATE INVESTMENTS** | | **$ 13,408** | **$ 5,345** | **$ 82,281** | **$ 13,906** | **$ (35,176)** | **$ (21,920)** | **$ 39,091** |
| **CONTROL INVESTMENTS—11.3%** | | | | | | | | |
| **Secured First Lien Debt—4.9%** | | | | | | | | |
| **Diversified/Conglomerate Manufacturing—1.0%** | | | | | | | | |
| Lonestar EMS, LLC—Term Debt (8.0% Cash, Due 6/2027)[F][J] | $ 3,250 | $ — | $ 97 | $ — | $ 3,250 | $ — | $ (220) | $ 3,030 |
| LWO Acquisitions Company LLC—Term Debt[G] | — | $ (6,000) | $ 302 | $ 2,841 | $ — | $ (6,000) | $ 3,159 | $ — |
| LWO Acquisitions Company LLC—Term Debt[G] | — | (2,471) | — | — | 100 | (10,732) | 10,632 | — |
| | | **$ (8,471)** | **$ 399** | **$ 2,841** | **$ 3,350** | **$ (16,732)** | **$ 13,571** | **$ 3,030** |
| **Personal and Non-Durable Consumer Products (Manufacturing Only) —3.6%** | | | | | | | | |
| WB Xcel Holdings, LLC—Line of Credit, $32 available (L + 10.5%, 13.6% Cash, Due 11/2026)[F] | 1,468 | $ — | $ 83 | $ — | $ 1,468 | $ — | $ — | $ 1,468 |
| WB Xcel Holdings, LLC—Term Loan (L + 10.5%, 13.6% Cash, Due 11/2026)[F] | 9,925 | — | 1,001 | — | 10,000 | (75) | — | 9,925 |
| | | **$ —** | **$ 1,084** | **$ —** | **$ 11,468** | **$ (75)** | **$ —** | **$ 11,393** |
| **Printing and Publishing—0.3%** | | | | | | | | |
| TNCP Intermediate HoldCo, LLC—-Line of Credit, $1,000 available (8.0% Cash, Due 10/2024)[J] | 1,000 | — | 89 | 1,300 | — | (300) | — | 1,000 |
| **Total Secured First Lien Debt** | | **$ (8,471)** | **$ 1,572** | **$ 4,141** | **$ 14,818** | **$ (17,107)** | **$ 13,571** | **$ 15,423** |
| **Secured Second Lien Debt—2.4%** | | | | | | | | |
| **Automobile—2.4%** | | | | | | | | |
| Defiance Integrated Technologies, Inc.—Term Debt (L + 9.5%, 12.6% Cash, Due 5/2026) | $ 7,665 | **$ —** | **$ 882** | **$ 7,985** | **$ —** | **$ (320)** | **$ —** | **$ 7,665** |

| Company and Investment[A][B][I][L][M] | Principal/ Shares/Units[K] | Net Realized Gain (Loss) for Period | Amount of Investment Income[C] | Value as of September 30, 2021 | Gross Additions[D] | Gross Reductions[E] | Net Unrealized Appreciation (Depreciation) | Value as of September 30, 2022 |
|---|---|---|---|---|---|---|---|---|
| **Unsecured Debt—0.0%** | | | | | | | | |
| **Diversified/Conglomerate Manufacturing—0.0%** | | | | | | | | |
| LWO Acquisitions Company LLC—Term Debt (Due 6/2023)[H] | $ 95 | **$ (25)** | **$ —** | **$ —** | **$ 25** | **$ (25)** | **$ —** | **$ —** |
| **Preferred Equity—1.8%** | | | | | | | | |
| **Automobile– 0.0%** | | | | | | | | |
| Defiance Integrated Technologies, Inc.—Preferred Stock[G] | — | **$ —** | **$ 33** | **$ 270** | **$ —** | **$ (250)** | **$ (20)** | **$ —** |
| **Personal and Non-Durable Consumer Products (Manufacturing Only) —1.8%** | | | | | | | | |
| WB Xcel Holdings, LLC - Preferred Stock [F] | 333 | — | — | — | 2,750 | — | 2,937 | $ 5,687 |
| **Total Preferred Equity** | | **$ —** | **$ 33** | **$ 270** | **$ 2,750** | **$ (250)** | **$ 2,917** | **$ 5,687** |
| **Common Equity—2.2%** | | | | | | | | |
| **Automobile– 0.4%** | | | | | | | | |
| Defiance Integrated Technologies, Inc.—Common Stock | 33,321 | $ — | $ — | $ 2,623 | $ — | $ — | $ (1,476) | $ 1,147 |
| **Diversified/Conglomerate Manufacturing—0.0%** | | | | | | | | |
| Circuitronics EMS Holdings LLC—Common Units | 921,000 | — | — | — | — | — | — | — |
| Lonestar EMS, LLC - Common Units [F] | 100 % | — | — | — | 6,750 | — | (6,750) | — |
| | | **$ —** | **$ —** | **$ —** | **$ 6,750** | **$ —** | **$ (6,750)** | **$ —** |
| **Machinery—1.1%** | | | | | | | | |
| PIC 360, LLC—Common Equity Units | 750 | — | 1,248 | 3,983 | — | — | (529) | 3,454 |
| **Printing and Publishing—0.7%** | | | | | | | | |
| TNCP Intermediate HoldCo, LLC—Common Equity Units | 790,000 | — | — | 1,728 | — | — | 609 | 2,337 |
| **Total Common Equity** | | **$ —** | **$ 1,248** | **$ 8,334** | **$ 6,750** | **$ —** | **$ (8,146)** | **$ 6,938** |
| **TOTAL CONTROL INVESTMENTS** | | **$ (8,496)** | **$ 3,735** | **$ 20,730** | **$ 24,343** | **$ (17,702)** | **$ 8,342** | **$ 35,713** |

(A) Certain of the securities listed in this schedule are issued by affiliate(s) of the indicated portfolio company.

(B) Common stock, warrants, options, membership units and, in some cases, preferred stock are generally non-income producing and restricted.

(C) Represents the total amount of interest, dividends and other income credited to investment income for the portion of the fiscal year an investment was a control or affiliate investment, as appropriate.

(D) Gross additions include increases in investments resulting from new portfolio investments, paid-in-kind interest or dividends, the amortization of discounts and fees, and the exchange of one or more existing securities for one or more new securities.

(E) Gross reductions include decreases in investments resulting from principal collections related to investment repayments or sales, the amortization of premiums and acquisition costs, and the exchange of one or more existing securities for one or more new securities.

(F) New investment during the year ended September 30, 2022.

(G) Investment was exited/paid off during the year ended September 30, 2022.

(H) Debt security does not have a stated interest rate that is payable thereon.

(I) Interest rate percentages represent cash interest rates in effect at September 30, 2022, and due dates represent the contractual maturity date. Unless indicated otherwise, all cash interest rates are indexed to 30-day London Interbank Offered Rate ("L"), which was 3.14% as of September 30, 2022. If applicable, paid-in-kind interest rates are noted separately from the cash interest rates and any unused line of credit fees are excluded.

(J) Debt security has a fixed interest rate.

(K) Represents the principal balance for debt investments and the number of shares/units held for equity investments as of September 30, 2022. Warrants are represented as a percentage of ownership, as applicable.

(L) Unless indicated otherwise, all of our investments are valued using Level 3 inputs within the FASB Accounting Standard Codification Topic 820, "Fair Value Measurements and Disclosures" fair value hierarchy. Refer to Note 3—*Investments in the accompanying Notes to Consolidated Financial Statements* for additional information.

(M) Category percentages represent the fair value of each category and subcategory as a percentage of net assets as of September 30, 2022.

* * Information related to the amount of equity in the net profit and loss for the year for the investments listed has not been included in this schedule. This information is not considered to be meaningful due to the complex capital structures of the portfolio companies, with different classes of equity securities outstanding with different preferences in liquidation. These investments are not consolidated, nor are they accounted for under the equity method of accounting.

**Exhibit 4.5**

## DESCRIPTION OF SECURITIES

Capitalized terms used but not defined herein shall have the meaning ascribed to them in the Annual Report on Form 10-K to which this Description of Securities is an exhibit.

**(a) Common Stock, $0.001 par value per share**

As of September 30, 2022, we had 34,734,796 shares of common stock outstanding. All shares of our common stock have equal rights as to earnings, assets, dividends and voting privileges and, when issued, will be duly authorized, validly issued, fully paid and nonassessable. Shares of our common stock have no preemptive, conversion or redemption rights and are freely transferable, except where their transfer is restricted by federal and state securities laws.

Distributions may be paid to the holders of our common stock if, as and when authorized by our Board of Directors and declared by us out of funds legally available therefor. In the event of our liquidation, dissolution or winding up, each share of our common stock is entitled to share ratably in all of our assets that are legally available for distribution after we pay all debts and other liabilities and subject to any preferential rights of holders of our preferred stock, if any is outstanding at the time. Each share of our common stock is entitled to one vote and does not have cumulative voting rights, which means that holders of a majority of such shares, if they so choose, could elect all of the directors, and holders of less than a majority of such shares would, in that case, be unable to elect any director. Our common stock is listed on the Nasdaq Global Select Market ("Nasdaq") under the ticker symbol "GLAD."

**(b) Provisions of our Certificate of Incorporation or Bylaws that may have the effect of delaying, deferring or preventing a change of control**

**Classified Board of Directors**

In accordance with our bylaws, our Board of Directors is divided into three classes of directors serving staggered three-year terms, with the term of directors in each class expiring at the annual meeting of stockholders held in the third year following the year of their election. One class has two directors and two classes have three directors. A classified board may render more difficult a change in control of us or removal of our incumbent management. We believe, however, that the longer time required to elect a majority of a classified board of directors will help to ensure continuity and stability of our management and policies.

Our classified board could have the effect of making the replacement of incumbent directors more time consuming and difficult. Because our directors may only be removed for cause, at least two annual meetings of stockholders, instead of one, will generally be required to effect a change in a majority of our Board of Directors. Thus, our classified board could increase the likelihood that incumbent directors will retain their positions. The staggered terms of directors may delay, defer or prevent a tender offer or an attempt to change control of us or another transaction that might involve a premium price for our common stock that might be in the best interest of our stockholders.

**Number of Directors; Removal; Vacancies**

Our charter provides that the number of directors will be determined pursuant to our bylaws and our bylaws provide that a majority of our entire Board of Directors may at any time increase or decrease the number of directors. In addition, our bylaws provide that the number of directors shall not be increased by 50% or more in any 12-month period without the approval of two-thirds of the members of our Board of Directors then in office. Our bylaws provide that any vacancies may be filled only by the vote of a majority of the remaining directors, even if less than a quorum, and the directors so appointed shall hold office for the remainder of the full term of the class of directors in which the vacancy occurred and until their successors are elected and qualified.

Our directors may only be removed for cause and only by the affirmative vote of at least a majority of all the votes entitled to be cast by our stockholders generally in the election of directors. This provision, when coupled with the power of our Board of Directors to fill vacancies on our Board of Directors, precludes stockholders from removing incumbent directors except for cause and upon a substantial affirmative vote and could preclude stockholders from filling the vacancies created by such removal with their own nominees.

**Advance Notice Provisions for Stockholder Nominations and Stockholder Proposals**

Our bylaws establish an advance notice procedure for stockholders to make nominations of candidates for election as directors or to bring other business before an annual or special meeting of our stockholders, which we refer to as the stockholder notice procedure.

The stockholder notice procedure provides that with respect to an annual meeting of stockholders, nominations of individuals for election to our Board of Directors and the proposal of business to be considered by our stockholders at an annual meeting may be made only (1) pursuant to our notice of the meeting, (2) by or at the direction of our Board of Directors or (3) by a stockholder who was a stockholder of record at the time of giving of notice, who is entitled to vote at the meeting and who has complied with the advance notice procedures set forth in our bylaws, including a requirement to provide certain information about the stockholder and the nominee or business proposal, as applicable. With respect to special meetings of stockholders, only the business specified in our notice of meeting may be brought before the meeting. Nominations of individuals for election to our Board of Directors may be made at a special meeting of stockholders at which directors are to be elected only (1) by or at the direction of our Board of Directors or (2) by a stockholder who was a stockholder of record at the time of giving of notice, who is entitled to vote at the meeting and who has complied with the advance notice provisions set forth in our bylaws, including a requirement to provide certain information about the stockholder and the nominee.

The purpose of requiring stockholders to give us advance notice of nominations and other business is to afford our Board of Directors a meaningful opportunity to consider the qualifications of the proposed nominees and the advisability of the other proposed business and, to the extent deemed necessary or desirable by the Board of Directors, to inform stockholders and make recommendations about such qualifications or business, as well as to provide a more orderly procedure for conducting meetings of stockholders. Although our bylaws do not give our Board of Directors any power to disapprove stockholder nominations for the election of directors or proposals for action, they may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if proper procedures are not followed and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal without regard to whether consideration of such nominees or proposals might be harmful or beneficial to us and our stockholders.

**Authority to Issue Preferred Stock without Stockholder Approval**

Our charter permits our Board of Directors to issue up to 50,000,000 shares of capital stock. Our Board of Directors may classify or reclassify any unissued common stock or preferred stock into other classes or series of stock and establish the preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms or conditions of redemption of any such stock. Thus, our Board of Directors could authorize the issuance of preferred stock with terms and conditions that could have a priority as to distributions and amounts payable upon liquidation over the rights of the holders of our common stock.

**Amendment of Charter and Bylaws**

Our charter may be amended, altered, changed or repealed, subject to the terms of any class or series of preferred stock, only if advised by our Board of Directors and approved by our stockholders by the affirmative vote of two-thirds of all the votes entitled to be cast on the matter.

Our charter also provides that the bylaws may be adopted, amended, altered, changed or repealed by our Board of Directors. Any action taken by our stockholders with respect to adopting, amending, altering, changing or repealing our bylaws may be taken only by the affirmative vote of the holders of at least 75% of our capital stock, voting together as a single class.

These provisions are intended to make it more difficult for stockholders to circumvent certain other provisions contained in our charter and bylaws, such as those that provide for the classification of our Board of Directors. These provisions, however, also will make it more difficult for stockholders to amend the charter or bylaws without the approval of the Board of Directors, even if a majority of the stockholders deems such amendment to be in the best interests of all stockholders.

**Indemnification and Limitation of Liability of Directors and Officers**

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages, except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty that is established by a final judgment and is material to the cause of action. Our charter contains a provision that eliminates the liability of our directors and officers to the maximum extent permitted by Maryland law.

The Maryland General Corporation Law (the "MGCL") requires us (unless our charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made a party by reason of his or her service in that capacity. The MGCL permits us to indemnify our present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or threatened to be made a party by reason of their service in those or other capacities unless it is established that:

- the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

Under the MGCL, we may not indemnify a director or officer in a suit by us or on our behalf in which the director or officer was adjudged liable to us or in a suit in which the director or officer was adjudged liable on the basis that personal benefit was improperly received. A court may order indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification, even though the director or officer did not meet the prescribed standard of conduct or was adjudged liable on the basis that personal benefit was improperly received. However, indemnification for an adverse judgment in a suit by us or on our behalf, or for a judgment of liability on the basis that personal benefit was improperly received, is limited to expenses.

In addition, the MGCL permits us to advance reasonable expenses to a director or officer upon our receipt of:

- a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by us; and
- a written undertaking by or on behalf of the director or officer to repay the amount paid or reimbursed by us if it is ultimately determined that the director or officer did not meet the standard of conduct.

Our bylaws permit us to advance expenses so long as, in addition to the requirements above, we obtain security for the advance from the director or officer, we obtain insurance against losses arising by reason of lawful advances or we determine that there is reason to believe that the director or officer will be found entitled to indemnification.

Subject to the 1940 Act, or any valid rule, regulation or order of the SEC thereunder, our charter obligates us, to the maximum extent permitted by Maryland law in effect from time to time, to indemnify and pay or reimburse reasonable expenses in advance of final disposition of a proceeding to any director or officer, whether serving our company or at our request any other entity. Our charter also permits us to indemnify and advance expenses to any employee or agent of our company to the extent authorized by our Board of Directors or the bylaws and permitted by law.

Our bylaws obligate us, to the maximum extent required by Maryland law or the charter, to indemnify any person who was or is a party or is threatened to be made a party to any threatened action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was our director, officer, employee or agent, or is or was serving at our request as a director, officer, manager, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise if our Board of Directors determines that such person acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of our company, and, in the case of any criminal action or proceeding, that such person had no reasonable cause to believe that such person's conduct was unlawful. However, our bylaws permit us to advance expenses only so long as, in addition to the requirements above, we obtain security for the advance from the director or officer, we obtain insurance against losses arising by reason of lawful advances or we determine that there is reason to believe that the director or officer will be found entitled to indemnification.

These provisions on indemnification and limitation of liability are subject to the limitations of the 1940 Act that prohibit us from protecting any director or officer against any liability to us or our stockholders arising from

willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

**EXECUTION VERSION**

# AMENDMENT NO. 1

THIS AMENDMENT NO. 1, (this "Amendment") dated as of September 12, 2022, is entered into between GLADSTONE BUSINESS LOAN, LLC, as Borrower (the "Borrower"), GLADSTONE MANAGEMENT CORPORATION, as Servicer (the "Servicer"), and KEYBANK NATIONAL ASSOCIATION ("KeyBank"), as Administrative Agent (in such capacity, the "Administrative Agent"). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the "Credit Agreement" referred to below.

## RECITALS

WHEREAS, the Borrower, the Servicer, the Lenders party thereto, the Managing Agents party thereto and the Administrative Agent are party to that certain Sixth Amended and Restated Credit Agreement dated as of May 13, 2021 by and among the Borrower, the Servicer, the Lenders, the Managing Agents and the Administrative Agent (as amended, modified, supplemented or otherwise modified prior to the date hereof, the "Credit Agreement").

WHEREAS, the Borrower and Administrative Agent are making an Early Opt-in Election and the Administrative Agent desires to amend the Credit Agreement to implement Benchmark Replacement Conforming Changes pursuant to the Early Opt-in Election set forth herein.

NOW, THEREFORE, in consideration of the premises set forth above, and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Amendments to the Credit Agreement. Upon satisfaction of the conditions precedent set forth in Section 3 hereof, the Credit Agreement is hereby amended as shown in the conformed copy thereof attached hereto as Exhibit A. In Exhibit A hereto, deletions of text in the Credit Agreement are indicated by struck-through text (indicated in the same manner as the following example: ~~stricken text~~) and insertions of text are indicated by bold, double-underlined text (indicated in the same manner as the following example: double-underlined text) as set forth on Exhibit A hereto;

SECTION 2. Representations and Warranties. The Borrower and the Servicer each hereby represents and warrants to each of the other parties hereto, that:

(a) this Amendment constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms; and

(b) on the date hereof, before and after giving effect to this Amendment, other than as waived pursuant to this Amendment, no Early Termination Event or Unmatured Termination Event has occurred and is continuing.

SECTION 3. Conditions Precedent. This Amendment shall become effective on the sixth (6th) Business Day after the date hereof (which is the date notice of the Early Opt-in Election set forth herein is being provided to the Managing Agents and the Lenders), subject to the conditions precedent that:

(a) the Administrative Agent or its counsel has received counterpart signatures pages of this Amendment, executed by each of the Borrower, the Servicer and the Administrative Agent; and

(b) the Administrative Agent has not received, by 5:00 p.m. (New York City time) on the fifth (5th) Business Day after the date hereof, written notice of objection to the Early Opt-in Election set forth herein from Lenders comprising the Required Lenders.

SECTION 4. Reference to and Effect on the Transaction Documents.

(a) Upon the effectiveness of this Amendment, (i) each reference in the Credit Agreement to "this Credit Agreement", "this Agreement", "hereunder", "hereof", "herein" or words of like import shall mean and be a reference to the Credit Agreement as amended or otherwise modified hereby, and (ii) each reference to the Credit Agreement in any other Transaction Document or any other document, instrument or agreement executed and/or delivered in connection therewith, shall mean and be a reference to the Credit Agreement as amended or otherwise modified hereby.

(b) Except as specifically amended, terminated or otherwise modified above, the terms and conditions of the Credit Agreement, of all other Transaction Documents and any other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent, any Managing Agent or any Lender under the Credit Agreement or any other Transaction Document or any other document, instrument or agreement executed in connection therewith, nor constitute a waiver of any provision contained therein, in each case except as specifically set forth herein.

SECTION 5. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by facsimile or by other electronic transmission shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 6. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 7. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

SECTION 8. Fees and Expenses. The Borrower hereby confirms its agreement to pay on demand all reasonable costs and expenses of the Administrative Agent, Managing Agents or Lenders in connection with the preparation, execution and delivery of this Amendment and any of the other instruments, documents and agreements to be executed and/or delivered in connection

the other instruments, documents and agreements to be executed and/or delivered in connection

herewith, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel to the Administrative Agent, Managing Agents or Lenders with respect thereto.

SECTION 9. Early Opt-in Election. This Amendment constitutes the notification by the Administrative Agent and the joint election by the Administrative Agent and the Borrower contemplated in the definition of "Early Opt-In Election" under the Credit Agreement. Attached hereto as Exhibit B is a list of five publicly available currently outstanding U.S. dollar-denominated syndicated credit facilities which contain a SOFR-based rate as a benchmark rate.

[Signature Pages Follow]

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

GLADSTONE BUSINESS LOAN, LLC

By: _____
Name: Nicole Schaltenbrand
Title: CFO

GLADSTONE MANAGEMENT CORPORATION

By: _____
Name: David Gladstone
Title: CEO

KEYBANK NATIONAL ASSOCIATION, as Administrative Agent

By: _____

Name: Richard Andersen

Title: Senior Vice President

**EXHIBIT A**

**Confirmed Blackline of Credit Agreement Reflecting Amendment Changes**

Please see attached.

~~EXECUTION VERSION~~
CONFORMED COPY INCORPORATING AMENDMENT NO. 1, DATED AS OF SEPTEMBER 12, 2022

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SIXTH AMENDED AND RESTATED

CREDIT AGREEMENT

Dated as of May 13, 2021

Among

GLADSTONE BUSINESS LOAN, LLC

as the Borrower

GLADSTONE MANAGEMENT CORPORATION

as the Servicer

THE FINANCIAL INSTITUTIONS FROM TIME TO TIME PARTY HERETO

as Lenders

THE FINANCIAL INSTITUTIONS FROM TIME TO TIME PARTY HERETO

as Managing Agents

and

KEYBANK NATIONAL ASSOCIATION

as the Administrative Agent

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EXHIBITS



SCHEDULES

THIS SIXTH AMENDED AND RESTATED CREDIT AGREEMENT is made as of May 13, 2021, among:

(1) GLADSTONE BUSINESS LOAN, LLC, a Delaware limited liability company, as borrower (the "Borrower");

(2) GLADSTONE MANAGEMENT CORPORATION, a Delaware corporation, as servicer (the "Servicer");

(3) Each financial institution from time to time party hereto as a "Lender" (whether on the signature pages hereto or in a Joinder Agreement), and as Swingline Lender and their respective successors and assigns (collectively, the "Lenders");

(4) Each financial institution from time to time party hereto as a "Managing Agent" (whether on the signature pages hereto or in a Joinder Agreement) and their respective successors and assigns (collectively, the "Managing Agents"); and

(5) KEYBANK NATIONAL ASSOCIATION, as "Administrative Agent" and its respective successors and assigns (the "Administrative Agent").

IT IS AGREED as follows:

## ARTICLE I

## DEFINITIONS

Section 1.1 Certain Defined Terms.

(a) Certain capitalized terms used throughout this Agreement are defined above or in this Section 1.1.

(b) As used in this Agreement and its exhibits, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined).

"Additional Amount" is defined in Section 2.13.

~~"Adjusted Eurodollar Rate" means, for any Settlement Period, an interest rate per annum equal to the quotient, expressed as a percentage and rounded upwards (if necessary), to the nearest 1/100 of 1%, (i) the numerator of which is equal to the LIBO Rate for such Settlement Period and (ii) the denominator of which is equal to 100% minus the Eurodollar Reserve Percentage for such Settlement Period; provided, however, that in no event shall such interest rate be less than 0.35%.~~

"Adjusted Purchased Loan Balance" means as of any date of determination and for any Transferred Loan, the Purchased Loan Balance of such Loan as of such date minus the Excess Concentration Amount allocated to such Loan.

"Adjusted Term SOFR Rate" means for any Available Tenor and Settlement Period, the greater of (a) the Floor and (b) the sum of Term SOFR for such Settlement Period and 0.11448% (11.448 basis points).

"Administrative Agent" is defined in the preamble hereto.

"Advances" means collectively the Revolver Advances and the Swing Advances.

"Advances Outstanding" means, on any day, the aggregate principal amount of Advances outstanding on such day, after giving effect to all repayments of Advances and makings of new Advances on such day.

"Adverse Claim" means, a lien, security interest, pledge, charge, encumbrance or other right or claim of any Person.

"Affected Party" is defined in Section 2.12(a).

"Affiliate" with respect to a Person, means any other Person controlling, controlled by or under common control with such Person, including without limitation, when "Affiliate" is used by or with regard to Borrower or Originator, any entities under the control or management of Gladstone Management Corporation, or any successor entity; provided, however, that when used with respect to any Person which is an Obligor in respect of a Loan, "Affiliate" shall not mean any of the Borrower, the Servicer or the Originator if the Servicer, the Borrower or the Originator acquires voting securities of such Obligor in the ordinary course of its business (for avoidance of doubt, such Obligor may be a "Control Affiliate" pursuant to the definition thereof). For purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" or "controlled" have meanings correlative to the foregoing.

"Agent's Account" means account number 325760051913 at KeyBank N.A., ABA number 021300077, account name KeyBank National Association

"Aggregate Adjusted Purchased Loan Balance" means on any day, the sum of the Adjusted Purchased Loan Balances of all Eligible Loans included as part of the Collateral on such date.

"Aggregate Outstanding Loan Balance" means on any day, the sum of the Outstanding Loan Balances of all Eligible Loans included as part of the Collateral on such date.

"Aggregate Purchased Loan Balance" means on any day, the sum of the Purchased Loan Balances of all Eligible Loans included as part of the Collateral on such date.

"Agreement" or "Credit Agreement" means this Sixth Amended and Restated Credit Agreement, dated as of May 13, 2021, as hereafter amended, modified, supplemented or restated from time to time.

"Amortization Period" means the period beginning on the Termination Date and ending on the Maturity Date.

"Anti-Corruption Laws" means all laws, rules, and regulations of any jurisdiction applicable to the Borrower or the Servicer from time to time concerning or relating to bribery or corruption.

"Applicable Law" means, for any Person, all existing and future applicable laws, rules, regulations (including proposed, temporary and final income tax regulations), statutes, treaties, codes, ordinances, permits, certificates, orders and licenses of and interpretations by any Governmental Authority (including, without limitation, usury laws, the Federal Truth in Lending Act, Regulation Z, Regulation W, Regulation U and Regulation B of the Federal Reserve Board, the Foreign Corrupt Practices Act and the USA PATRIOT Act), and applicable judgments, decrees, injunctions, writs, orders, or line action of any court, arbitrator or other administrative, judicial, or quasi-judicial tribunal or agency of competent jurisdiction.

"Applicable Margin" means (i) 2.70% per annum during the Revolving Period, and (ii) 3.25% thereafter.

"Approved Dealer" means a broker-dealer registered under the Securities Exchange Act of 1934 of nationally recognized standing or an Affiliate thereof.

"Approved Officer" means David Gladstone, Terry Brubaker, Robert Marcotte, Nicole Schaltenbrand and any other individual satisfactory to the Administrative Agent and the Required Lenders, as determined in their reasonable discretion.

"Approved Pricing Service" means a pricing or quotation service as set forth in Schedule III or any other pricing or quotation service approved by the Board of Directors of the Originator and designated in writing to the Administrative Agent.

"Approved Valuation Service" means, any of (i) Ice Data Pricing and Reference Data, LLC, (ii) Murray, Devine and Company, (iii) Houlihan Lokey, (iv) Duff & Phelps LLC, (v) Lincoln Advisors, (vi) Stout Risius Ross, (vii) Alvarez & Marsal, (viii) Valuation Research Corporation and (ix) each other valuation service provider approved by the Administrative Agent from time to time in its reasonable discretion.

"Assignment and Acceptance" is defined in Section 11.1(b).

"Availability" means, on any day, an amount equal to the lesser of:

(a) the amount by which the Borrowing Base exceeds the sum of (i) Advances Outstanding and (ii) an amount equal to 50% of the aggregate unfunded commitments under the Revolver Loans on such day, and

(b) the amount by which the Facility Amount exceeds the sum of (i) Advances Outstanding and (ii) the aggregate unfunded commitments under the Revolver Loans on such day; provided, however, that following the Termination Date, the Availability shall be zero.

"Available Collections" is defined in Section 2.8(a).

"Available Tenor" means, as of any date of determination and with respect to the then-current Benchmark, ~~as applicable,~~ (x) if ~~the then-current~~such Benchmark is a term rate, any tenor for such Benchmark (or component thereof) that is or may be used for determining the length of ~~a Settlement Period~~ an interest period pursuant to this Agreement or (y) otherwise, any payment period for interest calculated with reference to such Benchmark~~, as applicable, pursuant to this Agreement as of such date.~~ (or component thereof) that is or may be used for determining any frequency of making payments of interest calculated with reference to such Benchmark, in each case, as of such date and not including, for the avoidance of doubt, any tenor for such Benchmark that is then-removed from the definition of "Settlement Period" pursuant to Section 2.18(d).

"Backup Servicer" means The Bank of New York Mellon, in its capacity as Backup Servicer under the Backup Servicing Agreement, together with its successors and assigns.

"Backup Servicer Expenses" means the out-of-pocket expenses to be paid to the Backup Servicer under the Backup Servicing Agreement.

"Backup Servicer Fee" means the fee to be paid to the Backup Servicer as set forth in the Backup Servicing Agreement.

"Backup Servicing Agreement" means the Amended and Restated Backup Servicing Agreement, dated as of May 15, 2009 among the Borrower, the Servicer, the Administrative Agent and the Backup Servicer, as the same may from time to time be further amended, restated, supplemented, waived or modified.

"Bail-In Action" means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"Bail-In Legislation" means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

"Bankruptcy Code" means the United States Bankruptcy Reform Act of 1978 (11 U.S.C. §§ 101, et seq.), as amended from time to time.

"Base Rate" means, on any date, a fluctuating rate of interest per annum equal to the highest of (a) the Prime Rate, (b) the Federal Funds Rate plus 1.0% ~~or~~and (c) the ~~LIBO Rate; provided, however, that in no event shall such interest rate be less than 0.35%~~Floor.

"Base Rate Advance" means each Advance bearing interest at a rate based upon the Base Rate.

"Benchmark" means, initially, ~~USD LIBOR~~the Term SOFR Reference Rate; provided that if a ~~replacement for the~~ Benchmark Transition Event has occurred ~~pursuant to Section 2.18~~with respect to the then-current Benchmark, then "Benchmark" means the applicable

Benchmark Replacement to the extent that such Benchmark Replacement has replaced such prior benchmark rate. Any reference to "Benchmark" shall include, as applicable, the published component used in the calculation thereof pursuant to Section 2.18.

"Benchmark Replacement" means, for any Available Tenor:

(1) for purposes of Section 2.18(a), the first alternative set forth below that can be determined by the Administrative Agent:

(a) the sum of: (i) Term SOFR and (ii) 0.11448% (11.448 basis points) for an Available Tenor of one-month's duration, 0.26161% (26.161 basis points) for an Available Tenor of three-months' duration, and 0.42826% (42.826 basis points) for an Available Tenor of six-months' duration; or

(b) the sum of: (i) Daily Simple SOFR and (ii) the spread adjustment for an Available Tenor of one-month's duration (0.11448% (11.448 basis points)); and

(2) for purposes of Section 2.18(b) "Benchmark Replacement" means, with respect to any Benchmark Transition Event for the then-current Benchmark, the sum of: (ai) the alternate benchmark rate and (b) an adjustment (which may be a positive or negative value, or zero), in each case, that has been selected pursuant to this clause (2) by the Administrative Agent and the Borrower as the replacement for such Available Tenor of such Benchmark giving due consideration to (A) any selection or recommendation of a replacement benchmark rate or the mechanism for determining such a rate by the Relevant Governmental Body or (B) any evolving or then-prevailing market convention, including any applicable recommendations made by the Relevant Governmental Body, for U.S. dollar-denominated syndicated credit facilities for determining a benchmark rate as a replacement for such Benchmark for syndicated credit facilities denominated in U.S. Dollars at such time and (ii) the related Benchmark Replacement Adjustment, if any;

provided that, if thesuch Benchmark Replacement as so determined pursuant to clause (1) or (2) above would be less than the Floor, thesuch Benchmark Replacement will be deemed to be the Floor for allthe purposes of this Agreement and the other Transaction Documents.

"Benchmark Replacement Adjustment" means, with respect to any replacement of any then-current Benchmark with an unadjusted Benchmark Replacement for any applicable Available Tenor, the spread adjustment, or method for calculating or determining such spread adjustment (which may be a positive or negative value or zero), if any, that has been selected by the Administrative Agent and the Borrower giving due consideration to (a) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable unadjusted Benchmark Replacement by the Relevant Governmental Body or (b) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such

spread adjustment, for the replacement of such Benchmark with the applicable unadjusted Benchmark Replacement for U.S. Dollar denominated syndicated credit facilities.

"Benchmark Replacement Conforming Changes" means, with respect to either the use or administration of Term SOFR or the use, administration, adoption or implementation of any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of "~~Adjusted Eurodollar Rate~~," ~~the definition of "~~Base Rate," the definition of "Business Day," the definition of "SOFR Business Day," the definition of "Interest Rate," the definition of "Interest Reset Date," the definition of "Settlement Period~~,~~" or any similar or analogous definition (or the addition of a concept of "interest period"), timing and frequency of determining rates and making payments of interest, timing of borrowing requests or prepayment, conversion or continuation notices, the applicability and length of lookback periods, the applicability of ~~breakage provisions~~Section 2.11, and other technical, administrative or operational matters) that the Administrative Agent decides may be appropriate to reflect the adoption and implementation of any such ~~Benchmark Replacement and~~rate or to permit the use and administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent decides that adoption of any portion of such market practice is not administratively feasible or if the Administrative Agent determines that no market practice for the administration of ~~such Benchmark Replacement~~any such rate exists, in such other manner of administration as the Administrative Agent decides is reasonably necessary in connection with the administration of this Agreement and the other Transaction Documents).

"Benchmark Replacement Date" means the earlier to occur of the following events with respect to the then-current Benchmark:

(a) in the case of clauses (a) or (b) of the definition of "Benchmark Transition Event", the later of (i) the date of the public statement or publication of information referenced therein and (ii) the date on which the administrator of such Benchmark (or the published component used in the calculation thereof) permanently or indefinitely ceases to provide all Available Tenors of such Benchmark (or such component thereof); or

(b) in the case of clause (c) of the definition of "Benchmark Transition Event", the first date on which such Benchmark (or the published component used in the calculation thereof) has been determined and announced by or on behalf of the administrator of such Benchmark (or such component thereof) or the regulatory supervisor for the administrator of such Benchmark (or such component thereof) to be non-representative or non-compliant with or non-aligned with the International Organization of Securities Commissions (IOSCO) Principles for Financial Benchmarks; provided that any such non-representativeness, non-compliance or non-alignment will be determined by reference to the most recent statement or publication referenced in such clause (c) and even if any Available Tenor of such Benchmark (or such component thereof) continues to be provided on such date.

For the avoidance of doubt, the "Benchmark Replacement Date" will be deemed to have occurred in the case of clauses (a) or (b) with respect to any Benchmark upon the occurrence of the applicable event or events set forth therein with respect to all then-current Available Tenors of such Benchmark (or the published component used in the calculation thereof).

"Benchmark Transition Event" means, with respect to the then-current Benchmark, the occurrence of one or more of the following events with respect to such Benchmark:

(a) a public statement or publication of information by or on behalf of the administrator of such Benchmark (or the published component used in the calculation thereof) announcing that such administrator has ceased or will cease to provide all Available Tenors of such Benchmark (or such component thereof), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark (or such component thereof);

~~"Benchmark Transition Event" means, with respect to any then-current Benchmark (other than USD LIBOR), the occurrence of~~ (b) a public statement or publication of information by ~~or on behalf of the administrator of the then-current Benchmark, the~~the regulatory supervisor for the administrator of such Benchmark~~, the Board of Governors of the~~ (or the published component used in the calculation thereof), the Federal Reserve ~~System~~Board, the Federal Reserve Bank of New York, an insolvency official with jurisdiction over the administrator for such Benchmark (or such component), a resolution authority with jurisdiction over the administrator for such Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark~~,~~ ~~announcing or stating that (a) such~~ (or such component), which states that the administrator of such Benchmark (or such component) has ceased or will cease ~~on a specified date~~ to provide all Available Tenors of such Benchmark~~,~~ (or such component thereof) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark ~~or (b) all Available Tenors of such Benchmark are or will no longer be representative of the underlying market and economic reality that such Benchmark is intended to measure and that representativeness will not be restored.~~(or such component thereof); or

(c) a public statement or publication of information by or on behalf of the administrator of such Benchmark (or the published component used in the calculation thereof) or the regulatory supervisor for the administrator of such Benchmark (or such component thereof) announcing that all Available Tenors of such Benchmark (or the published component used in the calculation thereof) are not, or as of a specified future date will not be, representative or in compliance with or aligned with the International Organization of Securities Commissions (IOSCO) Principles for Financial Benchmarks.

For the avoidance of doubt, a "Benchmark Transition Event" will be deemed to have occurred with respect to any Benchmark if a public statement or publication of information set forth above has occurred with respect to each then-current Available Tenor of such Benchmark (or the published component used in the calculation thereof).

"Benchmark Transition Start Date" means, with respect to any Benchmark, in the case of a Benchmark Transition Event, the earlier of (i) the applicable Benchmark Replacement Date and (ii) if such Benchmark Transition Event is a public statement or publication of information of a prospective event, the 90th day prior to the expected date of such event as of such public

statement or publication of information (or if the expected date of such prospective event is fewer than 90 days after such statement or publication, the date of such statement or publication).

"Benchmark Unavailability Period" means, with respect to any then-current Benchmark, the period (if any) (i) beginning at the time that a Benchmark Replacement Date with respect to such Benchmark pursuant to clauses (a) or (b) of that definition has occurred if, at such time, no Benchmark Replacement has replaced such Benchmark for all purposes hereunder and under any Transaction Document in accordance with Section 2.18 and (ii) ending at the time that a Benchmark Replacement has replaced such Benchmark for all purposes hereunder and under any Transaction Document in accordance with Section 2.18.

"Benefit Plan" means any employee benefit plan as defined in Section 3(3) of ERISA in respect of which the Borrower or any ERISA Affiliate of the Borrower is, or at any time during the immediately preceding six years was, an "employer" as defined in Section 3(5) of ERISA.

"Borrower" means Gladstone Business Loan, LLC, a Delaware limited liability company, or any permitted successor thereto.

"Borrowing Base" means on any date of determination, an amount equal to the sum of (A) the lesser of:

(a) the Aggregate Purchased Loan Balance minus the Required Equity Investment as of such date; and

(b) the sum, for each Eligible Loan as of such date, of the products of (i) its Adjusted Tier 1 Purchased Loan Balance and its Tier 1 Advance Rate, (ii) its Adjusted Tier 2 Purchased Loan Balance and its Tier 2 Advance Rate, and (iii) its Adjusted Tier 3 Purchased Loan Balance Loan and its Tier 3 Advance Rate;

plus, (B) any amounts of cash and cash equivalents held in the Collection Account less the sum of the aggregate accrued but unpaid Servicing Fee, Revolver Loan Funding Fee, Interest and Commitment Fee.

The capitalized terms used in this definition of "Borrowing Base" shall have the following meanings:

| Tier 1 Definitions: (Tier 1 only includes First Lien Loans, First Lien Qualifying Covenant-Lite Loan and First Out Loans) | |
|---|---|
| "Adjusted Tier 1 Purchased Loan Balance" | For any Eligible Loan, its Tier 1 Purchased Loan Balance minus the applicable Allocated Excess Concentration Loan Amount. |
| "Tier 1 Advance Rate" | For (i) First Lien Qualifying Covenant-Lite Loans, 58%, otherwise (ii) 62%. |
| "Tier 1 Leverage Ratio" | For each Eligible Loan, shall mean the lower of the Leverage Ratio and 4.25. |

| | |
|---|---|
| "Tier 1 Percentage" | For (i) First Lien Qualifying Covenant-Lite Loans, 100%, and (ii) First Lien Loans and First Out Loans, the percentage obtained by dividing (x) the Tier 1 Leverage Ratio by (y) the Leverage Ratio. |
| "Tier 1 Purchased Loan Balance" | For each Eligible Loan, the product of the Purchased Loan Balance and the Tier 1 Percentage; provided, however, that, for any Eligible Loan which does not have positive TTM EBITDA, the "Tier 1 Purchased Loan Balance" shall be zero. |

| Tier 2 Definitions: (Tier 2 only includes First Lien Loans, First Out Loans, Second Lien Loans, Second Lien Qualifying Covenant-Lite Loans and Last Out Loans) | |
|---|---|
| "Adjusted Tier 2 Purchased Loan Balance" | For any Eligible Loan, its Tier 2 Purchased Loan Balance minus the applicable Allocated Excess Concentration Loan Amount. |
| "Tier 2 Advance Rate" | For (i) Second Lien Qualifying Covenant-Lite Loans, 48%, otherwise (ii) 52%. |
| "Tier 2 Leverage Ratio" | For each Eligible Loan, shall be determined as follows:<br><br>(a) For First Lien Loans and First Out Loans, the Tier 2 Leverage Ratio shall mean the lower of (i) the higher of (A) the Leverage Ratio minus 4.25 and (B) zero, and (ii) 5.50 minus 4.25.<br><br>(b) For Second Lien Loans and Last Out Loans, the Tier 2 Leverage Ratio shall mean 5.50 minus the Senior Leverage Ratio. |
| "Tier 2 Percentage" | Means:<br><br>(a) for Second Lien Qualifying Covenant-Lite Loans, 100%;<br><br>(b) for First Lien Loans and First Out Loans, the percentage obtained by dividing (x) the applicable Tier 2 Leverage Ratio by (y) the Leverage Ratio;<br><br>(c) for Second Lien Loans and Last Out Loans, (i) if the Senior Leverage Ratio is greater than or equal to 5.50, then a value of 0, (ii) if the Leverage Ratio is less than or equal to 5.50, then a value of 100%, and (iii) otherwise, the percentage obtained by dividing (A) the applicable Tier 2 Leverage Ratio by (B) the Leverage Ratio minus the Senior Leverage Ratio. |

| | |
|---|---|
| "Tier 2 Purchased Loan Balance" | For each Eligible Loan, the product of the Purchased Loan Balance and the Tier 2 Percentage; provided, however, that, for any Eligible Loan which does not have positive TTM EBITDA, the "Tier 2 Purchased Loan Balance" shall be zero. |

| Tier 3 Definitions: (Tier 3 includes First Lien Loans, First Out Loans, Second Lien Loans, Last Out Loans and Mezzanine Loans) | |
|---|---|
| "Adjusted Tier 3 Purchased Loan Balance" | For any Eligible Loan, its Tier 3 Purchased Loan Balance minus the applicable Allocated Excess Concentration Loan Amount. |
| "Tier 3 Advance Rate" | 35%. |
| "Tier 3 Leverage Ratio" | For each Eligible Loan, shall be determined as follows:<br><br>(a) For First Lien Loans and First Out Loans, the Tier 3 Leverage Ratio shall mean the higher of (A) the Leverage Ratio minus 5.50, and (B) zero.<br><br>(b) For Second Lien and Last Out Loans, the Tier 3 Leverage Ratio shall mean (x) the Leverage Ratio minus (y) the higher of the applicable Senior Leverage Ratio and 5.50. |
| "Tier 3 Percentage" | Means:<br><br>(a) for First Lien Loans and First Out Loans, the percentage obtained by dividing (x) the applicable Tier 3 Leverage Ratio by (y) the Leverage Ratio;<br><br>(b) for Second Lien and Last Out Loans, (i) if the Senior Leverage Ratio is greater than or equal to 5.50, then a value of 100%, (ii) if the Leverage Ratio is less than or equal to 5.50 then a value of zero, and (iii) otherwise, the percentage obtained by dividing (A) the applicable Tier 3 Leverage Ratio by (B) the Leverage Ratio minus the Senior Leverage Ratio; and<br><br>(c) for Mezzanine Loans, 100%. |
| "Tier 3 Purchased Loan Balance" | For each Eligible Loan, the product of the Purchased Loan Balance and the Tier 3 Percentage; provided, however, that, for any Eligible Loan which does not have positive TTM EBITDA, the "Tier 3 Purchased Loan Balance" shall be zero. |

"Allocated Excess Concentration Loan Amount" means, as to any Eligible Loan, the Excess

Allocated Excess Concentration Loan Amount" means, as to any Eligible Loan, the Excess

Concentration Loan Amount of such Eligible Loan allocated to the Tier 1 through Tier 3 Purchased Loan Balances of such Eligible Loan in the following order of priority until such Excess Concentration Loan Amount has been fully allocated:

(i) first, to its Tier 3 Purchased Loan Balance until such Tier 3 Purchased Loan Balance is zero; then

(ii) to its Tier 2 Purchased Loan Balance until such Tier 2 Purchased Loan Balance is zero; and then

(iii) to its Tier 1 Purchased Loan Balance until such Tier 1 Purchased Loan Balance is zero.

"Senior Funded Debt" means, with respect to any Eligible Loan, the portion of the Total Funded Debt of the Obligor of such loan that is senior in priority and right of repayment of such Eligible Loan.

"Senior Leverage Ratio" means, for any Eligible Loan, the ratio of the Senior Funded Debt to TTM EBITDA of the Obligor of such Eligible Loan.

"Borrowing Base Test" means as of any date, a determination that (a) the lesser of (i) the Borrowing Base and (ii) the Facility Amount shall be equal to or greater than (b) the Advances Outstanding.

"Borrower Notice" means a written notice, in the form of Exhibit A, to be used for each borrowing, repayment of each Advance or termination or reduction of the Facility Amount or Prepayments of Advances.

"Breakage Costs" is defined in Section 2.11.

"Broadly Syndicated Loan" means an Eligible Loan (a) that is syndicated to an initial lender group of not less than five (5) lenders, (b) the initial aggregate principal amount (including any last out component) of which was not less than $100,000,000 and (c) in respect of which Moody's or S&P has assigned a monitored publicly available rating.

"Business Day" means any day of the year other than a Saturday or a Sunday on which (a) (i) banks are not required or authorized to be closed in New York, New York, and Virginia or (ii) which is not a day on which the Bond Market Association recommends a closed day for the U.S. Bond Market, and (b) ~~if the term "Business Day" is used in connection with the Adjusted Eurodollar Rate or the Interest Reset Date, means the foregoing only if such day is also a day of year on which dealings in United States dollar deposits are carried on in the London interbank market.~~with respect to any matters relating to SOFR Advances, a SOFR Business Day.

"CBA" means CME Group Benchmark Administration Ltd.

"Change-in-Control" means, with respect to any entity, the date on which (i) any Person or "group" acquires any "beneficial ownership" (as such terms are defined under Rule 13d-3 of, and Regulation 13D under, the Securities Exchange Act of 1934, as amended), either directly or

and Regulation 13D under the Securities Exchange Act of 1934, as amended), either directly or

indirectly, of membership interests or other equity interests or any interest convertible into any such interest in such entity having more than fifty percent (50%) of the voting power for the election of managers of such entity, if any, under ordinary circumstances, or (ii) (with regard to the Borrower, except in connection with any Discretionary Sale) an entity sells, transfers, conveys, assigns or otherwise disposes of all or substantially all of the assets of such entity.

"Charged-Off Loan" means any Loan (i) that is 120 days past due with respect to any interest or principal payment, (ii) for which an Insolvency Event has occurred with respect to the related Obligor or (iii) that is or should be written off as uncollectible by the Servicer in accordance with the Credit and Collection Policy.

"Charged-Off Ratio" means, with respect to any Settlement Period, the percentage equivalent of a fraction, calculated as of the Determination Date for such Settlement Period, (i) the numerator of which is equal to the aggregate Outstanding Loan Balance of all Loans that became Charged-Off Loans during such Settlement Period and (ii) the denominator of which is equal to the sum of (A) the Aggregate Outstanding Loan Balance as of the first day of such Settlement Period and (B) the Aggregate Outstanding Loan Balance as of the last day of such Settlement Period divided by 2.

"Chemical Bank" means Chemical Bank, in its capacity either as a Lender or in its individual capacity, as applicable, and its successors or assigns.

"Closing Date" means May 19, 2003.

"Code" means The Internal Revenue Code of 1986, as amended.

"Collateral" means all right, title and interest, whether now owned or hereafter acquired or arising, and wherever located, of the Borrower in, to and under any and all of the following:

(i) the Transferred Loans, and all monies due or to become due in payment of such Loans on and after the related Purchase Date;

(ii) any Related Property securing the Transferred Loans, including all proceeds from any sale or other disposition of such Related Property;

(iii) the Loan Documents relating to the Transferred Loans;

(iv) all Supplemental Interests related to any Transferred Loans;

(v) the Collection Account, all funds held in such account, and all certificates and instruments, if any, from time to time representing or evidencing the Collection Account or such funds;

(vi) all Collections and all other payments made or to be made in the future with respect to the Transferred Loans, including such payments under any guarantee or similar credit enhancement with respect to such Loans;

(vii) all Hedge Collateral;

(viii) the Operating Account and all deposit or banking accounts of the Borrower with the Administrative Agent, and all funds held in such accounts, and all certificates and instruments, if any, from time to time representing or evidencing such accounts or such funds; and

(ix) all income and Proceeds of the foregoing.

For the avoidance of doubt, the Collateral, in the case of "Related Property" pursuant to clause (ii) above, may be and mean a Lien held by Borrower against such property, rather than an ownership interest in such property.

"Collateral Custodian" means The Bank of New York Mellon Trust Company, N.A., formerly known as BNY Midwest Trust Company, in its capacity as Collateral Custodian under the Custody Agreement, together with its successors and assigns.

"Collateral Custodian Expenses" means the out-of-pocket expenses to be paid to the Collateral Custodian under the Custody Agreement.

"Collateral Custodian Fee" means the fee to be paid to the Collateral Custodian as set forth in the Custody Agreement.

"Collateral Quality Test" means as of any date, a set of tests that are satisfied so long as each of the following are satisfied: (i) the Weighted Average Spread on the Transferred Loans is equal to or greater than 5.0% as of such date, (ii) the Weighted Average Life of the Transferred Loans is equal to or less than 57 months as of such date, (iii) the weighted average Risk Rating of the portfolio of Transferred Loans shall not be less than B-/ B3/4 by S&P, Moody's or the Servicer's risk rating model, respectively, (iv) the Diversity Score for the Transferred Loans is greater than or equal to 10 as of such date and (v) the Required Minimum Obligors Test is being satisfied.

"Collection Account" is defined in Section 7.4(e).

"Collection Date" means the date following the Termination Date on which all Advances Outstanding have been reduced to zero, the Lenders have received all accrued Interest, fees, and all other amounts owing to them under this Agreement and the Hedging Agreement, the Hedge Counterparties have received all amounts due and owing hereunder and under the Hedge Transactions, and each of the Backup Servicer, the Collateral Custodian, the Administrative Agent and the Managing Agents have each received all amounts due to them in connection with the Transaction Documents.

"Collections" means (a) all cash collections or other cash proceeds of a Transferred Loan received by or on behalf of the Borrower by the Servicer or Originator from or on behalf of any Obligor in payment of any amounts owed in respect of such Transferred Loan, including, without limitation, Interest Collections, Principal Collections, Deemed Collections, Insurance Proceeds, and all Recoveries, (b) all amounts received by the Buyer (as defined in the Purchase and Sale Agreement) in connection with the repurchase of an Ineligible Loan pursuant to Section 6.1 of

Agreement) in connection with the repurchase of an Ineligible Loan pursuant to Section 6.1 of

the Purchase Agreement, (c) all amounts received by the Administrative Agent in connection with the purchase of a Transferred Loan pursuant to Section 7.7, (d) all payments received pursuant to any Hedging Agreement or Hedge Transaction, and (e) interest earnings in the Collection Account.

"Commitment" means (a) for KeyBank, the commitment of such Lender to fund Advances to the Borrower in an amount not to exceed $65,000,000, (b) for ING, the commitment of such Lender to fund Advances to the Borrower in an amount not to exceed $45,000,000, (c) for Chemical Bank, the commitment of such Lender to fund Advances to the Borrower in an amount not to exceed $25,000,000, in each case as such amount may be modified in accordance with the terms hereof; (d) for FNBP, the commitment of such Lender to fund Advances to the Borrower in an amount not to exceed $10,000,000, in each case as such amount may be modified in accordance with the terms hereof, (e) for Sterling, the commitment of such Lender to fund Advances to the Borrower in an amount not to exceed $35,000,000, in each case as such amount may be modified in accordance with the terms hereof, (f) for Customers Bank, the commitment of such Lender to fund Advances to the Borrower in an amount not to exceed $25,000,000 and (g) with respect to any Person who becomes a Lender pursuant to an Assignment and Acceptance or a Joinder Agreement, the commitment of such Person to fund Advances to the Borrower in an amount not to exceed the amount set forth in such Assignment and Acceptance or Joinder Agreement, as such amount may be modified in accordance with the terms hereof.

"Commitment Make-Whole Fee" is defined in that certain Fee Letter, dated as of the Restatement Date, between the Borrower and the Administrative Agent.

"Commitment Termination Date" means October 31, 2023, or such later date to which the Commitment Termination Date may be extended (if extended) in the sole discretion of the Lenders in accordance with the terms of Section 2.4(b).

"Contractual Obligation" means, with respect to any Person, means any provision of any securities issued by such Person or any indenture, mortgage, deed of trust, contract, undertaking, agreement, instrument or other document to which such Person is a party or by which it or any of its property is bound or is subject.

"Control Affiliate" means any Obligor in which the Originator, the Borrower or any Affiliate of the Borrower holds or acquires voting securities of such Obligor, in an amount such that the Originator, the Borrower or any Affiliate of the Borrower, or any or all of them jointly, would then have "control" of such Obligor, as defined in Section 2(a)(9) of the 1940 Act.

"Controlled Transaction" means a Loan, the Obligor of which is a Control Affiliate.

"Corresponding Tenor" with respect to any Available Tenor means, as applicable, either a tenor (including overnight) or an interest payment period having approximately the same length (disregarding business day adjustment) as such Available Tenor.

"Covenant-Lite Loan" means a Loan lacking traditional financial covenants requiring minimum interest or other debt service coverage or specifying maximum levels of leverage or other similar "maintenance" tests.

"Credit and Collection Policy" means those credit, collection, customer relation and service policies (i) determined by the Borrower, the Originator and the initial Servicer as of the date hereof relating to the Transferred Loans and related Loan Documents, as on file with the Administrative Agent and as the same may be amended or modified from time to time in accordance with Sections 5.1(r) and 7.9(g); and (ii) with respect to any Successor Servicer, the collection procedures and policies of such person (as approved by the Administrative Agent) at the time such Person becomes Successor Servicer.

"Current Pay Loan" means any Transferred Loan (a) in respect of which the Servicer or Originator shall have taken any of the following actions: charging a default rate of interest, restricting Obligor's right to make subordinated payments (other than payments in respect of owner's debts and seller financings in the original loan agreement), acceleration of the Transferred Loan, foreclosure on collateral for the Loan, increasing its representation on the Obligor's Board of Directors or similar governing body, or increasing the frequency of its inspection rights to permit inspection on demand, (b) that is not more than thirty (30) days past due with respect to any interest or principal payments and (c) in respect of which the Servicer shall have certified (which certification may be in the form of an e-mail or other written electronic communication) to the Administrative Agent that the Servicer does not believe, in its reasonable judgment, that a failure to pay interest or ultimate principal will occur. For avoidance of doubt, a Current Pay Loan shall be an Eligible Loan and included in the Borrowing Base but shall be subject to restriction as provided in the definitions of Excess Concentration Loan Amount and Outstanding Loan Balance. A Transferred Loan shall cease to be a Current Pay Loan if it (i) becomes a Defaulted Loan through failure to satisfy the requirements set forth in clauses (b) and (c) of the first sentence in this definition or (ii) becomes an Eligible Loan which is no longer a Current Pay Loan (such that it is no longer subject to restriction for purposes of Excess Concentration Amount and Outstanding Loan Balance calculations), which shall occur upon receipt of a certification from the Servicer (which certification may be in the form of an e-mail or other written electronic communication) to the Administrative Agent that, as of the date of the certification (x) the applicable circumstances enumerated in clause (a) above which caused the Loan to be a Current Pay Loan shall no longer exist and (y) such Loan otherwise meets the definition of an Eligible Loan.

"Custody Agreement" means the Custodial Agreement, dated as of the Closing Date among the Borrower, the Servicer, the Originator, the Administrative Agent and the Collateral Custodian, as amended by that certain Amendment No. 1 to Custodial Agreement dated as of September 28, 2004, that certain Amendment No. 2 to Custodial Agreement dated as of May 15, 2009 and as the same may from time to time be further amended, restated, supplemented, waived or modified.

"Customers" means Customers Bank, in its capacity either as a Lender or in its individual capacity, as applicable, and its successors or assigns.

"Daily Simple SOFR" means, for any day, SOFR, with the conventions for this rate (which will include a lookback) being established by the Administrative Agent in accordance with the conventions for this rate recommended by the Relevant Governmental Body for determining "Daily Simple SOFR" for syndicated business loans; provided, that if the Administrative Agent decides that any such convention is not administratively feasible for the

Administrative Agent, then the Administrative Agent may establish another convention in its reasonable discretion.

"Deemed Collections" means, on any day, the aggregate of all amounts Borrower shall have been deemed to have received as a Collection of a Transferred Loan. Borrower shall be deemed to have received a Collection in an amount equal to the unpaid balance (including any accrued interest thereon) of a Transferred Loan if at any time the Outstanding Loan Balance of any such Loan is either (i) reduced as a result of any discount or any adjustment or otherwise by Borrower (other than receipt of cash Collections) or (ii) reduced or canceled as a result of a setoff in respect of any claim by any Person (whether such claim arises out of the same or a related transaction or an unrelated transaction).

"Default Excess" means, with respect to any Defaulting Lender, the excess, if any, of such Defaulting Lender's ratable portion of the aggregate Credit Exposure of all Lenders (calculated as if all Defaulting Lenders had funded all of their respective Advances) over the aggregate outstanding principal amount of all Advances of such Defaulting Lender.

"Default Rate" means a rate equal to the sum of (i) the Base Rate plus (ii) 2.0% plus (iii) the Applicable Margin.

"Default Ratio" means, with respect to any Settlement Period, the percentage equivalent of a fraction, calculated as of the Determination Date for such Settlement Period, (a) the numerator of which is equal to the aggregate Outstanding Loan Balance of all Transferred Loans (excluding Charged-Off Loans) included as part of the Collateral that became Defaulted Loans during such Settlement Period and (b) the denominator of which is equal to (i) the sum of (x) the Aggregate Outstanding Loan Balance as of the first day of such Settlement Period and (y) the Aggregate Outstanding Loan Balance as of the last day of such Settlement Period divided by (ii) two.

"Defaulted Loan" means any Transferred Loan (a) as to which, (x) a default as to the payment of principal and/or interest has occurred and is continuing for a period of thirty-two (32) consecutive days with respect to such Loan (without regard to any grace period applicable thereto, or waiver thereof) or (y) a default not set forth in clause (x) has occurred and the holders of such Loan have accelerated all or a portion of the principal amount thereof as a result of such default, (b) as to which a default as to the payment of principal and/or interest has occurred and is continuing on another debt obligation of the same Obligor which is senior or pari passu in right of payment to such Loan, (c) as to which the Obligor or others have instituted proceedings to have the Obligor adjudicated bankrupt or insolvent or placed into receivership and such proceedings have not been stayed or dismissed or such issuer has filed for protection under Chapter 11 of the United States Bankruptcy Code (unless in the case of clauses (b) and (c), the Loan is a Current Pay Loan or a DIP Loan, in which case such Loan shall not be deemed a Defaulted Loan), (d) that the Servicer has in its reasonable commercial judgment otherwise declared to be a Defaulted Loan or (e) that has a Risk Rating of "Ca," "CC" or "1" or below by Moody's, S&P or the Servicer, respectively.

"Defaulting Lender" means, subject to Section 12.17, any Lender that (a) has failed to (i) fund all or any portion of its Advances within two (2) Business Days of the date such Advances

were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender's determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent, the Swingline Lender or any other Lender any other amount required to be paid by it hereunder (including in respect of its participation in Swing Advances) within two (2) Business Days of the date when due, (b) has notified the Borrower, the Administrative Agent or Swingline Lender in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lenders' obligation to fund an Advance hereunder and states that such position is based on such Lender's determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three (3) Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, other than via an Undisclosed Administration, (i) become the subject of a proceeding under any Insolvency Law, (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity, or (iii) become the subject of a Bail-in Action; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 12.17) upon delivery of written notice of such determination to the Borrower, the Swingline Lender and each Lender.

"Deposit Account Control Agreement" means each of (i) a letter agreement, substantially in the form of Exhibit L, among the Borrower, the Administrative Agent and the bank maintaining the Collection Account with respect to control of the Collection Account, as amended by Amendment No. 1 to Deposit Account Control Agreement dated as of May 15, 2009, and as the same may be further amended, modified, supplemented, restated or replaced by a successor agreement in form and substance reasonably acceptable to the Administrative Agent from time to time, (ii) the Deposit Account Control Agreement dated as of May 15, 2009 with respect to the Operating Account among the Borrower, the bank maintaining the Operating Account and the Administrative Agent, as the same may be amended, modified, supplemented, restated or replaced by a successor agreement in form and substance reasonably acceptable to the Administrative Agent from time to time and (iii) any letter agreement, substantially in the form of Exhibit L, or otherwise in form and substance reasonably acceptable to the Administrative

of Exhibit E or otherwise in form and substance reasonably acceptable to the Administrative

Agent, among the Borrower, the Administrative Agent and the bank maintaining any Lock-Box Account.

"Derivatives" means any exchange-traded or over-the-counter (i) forward, future, option, swap, cap, collar, floor, foreign exchange contract, any combination thereof, whether for physical delivery or cash settlement, relating to any interest rate, interest rate index, currency, currency exchange rate, currency exchange rate index, debt instrument, debt price, debt index, depository instrument, depository price, depository index, equity instrument, equity price, equity index, commodity, commodity price or commodity index, (ii) any similar transaction, contract, instrument, undertaking or security, or (iii) any transaction, contract, instrument, undertaking or security containing any of the foregoing.

"Determination Date" means the last day of each Settlement Period.

"DIP Loan" means a Transferred Loan, the Obligor of which is a debtor-in-possession as described in Section 1107 of the Bankruptcy Code or a debtor as defined in Section 101(13) of the Bankruptcy Code (a "Debtor") organized under the laws of the United States or any state therein, the terms of which have been approved by an order of a court of competent jurisdiction, which order provides that (i) such DIP Loan is secured by liens on otherwise unencumbered property of the Debtor's bankruptcy estate pursuant to 364(c)(2) of the Bankruptcy Code, (ii) such DIP Loan is secured by liens of equal or senior priority on property of the Debtor's estate that is otherwise subject to a lien pursuant to Section 364(d) of the Bankruptcy Code, (iii) such DIP Loan is secured by junior liens on property of the Debtor's bankruptcy estate already subject to a lien encumbered assets (so long as such DIP Loan is a fully secured claim within the meaning of Section 506 of the Bankruptcy Code), or (iv) if the DIP Loan or any portion thereof is unsecured, the repayment of such DIP Loan retains priority over all other administrative expenses pursuant to Section 364(c)(1) of the Bankruptcy Code; provided that, in the case of the origination or acquisition of any DIP Loan, none of the Borrower or the Servicer have actual knowledge that the order set forth above is subject to any pending contested matter or proceeding (as such terms are defined in the Federal Rules of Bankruptcy Procedure) or the subject of an appeal or stay pending appeal.

"Discretionary Sale" is defined in Section 2.16.

"Discretionary Sale Notice" is defined in Section 2.16.

"Discretionary Sale Settlement Date" means the Business Day specified by the Borrower to the Administrative Agent in a Discretionary Sale Notice as the proposed settlement date of a Discretionary Sale.

"Discretionary Sale Trade Date" means the Business Day specified by the Borrower to the Administrative Agent in a Discretionary Sale Notice as the proposed trade date of a Discretionary Sale.

"Diversity Score" means the single number that indicates collateral concentration for Loans in terms of both Obligor and industry concentration, which is calculated as described in Schedule IV attached hereto.

"Drawn Amount" means, at any time, the sum of (i) Advances Outstanding and (ii) the Revolver Loan Unfunded Commitment Amount at such time.

~~"Early Opt-in Effective Date" means, with respect to any Early Opt-in Election, the sixth (6th) Business Day after the date notice of such Early Opt-in Election is provided to the Managing Agents and Lenders, so long as the Administrative Agent has not received, by 5:00 p.m. (New York City time) on the fifth (5th) Business Day after the date notice of such Early Opt-in Election is provided to the Managing Agents and Lenders, written notice of objection to such Early Opt-in Election from Lenders comprising the Required Lenders.~~

~~"Early Opt-in Election" means the occurrence of:~~

~~(1) a notification by the Administrative Agent to each of the other parties hereto that at least five currently outstanding U.S. dollar-denominated syndicated credit facilities at such time contain (as a result of amendment or as originally executed) a SOFR-based rate (including SOFR, a term SOFR or any other rate based upon SOFR) as a benchmark rate (and such syndicated credit facilities are identified in such notice and are publicly available for review), and~~

~~(2) the joint election by the Administrative Agent and the Borrower to trigger a fallback from USD LIBOR and the provision by the Administrative Agent of written notice of such election to the Managing Agents and Lenders.~~

"Early Termination Event" is defined in Section 8.1.

"EBITDA" means, with respect to any Obligor of a Loan, the consolidated net income of the applicable Person (excluding extraordinary gains and extraordinary losses (to the extent excluded in the definition of "EBITDA" in the relevant Loan Documents relating to the applicable Loan)) for the relevant period plus the following to the extent deducted in calculating such consolidated net income: (i) consolidated interest charges for such period; (ii) the provision for Federal, state, local and foreign income taxes payable for such period; (iii) depreciation and amortization expense for such period; and (iv) such other adjustments included in the definition of "EBITDA" (or similar defined term used for the purposes contemplated herein) in the relevant Loan Documents relating to the applicable Loan, provided, that such adjustments are usual and customary and substantially comparable to market terms for substantially similar debt of other similarly situated borrowers at the time such relevant agreements are entered into as reasonably determined in good faith by the Servicer or the Borrower.

"EEA Financial Institution" means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent;

"EEA Member Country" means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"EEA Resolution Authority" means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"Eligible Assignee" means a Person (a) that is a Lender or an Affiliate of a Lender or (b) who is approved by (i) the Administrative Agent (such approval not to be unreasonably withheld or delayed) and (ii) unless an Unmatured Termination Event or Early Termination Event shall have occurred and be continuing, the Borrower (such approval not to be unreasonably withheld or delayed); provided that, notwithstanding any of the foregoing, "Eligible Assignee" shall not include the Borrower or any of the Borrower's Affiliates or subsidiaries.

"Eligible Loan" means, on any date of determination, each Loan which satisfies each of the following requirements:

(i) the Loan is evidenced by a promissory note that has been duly authorized and that, together with the related Loan Documents, is in full force and effect and constitutes the legal, valid and binding obligation of the Obligor of such Loan to pay the stated amount of the Loan and interest thereon, and the related Loan Documents are enforceable against such Obligor in accordance with their respective terms;

(ii) the Loan (a) was originated in accordance with the terms of the Credit and Collection Policy, (b) arose in the ordinary course of the Originator's business from the lending of money to the Obligor thereof and (c) the origination of such Loan by the Originator, and the sale and transfer of any interests in such Loan to the Borrower or any Affiliate of the Borrower, and the ongoing maintenance of such interests, shall not cause the Originator to violate the RIC/BDC Requirements in any material respect (taking into account any exemptive relief available to the Originator);

(iii) the Loan is not a Defaulted Loan;

(iv) the Obligor of such Loan has executed all appropriate documentation required by the Originator;

(v) the Loan, together with the Loan Documents related thereto, is a "general intangible", an "instrument", an "account", or "chattel paper" within the meaning of the UCC of all jurisdictions that govern the perfection of the security interest granted therein;

(vi) all material consents, licenses, approvals or authorizations of, or registrations or declarations with, any Governmental Authority required to be obtained, effected or given in connection with the making of such Loan have been duly obtained, effected or given and are in full force and effect;

(vii) the Loan is denominated and payable only in United States dollars in the United States, and is not convertible by the Obligor into debt denominated in any other currency;

(viii) the Loan bears interest, which is due and payable no less frequently than semi-annually, except for PIK Loans;

(ix) the Loan, together with the Loan Documents related thereto, does not contravene in any material respect any Applicable Laws (including, without limitation, laws, rules and regulations relating to usury, truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy) and with respect to which no party to the Loan Documents related thereto is in material violation of any such Applicable Laws;

(x) the Loan, together with the related Loan Documents, is fully assignable to the Borrower, the Administrative Agent and any transferee of the Administrative Agent, in each case subject only to (A) customary or regulatory restrictions on assignment (including, but not limited to, any required consents from the applicable Obligor with respect to such Loan) for loans to similarly-situated borrowers, in each case that have been complied with at or prior to the time such Loan is first included in the Borrowing Base or (B) any limitations on assignability which shall have been consented to by the Administrative Agent in its reasonable discretion;

(xi) the Loan was documented and closed in accordance with the Credit and Collection Policy, including the relevant opinions and assignments, and there is only one current original promissory note;

(xii) the Loan and all Related Property with respect to such Loan are free of any Liens except for Permitted Liens;

(xiii) the Loan has an original term to maturity of no more than 120 months;

(xiv) no right of rescission, set off, counterclaim, defense or other material dispute has been asserted with respect to such Loan;

(xv) any Related Property with respect to such Loan is insured in accordance with the Credit and Collection Policy;

(xvi) the Obligor with respect to such Loan is an Eligible Obligor;

(xvii) if such Loan is a PIK Loan, such Loan shall pay a minimum of eight percent (8.0%) per annum current interest in cash, on at least a quarterly basis;

(xviii) the Loan is not a loan or extension of credit made by the Originator or one of its subsidiaries to an Obligor for the purpose of making any principal, interest or other payment on such Loan necessary in order to keep such Loan from becoming delinquent;

(xix) the Loan has not been amended or subject to a deferral or waiver the effect of which is to (A) reduce the amount (other than by reason of the repayment thereof) or extend the time for payment of principal or (B) reduce the rate or extend the time of payment of interest (or any component thereof), in each case without the consent of the Required Lenders; provided, however, that such consent shall not be required for an

Required Lenders, provided, however, that such consent shall not be required for at

amendment, deferral or waiver that is a Permitted Loan Amendment, so long as the Loan to be so amended, deferred or waived (1) is not a Defaulted Loan and (2) has not incurred and is not anticipated to incur a breach of a material financial covenant;

(xx) if such Loan is a Revolver Loan, it shall be secured by a first priority, perfected security interest on certain assets of the Obligor which shall include, without limitation, accounts receivable and inventory;

(xxi) if such Loan is a Revolver Loan, the revolving credit commitment of the Borrower to the applicable Obligor thereunder shall have a term to maturity of five years or less;

(xxii) if such Loan is a Fixed Rate Loan which is not subject to a Hedging Transaction, the interest rate charged on such Loan shall be equal to or greater than 9.0%;

(xxiii) such Loan is not a Structured Finance Obligation;

(xxiv) such Loan is not an equity security, and does not by its terms permit the payment obligation of the Obligor thereunder to be converted into or exchanged for equity capital of such Obligor;

(xxv) such Loan is not an obligation whose repayment is subject to or derived from (a) the value of other loans, securities and/or financial instruments or (b) the value of bonds insuring against loss arising from natural catastrophes;

(xxvi) such Loan will not be accompanied by additional consideration which would cause the Borrower to be deemed to own 5.0% or more of the voting securities of any publicly registered issuer or any securities that are immediately convertible into or immediately exercisable or exchangeable for 5.0% or more of the voting securities of any publicly registered issuer, as determined by the Servicer;

(xxvii) the financing of such Loan by the Lenders does not contravene Regulation U of the Federal Reserve Board, nor require the Lenders to undertake reporting thereunder which it would not otherwise have cause to make;

(xxviii) if such security or loan is a Real Estate Loan, there is full recourse to the Obligor for principal and interest payments;

(xxix) such Loan does not contain a confidentiality provision that restricts the ability of the Administrative Agent, on behalf of the Secured Parties, to exercise its rights under the Transaction Documents, including, without limitation, its rights to review the Loan, the related Loan File or the Originator's credit approval file in respect of such Loan; provided, however, that a provision which requires the Administrative Agent or other prospective recipient of confidential information to maintain the confidentiality of such information shall not be deemed to restrict the exercise of such rights;

(xxx) the Obligor of which is not the Servicer, an Affiliate of the Borrower, the Originator or the Servicer or any other person whose investments are primarily managed

Originator of the Servicer or any other person whose investments are primarily managed

by the Servicer or any Affiliate of the Servicer, unless such Loan is approved by the Required Lenders (for avoidance of doubt, the term "Affiliate" as used in this clause (xxx) does not include an entity which is a "Control Affiliate");

(xxxi) the Servicer shall have in respect of such Loan calculated, (i) on or prior to the date on which such Loan became a Transferred Loan, and (ii) at least once per calendar quarter, within thirty (30) Business Days after the date the Servicer provides the quarterly valuations for its serviced portfolio, each of the following, in each case in accordance with the applicable Loan Documents for such Loan: EBITDA, Total Funded Debt, TTM EBITDA and each of the ratios required to be computed hereunder utilizing those three terms in the classification of such Loan hereunder;

(xxxii) such Loan is not a Covenant-Lite Loan, unless such Loan is a Qualifying Covenant-Lite Loan, in which case it shall not be ineligible pursuant solely to the operation of this clause (xxxii);

(xxxiii) the proceeds of such Loan are not used to finance construction projects or activities in the form of a traditional construction loan where the only collateral for the loan is the project under construction and draws are made on the loan specifically to fund construction in progress; and

(xxxiv) such Loan shall be a (A) First Lien Loan, (B) First Out Loan, (C) First Lien Qualifying Covenant-Lite Loan, (D), Second Lien Loan, (E) Last Out Loan, (F) Second Lien Qualifying Covenant-Lite Loan or (G) Mezzanine Loan.

"Eligible Obligor" means, on any day, any Obligor that satisfies each of the following requirements:

(i) such Obligor's principal office and any Related Property are located in Canada or the United States or any territory of the United States;

(ii) no other Loan of such Obligor is a Defaulted Loan;

(iii) such Obligor is not the subject of any Insolvency Event, with the exception of an Obligor with regard to a DIP Loan;

(iv) such Obligor is not a Governmental Authority;

(v) such Obligor is in material compliance with all material terms and conditions of its Loan Documents;

(vi) such Obligor is not an Affiliate of the Borrower, the Servicer or the Originator (for avoidance of doubt, the term "Affiliate" as used in this clause (vi) does not include an entity which is a "Control Affiliate"); and

(vii) the business of such Obligor is not (a) the sale or cultivation of marijuana or directly related businesses or (b) otherwise in violation of federal law.

"ERISA" means the U.S. Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" means (a) any corporation that is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as the Borrower; (b) a trade or business (whether or not incorporated) under common control (within the meaning of Section 414(c) of the Code) with the Borrower or (c) a member of the same affiliated service group (within the meaning of Section 414(m) of the Code) as the Borrower, any corporation described in clause (a) above or any trade or business described in clause (b) above.

"Erroneous Payment" is defined in Section 10.9(a).

"Erroneous Payment Notice" is defined in Section 10.9(b).

"EU Bail-In Legislation Schedule" means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

~~"Eurodollar Disruption Event" means, with respect to any Advance as to which Interest accrues or is to accrue at a rate based upon the Adjusted Eurodollar Rate, any of the following: (a) a determination by a Lender that it would be contrary to law or to the directive of any central bank or other governmental authority (whether or not having the force of law) to obtain United States dollars in the London interbank market to make, fund or maintain any Advance; (b) the inability of any Lender to obtain timely information for purposes of determining the Adjusted Eurodollar Rate; (c) a determination by a Lender that the rate at which deposits of United States dollars are being offered to such Lender in the London interbank market does not accurately reflect the cost to such Lender of making, funding or maintaining any Advance; or (d) the inability of a Lender to obtain United States dollars in the London interbank market to make, fund or maintain any Advance.~~

~~"Eurodollar Reserve Percentage" means, on any day, the then applicable percentage (expressed as a decimal) prescribed by the Federal Reserve Board (or any successor) for determining maximum reserve requirements applicable to "Eurocurrency Liabilities" pursuant to Regulation D or any other then applicable regulation of the Federal Reserve Board (or any successor) that prescribes reserve requirements applicable to "Eurocurrency Liabilities" as presently defined in Regulation D. The Adjusted Eurodollar Rate shall be adjusted automatically on and as of the effective date of any change in the Eurodollar Reserve Percentage.~~

"Excess Concentration Limits" means, as of any date of determination, the following limits on the amount of Purchased Loan Balance of all Eligible Loans which may be included in the Borrowing Base, as contemplated by the definition of Excess Concentration Loan Amount:

(a) the Aggregate Adjusted Purchased Loan Balance of Fixed Rate Loans which are not subject to a Hedge Transaction shall not exceed 20% of the Aggregate Purchased Loan Balance;

(b) the Aggregate Adjusted Purchased Loan Balance of Fixed Rate Loans (whether subject to a Hedge Transaction or not) shall not exceed 40% of the Aggregate Purchased Loan Balance;

(c) the Aggregate Adjusted Purchased Loan Balance of Eligible Loans that have remaining terms to maturity greater than 84 months (measured as of the most recent Reporting Date) shall not exceed 15% of the Aggregate Purchased Loan Balance;

(d) the Aggregate Adjusted Purchased Loan Balance of Eligible Loans which are not (i) First Lien Loans, (ii) First Lien Qualifying Covenant-Lite Loans or (iii) First Out Loans shall not exceed 45% of the Aggregate Purchased Loan Balance;

(e) the Aggregate Adjusted Purchased Loan Balance of Eligible Loans which are Non-Controlling Loans or Broadly Syndicated Loans shall not exceed 20% of the Aggregate Purchased Loan Balance;

(f) the Aggregate Adjusted Purchased Loan Balance of Eligible Loans which are DIP Loans shall not exceed 10% of the Aggregate Purchased Loan Balance;

(g) the Aggregate Adjusted Purchased Loan Balance of Eligible Loans which have an Risk Rating of CCC+/Caa1/3 (S&P/Moody's/Servicer) or below shall not exceed 15% of the Aggregate Purchased Loan Balance;

(h) the Aggregate Adjusted Purchased Loan Balance of Eligible Loans included as part of the Collateral which are Revolver Loans shall not exceed 15% of the Aggregate Purchased Loan Balance;

(i) the Aggregate Adjusted Purchased Loan Balance of Eligible Loans which are PIK Loans shall not exceed 25% of the Aggregate Purchased Loan Balance;

(j) the Aggregate Adjusted Purchased Loan Balance of Eligible Loans that are Current Pay Loans shall not exceed 10% of the Aggregate Purchased Loan Balance;

(k) the Aggregate Adjusted Purchased Loan Balance of Eligible Loans that are Real Estate Loans shall not exceed 5% of the Aggregate Purchased Loan Balance;

(l) the Aggregate Adjusted Purchased Loan Balance of Eligible Loans for which the applicable Eligible Obligors are domiciled in any single State shall not exceed 40% of the Aggregate Purchased Loan Balance;

(m) the Aggregate Adjusted Purchased Loan Balance of Eligible Loans to a single Obligor shall not exceed an amount equal to the greater of (a) $20,000,000 and (b) the product of (A) 10% and (B) the Aggregate Purchased Loan Balance; provided, that, for purposes of calculating this clause (m), all Loans included in the Collateral or to become part of the Collateral the Obligor of which is an Affiliate of another Obligor shall be aggregated with all Loans of such other Obligor;

(n) the Aggregate Adjusted Purchased Loan Balance of Eligible Loans to the ten (10) Obligors having the largest Purchased Loan Balances, in the aggregate, shall not exceed an amount equal to 75% of the Aggregate Purchased Loan Balance; provided, that, for purposes of calculating this clause (n), all Loans included in the Collateral or to become part of the Collateral the Obligor of which is an Affiliate of another Obligor shall be aggregated with all Loans of such other Obligor;

(o) the Aggregate Adjusted Purchased Loan Balance of Eligible Loans included as part of the Collateral for which no Trust Receipt (as defined in the Custody Agreement) has been received shall not exceed 10% of the Aggregate Purchased Loan Balance;

(p) the Aggregate Adjusted Purchased Loan Balance of Loans which are not priced by an Approved Valuation Service on a quarterly basis and have not been so priced by Approved Valuation Service for a period in excess of 135 days from the last day of the fiscal quarter during which such Loans became Transferred Loans (other than those Loans which have a long term credit rating from S&P or Moody's and have a quoted price by a financial institution rated at least A-1/P-1 that makes a market in such Loan, which shall be expressly excluded from this subsection (p)) shall not exceed 0% of the Aggregate Purchased Loan Balance;

(q) the Aggregate Adjusted Purchased Loan Balance of Eligible Loans that are Mezzanine Loans shall not exceed 5% of the Aggregate Purchased Loan Balance;

(r) the Aggregate Adjusted Purchased Loan Balance of Eligible Loans which are any of (i) PIK Loans, (ii) DIP Loans, (iii) Mezzanine Loans or (iv) Current Pay Loans shall not, in the aggregate, exceed 25% of the Aggregate Purchased Loan Balance;

(s) the Aggregate Adjusted Purchased Loan Balance of Eligible Loans that are Qualifying Covenant-Lite Loans shall not exceed 10% of the Aggregate Purchased Loan Balance;

(t) the Aggregate Adjusted Purchased Loan Balance of Eligible Loans that arise in connection with a Controlled Transaction shall not exceed 15% of the Aggregate Purchased Loan Balance;

(u) the Aggregate Adjusted Purchased Loan Balance of Eligible Loans for which the Servicer has not calculated, at least once per calendar quarter within five (5) Business Days after the date the Servicer provides the quarterly valuations for its serviced portfolio, each of the following, in each case in accordance with the applicable Loan Documents for such corresponding Eligible Loan: EBITDA, Total Funded Debt, TTM EBITDA and each of the ratios required to be computed hereunder utilizing those three terms in the classification of such Loan hereunder, shall not exceed 10% of the Aggregate Purchased Loan Balance;

(v) the Aggregate Adjusted Purchased Loan Balance of Eligible Loans as to which the Obligor's principal office and any Related Property are located in Canada shall not exceed 5% of the Aggregate Purchased Loan Balance;

(w) the Aggregate Adjusted Purchased Loan Balance of the Non-Qualified Loans shall not exceed 15% of the Aggregate Purchased Loan Balance;

(x) the Aggregate Adjusted Purchased Loan Balance of Excess Leverage Loans (whether Non-Qualified Loans or not) shall not exceed 25% of the Aggregate Purchased Loan Balance;

(y) for all Excess Leverage Loans (whether Non-Qualified Loans or not) for which the ratio, expressed as a percentage of the Fair Market Value of such Loan to the Outstanding Loan Balance of such Loan shall be less than 80%, an amount equal to the amount of the Aggregate Adjusted Purchased Loan Balance of such Excess Leverage Loans causing such Loans to have a Total Funded Debt to TTM EBITDA ratio of greater than 6.0x;

(z) the Aggregate Adjusted Purchased Loan Balance of Loans which bear interest which is due and payable less frequently than quarterly (except for PIK Loans) shall not exceed 10% of the Aggregate Purchased Loan Balance; and

(aa) the Aggregate Adjusted Purchased Loan Balance of Loans included in the Collateral as to which the Obligor is an Excess Modification Obligor shall not exceed 0% of the Aggregate Purchased Loan Balance.

For purposes of calculating the Excess Concentration Amount, all Loans included in the Collateral or to become part of the Collateral the Obligor of which is an Affiliate of another Obligor shall be aggregated with all Loans of such other Obligor.

"Excess Concentration Loan Amount" means, with respect to each Eligible Loan included as part of the Collateral, as of any date of determination, the amount to be subtracted from the Purchased Loan Balance of such Eligible Loan resulting in an Adjusted Purchased Loan Balance satisfying all Excess Concentration Limits for all Adjusted Purchased Loan Balances of all Eligible Loans, as allocated in the reasonable business judgment of the Borrower, or the Servicer on its behalf. For purposes of clarity, the Excess Concentration Loan Amounts shall be calculated without duplication under the limits set forth above in paragraphs (a)-(aa) in the definition of "Excess Concentration Limits." In determining the effect of any single Loan on the Excess Concentration Loan Amount, the Servicer may determine, in its discretion, which of such applicable paragraphs (a)-(aa) to utilize.

"Excess Leverage Loan" shall mean any Eligible Loan having a Total Funded Debt to TTM EBITDA ratio of greater than 6.0x.

"Excess Modification Obligor" means any Obligor under any Transferred Loan is subject to a Permitted Loan Modification described in clause (1)(c) of the definition of "Permitted Loan Modification" (for purposes of this definition, "Modification Obligors") in excess of 15% by number (rounded to the nearest whole number) of all Obligors with respect to Transferred Loans. The Servicer may select the Modification Obligors that constitute "Excess Modification Obligors" in its reasonable discretion; provided that the Administrative Agent may in its sole discretion override any such selection by notice to the Servicer.

"Facility Amount" means, at any time and as reduced or increased from time to time, pursuant to the terms of this Agreement the aggregate dollar amount of Commitments of all the Lenders, as of the date of determination; provided, however, that on or after the Termination Date, the Facility Amount shall be equal to the amount of Advances outstanding. As of the Restatement Date, the Facility Amount is $175,000,000. The Facility Amount may be increased up to a total of $250,000,000 in accordance with the provisions of Section 2.3(c).

"Fair Market Value" means, with respect to each Eligible Loan, the least of (a) to the extent priced by an Approved Valuation Service, the product of (x) the remaining principal amount of the Eligible Loan and (y) the pricing as determined by an Approved Valuation Service in its most recent quarterly pricing, (b) the remaining principal amount of such Eligible Loan, (c) if such Eligible Loan has been reduced in value below the remaining principal amount thereof (other than as a result of the allocation of a portion of the remaining principal amount to warrants), the value of such Eligible Loan as required by, and in accordance with, the 1940 Act, as amended, and any orders of the SEC issued to the Originator, to be determined by the Board of Directors of the Originator and reviewed by its auditors and (d) (A) the remaining principal amount of such Eligible Loan times (B) the price quoted to the Borrower on such Eligible Loan from a financial institution rated at least A-1/P-1 that makes a market in such Eligible Loan.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum for each day during such period equal to (a) the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System, as published for such day (or, if such day is not a Business Day, for the preceding Business Day) by the Federal Reserve Bank of New York; or (b) if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10:30 a.m. (New York City time) for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it.

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System.

"Fee Letter" means any letter agreement in respect of fees among the Borrower, the Originator and the Administrative Agent or any Managing Agent, as any such letter may be amended or modified and in effect from time to time.

"First Lien Loan" means a Loan that is entitled to the benefit of a first lien and first priority perfected security interest on all or substantially all of the assets (net of any real estate) of the respective Obligors obligated in respect thereof, and which has the most senior pre-petition priority in any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceedings, provided, however, that, in the case of accounts receivable and inventory (and the proceeds thereof), such lien and security interest may be second in priority to a Permitted Working Capital Lien; and further provided, that, as of any date of determination, the ratio of the principal amount of the Loan secured by such Permitted Working Capital Lien to TTM EBITDA of the Obligor is less than or equal to 1.0x, otherwise, such Loan will be deemed to be a Second Lien Loan. For the avoidance of doubt, in no event shall a First Lien Loan include a Last Out Loan, unless 100% of the interests in both the First Out Loan and the Last Out Loan are held by the Borrower or the Borrower and its Affiliates, in accordance with that certain exemptive order

granted by the SEC to the Originator in July 2012 to the extent that such order remains applicable to Originator and its Affiliates.

"First Lien Qualifying Covenant-Lite Loan" means a First Lien Loan which is a Qualifying Covenant-Lite Loan.

"First Out Loan" means a Loan that (a) constitutes an Eligible Loan which is a First Lien Loan, (b) is secured on a pari passu basis with a Last Out Loan by a perfected, first priority security interest in all or substantially all of the assets of the related Obligor, and (c) following the occurrence of a specified event or trigger under the applicable Loan Documents, will be paid in full prior to the payment of any portion of the related Last Out Loan issued by the same Obligor, in accordance with a specified priority of payment; provided, however, that if (i) the Borrower holds 100% of the interests in both the First Out Loan and related Last Out Loan of an Obligor, or (ii) 100% of the interests in both the First Out Loan and the related Last Out Loan of an Obligor are held by the Borrower and its Affiliates, in accordance with that certain exemptive order granted by the SEC to the Originator in July 2012 to the extent that such order remains applicable to Originator and its Affiliates, then in either case, both Loans will be considered to be First Lien Loans provided all other requirements of this definition are satisfied.

"Fixed Rate Loan" means a Transferred Loan that bears interest at a fixed rate.

"Floating Rate Loan" means a Transferred Loan that bears interest at a floating rate.

"Floor" means ~~the benchmark rate floor, if any, provided in this Agreement initially (as of the execution of this Agreement, the modification, amendment or renewal of this Agreement or otherwise) with respect to USD LIBOR.~~a rate of interest equal to 0.35% per annum.

"FNBP" means First National Bank of Pennsylvania, in its capacity either as a Lender or in its individual capacity, as applicable, and its successors or assigns.

"Fronting Exposure" means, at any time there is a Defaulting Lender, with respect to the Swingline Lender, such Defaulting Lender's Applicable Percentage of outstanding Swing Advances made by the Swingline Lender other than Swing Advances as to which such Defaulting Lender's participation obligation has been reallocated to other Lenders.

"Funding Date" means any day on which an Advance is made in accordance with and subject to the terms and conditions of this Agreement.

"Funding Request" means a Borrower Notice requesting an Advance and including the items required by Section 2.2.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States.

"Governmental Authority" means, with respect to any Person, any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any court or arbitrator having

administrative functions of or pertaining to government and any court or arbitrator having

jurisdiction over such Person (including any supra-national body exercising such powers or functions, such as the European Union or the European Central Bank).

"Group Advance Limit" means, for each Lender Group, the sum of the Commitments of the Lenders in such Lender Group.

"Guarantor Event of Default" means the occurrence of any "Event of Default" under and as defined in the Performance Guaranty.

"Hedge Breakage Costs" means, for any Hedge Transaction, any amount payable by the Borrower for the early termination of that Hedge Transaction or any portion thereof.

"Hedge Collateral" is defined in Section 5.2(b).

"Hedge Counterparty" means (i) KeyBank, (ii) ING or (iii) any other Lender that has been approved in writing by the Administrative Agent (which approval shall not be unreasonably withheld).

"Hedge Transaction" means each interest rate cap transaction between the Borrower and a Hedge Counterparty that is entered into pursuant to Section 5.2 and is governed by a Hedging Agreement.

"Hedging Agreement" means each agreement between the Borrower and a Hedge Counterparty that governs one or more Hedge Transactions entered into pursuant to Section 5.2, which agreement shall consist of a "Master Agreement" in a form published by the International Swaps and Derivatives Association, Inc., together with a "Schedule" thereto substantially in a form as the Administrative Agent shall approve in writing, and each "Confirmation" thereunder confirming the specific terms of each such Hedge Transaction.

"Increased Costs" means any amounts required to be paid by the Borrower to an Affected Party pursuant to Section 2.12.

"Indebtedness" means, with respect to the Borrower or the initial Servicer at any date, (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services (other than current liabilities incurred in the ordinary course of business and payable in accordance with customary trade practices) or that is evidenced by a note, bond, debenture or similar instrument, (b) all obligations of such Person under capital leases, (c) all obligations of such Person in respect of acceptances or letters of credit issued or created for the account of such Person, (d) all liabilities secured by any Adverse Claims on any property owned by such Person even though such Person has not assumed or otherwise become liable for the payment thereof, and (e) all indebtedness, obligations or liabilities of that Person in respect of Derivatives, and (f) obligations under direct or indirect guaranties in respect of obligations (contingent or otherwise) to purchase or otherwise acquire, or to otherwise assure a creditor against loss in respect of, clauses (a) through (e) above.

"Indemnified Amounts" is defined in Section 9.1.

"Indemnified Party" is defined in Section 9.1.

"Industry" means the industry of an Obligor as determined by reference to the Moody's Industry Classifications.

"Ineligible Loan" is defined in the Purchase Agreement.

"ING" means ING Capital LLC, in its capacity either as a Lender or in its individual capacity, as applicable, and its successors or assigns.

"Insolvency Event" means, with respect to a specified Person, (a) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of such Person or any substantial part of its property in an involuntary case under any applicable Insolvency Law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or ordering the winding-up or liquidation of such Person's affairs, and such decree or order shall remain unstayed and in effect for a period of sixty (60) consecutive days; or (b) the commencement by such Person of a voluntary case under any applicable Insolvency Law now or hereafter in effect, or the consent by such Person to the entry of an order for relief in an involuntary case under any such law, or the consent by such Person to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or the making by such Person of any general assignment for the benefit of creditors, or the failure by such Person generally to pay its debts as such debts become due, or the taking of action by such Person in furtherance of any of the foregoing.

"Insolvency Laws" means the Bankruptcy Code and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, suspension of payments, or similar debtor relief laws from time to time in effect affecting the rights of creditors generally.

"Insolvency Proceeding" means any case, action or proceeding before any court or Governmental Authority relating to an Insolvency Event.

"Insurance Policy" means, with respect to any Loan included in the Collateral, an insurance policy covering physical damage to or loss to any assets or Related Property of the Obligor securing such Loan.

"Insurance Proceeds" means any amounts payable or any payments made, to the Borrower or to the Servicer on its behalf under any Insurance Policy.

"Interest" means, for each Settlement Period and each Advance outstanding during such Settlement Period, the product of:

$$IR \times P \times \frac{AD}{360}$$

where

IR = the Interest Rate applicable to such Advance, resetting as and when specified herein;

P = the principal amount of such Advance on the first day of such Settlement Period, or if such Advance was first made during such Settlement Period, the principal amount of such Advance on the day such Advance is made; and

AD = the actual number of days in such Settlement Period, or if such Advance was first made during such Settlement Period, the actual number of days beginning on the day such Advance was first made through the end of such Settlement Period;

provided, however, that (i) no provision of this Agreement shall require or permit the collection of Interest in excess of the maximum permitted by Applicable Law and (ii) Interest shall not be considered paid by any distribution if at any time such distribution is rescinded or must otherwise be returned for any reason.

"Interest Collections" means any and all Collections which do not constitute Principal Collections.

"Interest Coverage Ratio" means with respect to any Settlement Period, the percentage equivalent of a fraction, calculated as of the Determination Date for such Settlement Period, (a) the numerator of which is equal to the aggregate Interest Collections for such Settlement Period and (b) the denominator of which is equal to the aggregate amount payable pursuant to Section 2.8(a)(ii), (iv), (v) and (vii) hereunder.

"Interest Rate" means for any Settlement Period and any Advance:

(a) a rate per annum equal to the Adjusted ~~Eurodollar~~Term SOFR Rate plus the Applicable Margin; provided, however, that (x) upon the delivery of a notice from the Administrative Agent to the Borrower pursuant to Section 2.6(c) of this Agreement or (y) during any Benchmark Unavailability Period, the Interest Rate shall be the Base Rate plus the Applicable Margin ~~if a Eurodollar Disruption Event occurs or as provided in the last sentence of Section 2.18(b)~~; and, provided, further, that the Interest Rate for the first two (2) Business Days following any Advance made by a Lender shall be the Base Rate plus the Applicable Margin unless such Lender has received at least two (2) Business Days' prior notice of such Advance; or

(b) notwithstanding anything in clause (a) to the contrary, following the occurrence and during the continuation of an Early Termination Event, the Interest Rate for all Advances shall be a rate equal to the Default Rate; or

(c) for a Swing Advance, a rate equal to the Base Rate plus the Applicable Margin.

"Interest Reset Date" means the Business Day which is two (2) Business Days prior to the first day of each Settlement Period.

"Investment" means, with respect to any Person, any direct or indirect loan, advance or investment by such Person in any other Person, whether by means of share purchase, capital contribution, loan or otherwise, excluding the acquisition of assets pursuant to the Purchase Agreement and excluding commission, travel and similar advances to officers, employees and directors made in the ordinary course of business.

"ISDA Definitions" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time by the International Swaps and Derivatives Association, Inc. or such successor thereto.

"Joinder Agreement" means a joinder agreement substantially in the form set forth in Exhibit D hereto pursuant to which a new Lender Group becomes party to this Agreement.

"KeyBank" means KeyBank National Association, in its capacity as a Lender, as a Managing Agent and as Administrative Agent, and its successors or assigns.

"Key Man Event" means (i) the failure to have at least two Approved Officers serving in the capacity of executive officers of the Originator and actively involved in the operation of the Originator and (ii) such failure shall have continued for 180 consecutive days or more.

"Last Out Loan" means a Loan that (a) constitutes an Eligible Loan which is a First Lien Loan, (b) is secured on a pari passu basis with a First Out Loan by a perfected, first priority security interest in all or substantially all of the assets of the related Obligor, and (c) following the occurrence of a specified event or trigger under the applicable Loan Documents, will be paid only after all or a portion of the related First Out Loan issued by the same Obligor has been paid in full, in accordance with a specified priority of payment; provided, however, that if (i) the Borrower holds 100% of the interests in both the Last Out Loan and related First Out Loan of an Obligor, or (ii) 100% of the interests in both the Last Out Loan and the related First Out Loan of an Obligor are held by the Borrower and its Affiliates, in accordance with that certain exemptive order granted by the SEC to the Originator in July 2012 to the extent that such order remains applicable to Originator and its Affiliates, then in either case, both Loans will be considered to be First Lien Loans provided all other requirements of the definition of a First Lien Loan are satisfied.

"Lender Group" means any group consisting of a Lender and its related Managing Agent.

"Lenders" is defined in the preamble hereto.

"Leverage Ratio" means, for any Eligible Loan, the ratio of Total Funded Debt to TTM EBITDA of such Eligible Loan.

"LIBO Rate" means, for any Settlement Period and any Advance, an interest rate per annum equal to:

(i) the ICE Benchmark Administration Limited London interbank offered rate per annum for deposits in Dollars for a period equal to one month as displayed in the Bloomberg Financial Markets System (or such other page on that service or such other service designated by the ICE Benchmark Administration Limited interbank offered rate for the display of such Administration's London interbank offered rate for deposits in Dollars) as of 11:00 a.m., (London time) on the applicable Interest Reset Date; provided, however, that

(ii) if the Administrative Agent determines that the relevant foregoing sources are unavailable for the relevant Settlement Period, LIBO Rate shall mean the rate of interest reasonably determined by the Administrative Agent to be the average (rounded upward, if necessary, to the nearest 1/100th of 1%) of the rate per annum at which the Administrative Agent could borrow funds if it were to do so by asking for and then accepting interbank offers on the applicable Interest Reset Date in the London interbank market for Dollars as of 11:00 a.m. (New York City time) for delivery on the first day of such Settlement Period, for a period comparable to such Settlement Period in an amount comparable to the principal amount of such Advance;

provided, further, however, that in no event shall such interest rate be less than 0.35%. Subject to Section 2.18, if the LIBO Rate cannot be determined pursuant to clause (i) or (ii) above, then the LIBO Rate shall be a replacement index established by the Administrative Agent in consultation with the Borrower, after giving due consideration to the then prevailing market convention for determining a rate of interest for similar loans in the United States at such time.

"Lien" means, with respect to any Collateral, (a) any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such Collateral, or (b) the interest of a vendor or lessor under any conditional sale agreement, financing loan or other title retention agreement relating to such Collateral.

"Liquidation Expenses" means, with respect to any Defaulted Loan or Charged-Off Loan, the aggregate amount of out-of-pocket expenses reasonably incurred by the Borrower or on behalf of the Borrower by the Servicer (including amounts paid to any subservicer) in connection with the repossession, refurbishing and disposition of any related assets securing such Loan including the attempted collection of any amount owing pursuant to such Loan.

"Loan" means any senior or subordinate loan arising from the extension of (or participation in) credit to an Obligor by the Originator in the ordinary course of the Originator's business.

"Loan Documents" means, with respect to any Loan, the related promissory note and any related loan agreement, security agreement, mortgage, assignment of mortgage, assignment of Loans, all guarantees, and UCC financing statements and continuation statements (including amendments or modifications thereof) executed by the Obligor thereof or by another Person on the Obligor's behalf in respect of such Loan and related promissory note, including, without limitation, general or limited guaranties.

"Loan File" means, with respect to any Loan, each of the Loan Documents related thereto.

"Loan List" means the Loan List provided by the Borrower to the Administrative Agent and the Collateral Custodian, as set forth in Schedule II hereto (which shall include the specific documents that should be included in each Loan File), as the same may be changed from time to time in accordance with the provisions hereof.

"Lock-Box" means a post office box to which Collections are remitted for retrieval by a Lock-Box Bank and deposited by such Lock-Box Bank into a Lock-Box Account.

"Lock-Box Account" means an account, subject to a Deposit Account Control Agreement, maintained in the name of the Borrower for the purpose of receiving Collections at a Lock-Box Bank.

"Lock-Box Bank" means any of the banks or other financial institutions holding one or more Lock-Box Accounts.

"Managing Agent" means, as to any Lender, the financial institution identified as such on the signature pages hereof or in the applicable Assignment and Acceptance or Joinder Agreement.

"Mandatory Prepayment" is defined in Section 2.4(a).

"Market Servicing Fee" is defined in Section 7.20.

"Market Servicing Fee Differential" means, on any date of determination, an amount equal to the positive difference between the Market Servicing Fee and Servicing Fee.

"Material Adverse Change" means, with respect to any Person, any material adverse change in the business, condition (financial or otherwise), operations, performance, properties or prospects of such Person.

"Material Adverse Effect" means, with respect to any event or circumstance, an event or circumstance which would have or would be reasonably expected to have a material adverse effect on (a) the business, condition (financial or otherwise), operations, performance or properties of the Servicer or the Borrower, (b) the validity, enforceability or collectibility of this Agreement or any other Transaction Document or any Liquidity Agreement or the validity, enforceability or collectibility of the Loans, (c) the rights and remedies of the Administrative Agent or any Secured Party under this Agreement or any Transaction Document or any Liquidity Agreement or (d) the ability of the Borrower or the Servicer to perform its obligations under this Agreement or any other Transaction Document, or (e) the status, existence, perfection, priority, or enforceability of the Administrative Agent's or Secured Parties' interest in the Collateral.

"Maturity Date" means the earlier of (i) October 31, 2025 and (ii) the date that is the fifteen-month anniversary of the Termination Date. The Advances Outstanding will be due and payable in full on the Maturity Date.

"Maximum Lawful Rate" is defined in Section 2.6(d).

"Mezzanine Loan" means a Loan or any assignment of, or participation interest or other interest in, a Loan that is not a First Lien Loan, First Out Loan, First Lien Qualifying Covenant-Lite Loan, Second Lien Loan, Last Out Loan or Second Lien Qualifying Covenant-Lite Loan.

"Monthly Report" is defined in Section 7.11(a).

"Moody's" means Moody's Investors Service, Inc., and any successor thereto.

"Moody's Industry Classifications" means the classifications as set forth in Exhibit N. The classification under which an Eligible Loan is categorized shall be determined on the date of origination and may be updated from time to time thereafter in the reasonable discretion of the Borrower.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA that is or was at any time during the current year or the immediately preceding five years contributed to by the Borrower or any ERISA Affiliate on behalf of its employees.

"1940 Act" is defined in Section 4.1(x).

"Net Worth" means, with respect to the Performance Guarantor, the total of net assets (determined in accordance with GAAP) plus Subordinated Debt (determined in accordance with GAAP, but excluding for purposes of testing compliance with Section 7.18(a)(xiv) the impact of the election of ASC 825 or similar accounting guideline with respect to determining the fair value of the debt of the Performance Guarantor on a consolidated basis (for avoidance of doubt, the intent of this language is to cause the debt of the Performance Guarantor to be valued at par value rather than fair value)), less the total amount of any intangible assets, including without limitation, goodwill.

"Non-Controlling Loan" means an Eligible Loan that (a) is syndicated or participated to or otherwise has a lender group of more than one lender, (b) in respect of which the Borrower, alone or together with its Affiliates, is not able to control the outcome of decisions or determinations required to be made by a specified threshold of lenders under the related Loan Documents (other than any such decision or determination required to be taken by all lenders), (c) the Borrower (i) is a lender as documented in the underlying credit agreement (including pursuant to an assignment in accordance with the terms of such underlying credit agreement) or (ii) has acquired a participation interest in the Loan as documented in a participation agreement and (d) does not meet all of the criteria set forth in the definition of "Broadly Syndicated Loan."

"Non-Defaulting Lender" means, at any time, each Lender that is not a Defaulting Lender at such time.

"Non-Qualified Loans" shall mean Excess Leverage Loans, (i) the Obligor of which does not have a TTM EBITDA of at least $50,000,000, or (ii) the market value of which is not determined by either (x) the bid price of at least one Approved Dealer, (y) if such Loan is traded

on an exchange, the closing price most recently posted on such exchange, or (z) a price designated by an Approved Pricing Service.

"Non-Renewing Lender" is defined in Section 2.4(b).

"Notes" is defined in Section 2.5(a).

"Obligations" means all loans, advances, debts, liabilities and obligations, for monetary amounts owing by the Borrower to the Lenders, the Administrative Agent, the Managing Agents or any of their assigns, as the case may be, whether due or to become due, matured or unmatured, liquidated or unliquidated, contingent or non-contingent, and all covenants and duties regarding such amounts, of any kind or nature, present or future, arising under or in respect of any of this Agreement, any other Transaction Document or any Fee Letter delivered in connection with the transactions contemplated by this Agreement, or any Hedging Agreement, as amended or supplemented from time to time, whether or not evidenced by any separate note, agreement or other instrument. This term includes, without limitation, all principal, interest (including interest that accrues after the commencement against the Borrower of any action under the Bankruptcy Code), Breakage Costs, Hedge Breakage Costs, fees, including, without limitation, any and all arrangement fees, loan fees, facility fees, and any and all other fees, expenses, costs or other sums (including attorney costs) chargeable to the Borrower under any of the Transaction Documents or under any Hedging Agreement.

"Obligor" means, with respect to any Loan, the Person or Persons obligated to make payments pursuant to such Loan, including any guarantor thereof.

"Officer's Certificate" means a certificate signed by any officer of the Borrower or the Servicer, as the case may be, and delivered to the Administrative Agent.

"Operating Account" means the Borrower's operating account number 138831 at The Bank of New York Mellon Trust Company, N.A. or such other account subject to a Deposit Account Control Agreement and maintained at such bank as may be consented to from time to time by the Administrative Agent in its reasonable discretion.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Borrower or the Servicer, as the case may be, and who shall be reasonably acceptable to the Administrative Agent.

"Originator" means Gladstone Capital Corporation, a Maryland corporation.

"Outstanding Loan Balance" means with respect to any Loan, the then outstanding principal balance thereof, provided, however, that with respect to Current Pay Loans, the "Outstanding Loan Balance" of such Loans shall be equal to 70% of the outstanding principal balance thereof.

"Participant" is defined in Section 11.1(f).

"Payment Date" means the ninth (9th) day of each calendar month or, if such day is not a Business Day, the next succeeding Business Day; provided that for purposes of distributions required pursuant to Section 2.8(a)(viii) only, "Payment Date" shall mean any Business Day.

"Performance Guarantor" is defined in the Performance Guaranty.

"Performance Guaranty" means the Amended and Restated Performance Guaranty dated as of July 19, 2004, by the Originator in favor of the Borrower and the Administrative Agent, as amended by (i) that certain Amendment No. 1 to Amended and Restated Performance Guaranty dated as of May 15, 2009, (ii) that certain Amendment No. 2 to Amended and Restated Performance Guaranty dated as of March 15, 2010, (iii) that certain Amendment No. 3 to Amended and Restated Performance Guaranty dated as of July 10, 2019 and (iv) that certain Amendment No. 4 to Amended and Restated Performance Guaranty dated as of May 13, 2021, and as the same may from time to time be further amended, restated, supplemented, waived or modified.

"Permitted Investments" means any one or more of the following types of investments:

(a) marketable obligations of the United States, the full and timely payment of which are backed by the full faith and credit of the United States and that have a maturity of not more than 270 days from the date of acquisition;

(b) marketable obligations, the full and timely payment of which are directly and fully guaranteed by the full faith and credit of the United States and that have a maturity of not more than 270 days from the date of acquisition;

(c) bankers' acceptances and certificates of deposit and other interest-bearing obligations (in each case having a maturity of not more than 270 days from the date of acquisition) denominated in dollars and issued by any bank with capital, surplus and undivided profits aggregating at least $100,000,000, the short-term obligations of which are rated A-1 by S&P and P-1 by Moody's;

(d) repurchase obligations with a term of not more than ten (10) days for underlying securities of the types described in clauses (a), (b) and (c) above entered into with any bank of the type described in clause (c) above;

(e) commercial paper rated at least A-1 by S&P and P-1 by Moody's; and

(f) demand deposits, time deposits or certificates of deposit (having original maturities of no more than 365 days) of depository institutions or trust companies incorporated under the laws of the United States or any state thereof (or domestic branches of any foreign bank) and subject to supervision and examination by federal or state banking or depository institution authorities; provided, however that at the time such investment, or the commitment to make such investment, is entered into, the short-term debt rating of such depository institution or trust company shall be at least A-1 by S&P and P-1 by Moody's.

"Permitted Liens" means (i) Liens created pursuant to the Transaction Documents in favor of the Administrative Agent, as agent for the Secured Parties, (ii) Liens created under the

favor of the Administrative Agent, as agent for the Secured Parties, (ii) Liens created under the

Loan Documents in favor of the Originator and its assigns, or (iii) Permitted Working Capital Liens.

"Permitted Loan Amendment" shall mean, (1) as to an otherwise Eligible Loan, an amendment to the applicable Loan Documents:

(1) (a) the effect of which is to extend the time for payment of principal due solely to the scheduled maturity of such Loan in the Borrower's good faith judgment to prevent prepayment, (b) the effect of which is the deferral or capitalization of interest payments if the remaining cash interest payable on such Loan meets the Eligibility Criteria and includes a minimum 8% cash pay on at least a quarterly basis, (c) reschedules, extends or postpones any payment or mandatory prepayment of principal on such Loan, provided that no such extension, postponement, reduction or deferral of principal is greater than or equal to 10.0% of the original principal amount of such Loan owned by the Borrower and is due and payable by the related Obligor on or before the scheduled maturity of such Loan, or (d) that otherwise changes the interest rate, provides for interest only payments, changes the principal payments or principal amortization period, and/or otherwise changes the maturity date for such Eligible Loan, in each case, other than as provided in clauses (a) through (c) above (e.g., a shortening of the maturity date or an extension of the maturity date coupled with a change in the principal amortization period); provided, that any such amendment described in this clause (d) must be (A) consistent with prudent lending practices and then current market conditions, as reasonably determined by Borrower, and (B) consented to by the Administrative Agent (which consent, for avoidance of doubt, may be in the form of an electronic communication) in its reasonable discretion; provided, that, if notice of any amendment described in this clause (d) shall have been given to the Administrative Agent and each Lender (which notice, for avoidance of doubt, may be in the form of an electronic communication), and no response shall have been received from the Administrative Agent within five (5) Business Days, the Administrative Agent shall be deemed to have consented to such amendment;

(2) that is not undertaken more than once in any twelve (12) month period with respect to any Loan; and

(3) with respect to which the Borrower (or the Servicer on its behalf) has provided and continues to provide to the Administrative Agent the information required by Section 5.1(v).

"Permitted Working Capital Lien" means, with respect to an Obligor that is a borrower under a First Lien Loan, a security interest granted to secure a working capital loan for such Obligor in the accounts receivable and/or inventory (and the proceeds thereof) of such Obligor and any of its subsidiaries that are guarantors of such working capital loan; provided, that (i) such First Lien Loan has a junior priority lien on such accounts receivable and/or inventory (and the proceeds thereof), and (ii) such working capital facility is not secured by any other assets of such Obligor and does not benefit from any standstill rights or other similar creditor rights agreements (other than customary rights) with respect to any other assets of such Obligor.

"Person" means an individual, partnership, corporation (including a statutory trust), limited liability company, joint stock company, trust, unincorporated association, sole

proprietorship, joint venture, government (or any agency or political subdivision thereof) or other entity.

"PIK Loan" means a Loan to an Obligor, which provides for a portion of the interest that accrues thereon to be added to the principal amount of such Loan for some period of the time prior to such Loan requiring the cash payment of interest on a monthly or quarterly basis.

"Post-Termination Revolver Loan Advances" means an advance by the Lenders, made on or following the Revolver Loan Funding Date, which may be used for the sole purpose of funding committed advances requested by Obligors under the Revolver Loans.

"Preferred Stock" means outstanding shares of any series of preferred stock issued by the Performance Guarantor.

"Prime Rate" means the rate publicly announced by KeyBank from time to time as its prime rate in the United States, such rate to change as and when such designated rate changes. The Prime Rate is not intended to be the lowest rate of interest charged by KeyBank in connection with extensions of credit to debtors.

"Principal Collections" means any and all amounts received in respect of any principal due and payable under any Transferred Loan from or on behalf of Obligors that are deposited into the Collection Account, or received by the Borrower or on behalf of the Borrower by the Servicer or Originator in respect of the Transferred Loans, including, without limitation, proceeds of sales and any hedge termination payments, in the form of cash, checks, wire transfers, electronic transfers or any other form of cash payment.

"Proceeds" means, with respect to any Collateral, whatever is receivable or received when such Collateral is sold, collected, liquidated, foreclosed, exchanged, or otherwise disposed of, whether such disposition is voluntary or involuntary, including all rights to payment with respect to any insurance relating to such Collateral.

"Pro-Rata Share" means, with respect to any Lender on any day, the percentage equivalent of a fraction the numerator of which is such Lender's Commitment and the denominator of which is the Group Advance Limit of the related Lender Group.

"Proskauer Opinion" means the "non-consolidation" opinion letter of Proskauer Rose LLP delivered on May 13, 2021, as such opinion letter may be modified, supplemented, replaced or confirmed in any subsequent opinion letter covering such subject matter delivered to the Administrative Agent.

"Purchase Agreement" means the Third Amended and Restated Purchase and Sale Agreement dated as of the Restatement Date, between the Originator and the Borrower and as the same may from time to time be amended, restated, supplemented, waived or modified.

"Purchase Date" is defined in the Purchase Agreement.

"Purchased Loan Balance" means as of any date of determination and any Transferred Loan, the lesser of (i) the Outstanding Loan Balance of such Loan as of such date and (ii) the Fair Market Value of such Loan.

"Purchasing Lender" is defined in Section 11.1(b).

"Qualified Institution" is defined in Section 7.4(e).

"Qualifying Covenant-Lite Loan" means a Covenant-Lite Loan (a) the Obligor of which has a TTM EBITDA of at least $50,000,000 and (b) the market value of which is determined by either (x) the bid price of at least one Approved Dealer, (y) if such Loan is traded on an exchange, the closing price most recently posted on such exchange or (z) a price designated by an Approved Pricing Service.

"Real Estate Loan" means a Transferred Loan that is secured primarily by a mortgage, deed of trust or similar lien on commercial real estate (other than hotels, restaurants and casinos) or residential real estate.

"Records" means, with respect to any Transferred Loans, all documents, books, records and other information (including without limitation, computer programs, tapes, disks, punch cards, data processing software and related property and rights) maintained with respect to any item of Collateral and the related Obligors, other than the Loan Documents.

"Recoveries" means, with respect to any Defaulted Loan or Charged-Off Loan, Proceeds of the sale of any Related Property, Proceeds of any related Insurance Policy, and any other recoveries with respect to such Loan and Related Property, and amounts representing late fees and penalties, net of Liquidation Expenses and amounts, if any, received that are required to be refunded to the Obligor on such Loan.

~~"Reference Time" with respect to any setting of the then-current Benchmark means (1) if such Benchmark is USD LIBOR, 11:00 a.m. (London time) on the day that is two (2) London banking days preceding the date of such setting, and (2) if such Benchmark is not USD LIBOR, the time determined by the Administrative Agent in its reasonable discretion.~~

"Register" is defined in Section 11.1(d).

"Regulatory Change" is defined in Section 2.12(a).

"Related Property" means, with respect to a Loan, any property or other assets of the Obligor thereunder pledged as collateral to the Originator to secure the repayment of such Loan.

"Relevant Governmental Body" means the Federal Reserve Board or the ~~Board of Governors of the~~ Federal Reserve Bank of New York, or a committee officially endorsed or convened by the ~~Board of Governors of the~~ Federal Reserve ~~System~~Board or the Federal Reserve Bank of New York, or any successor thereto.

"Replacement Lender" is defined in Section 2.15.

"Reporting Date" means the date that is two (2) Business Days prior to each Payment Date.

"Repurchase Price" means for any Transferred Loan purchased by the Servicer pursuant to Section 7.7, an amount equal to the outstanding principal balance of such Loan as of the date of purchase, plus all accrued and unpaid interest on such Loan.

"Required Equity Investment" means the minimum amount of equity investment in the Borrower which shall be maintained by the Originator, in the form of Eligible Loans and/or cash having an outstanding principal balance at all times prior to the Termination Date of an amount equal to the greater of (i) $100,000,000 or (ii) the sum of the Purchased Loan Balances of the Eligible Loans made to the six Obligors having the largest Purchased Loan Balances. For purposes of calculating the Required Equity Investment, all Loans included in the Collateral or to become part of the Collateral the Obligor of which is an Affiliate of another Obligor shall be aggregated with all Loans of such other Obligor.

"Required Lenders" means at a particular time, Lenders with Commitments (including, for this purpose, Non-Renewing Lenders, who shall be deemed to have Commitments equal to their Lender Group's Advances Outstanding at such time) in excess of 66 2/3 % of the Facility Amount. The Commitments and any outstanding Advances of any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

"Required Minimum Obligors Test" means a test (a) which shall not apply if the Aggregate Outstanding Loan Balance is less than $100,000,000 and (b) is satisfied if, if the Aggregate Outstanding Loan Balance is (i) between $100,000,000 and $150,000,000, there shall be no fewer than 20 Obligors included in the Collateral and (ii) $150,000,001 or more, there shall be no fewer than 25 Obligors included in the Collateral.

"Required Reports" means collectively, the Monthly Report, the Servicer's Certificate, the annual and quarterly financial statements of the Servicer, the Originator or the Borrower and the quarterly valuation reports, in each case, required to be delivered to the Borrower, the Managing Agents, the Administrative Agent and/or the Backup Servicer pursuant to Section 7.11 hereof.

"Responsible Officer" means, as to the Borrower, David Gladstone, Terry Brubaker, Michael LiCalsi, Robert Marcotte, Jay Beckhorn or Nicole Schaltenbrand and as to any other Person, any officer of such Person with direct responsibility for the administration of this Agreement and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject. The Borrower may designate other Responsible Officers from time to time by notice to the Administrative Agent.

"Restatement Date" means May 13, 2021

"Revolver Loan" means each Loan with respect to which the Borrower has a revolving credit commitment to advance amounts to the applicable Obligor during a specified term.

"Revolver Loan Funding" is defined in Section 2.14.

"Revolver Loan Funding Account" is defined in Section 2.14.

"Revolver Loan Funding Account Shortfall" means, on any date, the amount, if any, by which the Revolver Loan Unfunded Commitment Amount at such time exceeds the aggregate amount on deposit in the Revolver Loan Funding Accounts.

"Revolver Loan Funding Account Surplus" means, on any date, the amount, if any, by which the amount on deposit in the Revolver Loan Funding Accounts exceeds the Revolver Loan Unfunded Commitment Amount at such time.

"Revolver Loan Funding Date" means the Termination Date, if Revolver Loans are outstanding on such date.

"Revolver Loan Funding Fee" is defined in Section 2.14.

"Revolver Loan Unfunded Commitment Amount" means, at any time, the aggregate unfunded commitments under the Revolver Loans at such time.

"Revolving Period" means the period commencing on the Restatement Date and ending on the day immediately preceding the Termination Date.

"RIC/BDC Requirements" means the requirements the Performance Guarantor must satisfy to maintain its status as a "business development company," within the meaning of the 1940 Act, and its election to be treated as a "regulated investment company" under the Code.

"Risk Rating" means, with respect to any Loan at any time, if the Obligor under such Loan is at such time (i) rated by both S&P and Moody's, the lower of such ratings, (ii) rated by either S&P or Moody's, such rating or (iii) not rated by either S&P or Moody's, the rating determined by the Servicer's risk rating model.

"Rolling Three-Month Charged-Off Ratio" means, for any day, the rolling three period average Charged-Off Ratio for the three immediately preceding Settlement Periods.

"Rolling Three-Month Default Ratio" means, for any day, the rolling three period average Default Ratio for the three immediately preceding Settlement Periods.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and any successor thereto.

"Sanctions" means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State.

"Sanctioned Country" means, at any time, a country or territory which is itself the subject or target of any Sanctions.

"Sanctioned Person" means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, (b) any Person subject to Sanctions by virtue of operating or being organized or resident in a Sanctioned Country or (c) any Person owned or controlled by any such Person or Persons described in the foregoing clauses (a) or (b).

"Santander" means Santander Bank, N.A., in its capacity either as a Lender or in its individual capacity, as applicable, and its successors or assigns.

"Scheduled Payment" means, on any Determination Date, with respect to any Loan, each monthly payment (whether principal, interest or principal and interest) scheduled to be made by the Obligor thereof after such Determination Date under the terms of such Loan.

"Second Lien Qualifying Covenant Lite Loan" means a Second Lien Loan which is a Qualifying Covenant-Lite Loan.

"Second Lien Loan" means a Loan (other than a First Lien Loan) that is entitled to the benefit of a first and/or second lien and first and/or second priority perfected security interest on all or substantially all of the assets of the respective Obligors. For the avoidance of doubt, Last Out Loans are considered Second Lien Loans.

"Secured Party" means (i) each Lender, (ii) each Managing Agent, and (iii) each Hedge Counterparty that is either a Lender or an Affiliate of a Lender if that Affiliate executes a counterpart of this Agreement agreeing to be bound by the terms of this Agreement applicable to a Secured Party.

"Servicer" means Gladstone Management Corporation, a Delaware corporation, and its permitted successors and assigns.

"Servicer Advance" means an advance of Scheduled Payments made by the Servicer pursuant to Section 7.5.

"Servicer Termination Event" is defined in Section 7.18.

"Servicer's Certificate" is defined in Section 7.11(b).

"Servicing Duties" means those duties of the Servicer which are enumerated in Section 7.2.

"Servicing Fee" means, for each Payment Date, an amount equal to the sum of the products, for each day during the related Settlement Period, of (i) the Outstanding Loan Balance of each Loan as of the preceding Determination Date, (ii) the applicable Servicing Fee Rate, and (iii) a fraction, the numerator of which is 1 and the denominator of which is 360.

"Servicing Fee Limit Amount" means, for each Payment Date, an amount equal to 50% of the Servicing Fee for the related Settlement Period.

"Servicing Fee Rate" means a rate equal to 1.50% per annum.

"Servicing Records" means all documents, books, records and other information (including, without limitation, computer programs, tapes, disks, data processing software and related property rights) prepared and maintained by the Servicer with respect to the Transferred Loans and the related Obligors.

"Settlement Period" means each period from and including a Payment Date to but excluding the following Payment Date.

"SOFR" means a rate equal to the secured overnight financing rate as administered by the SOFR Administrator.

"SOFR~~" means, for any Business Day, a rate per annum equal to the secured overnight financing rate for such Business Day published by~~ Administrator" means the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate)~~ on the website of the Federal Reserve Bank of New York, currently at http://www.newyorkfed.org, (or any successor source for the secured overnight financing rate identified as such by the administrator of the secured overnight financing rate from time to time), on the immediately succeeding Business Day.~~.

"SOFR Advance" means each Advance bearing interest at a rate based upon the Adjusted Term SOFR Rate.

"SOFR Business Day" means any day except for (i) a Saturday, (ii) a Sunday or (iii) a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities.

"Solvent" means, as to any Person at any time, having a state of affairs such that all of the following conditions are met: (a) the fair value of the property owned by such Person is greater than the amount of such Person's liabilities (including disputed, contingent and unliquidated liabilities) as such value is established and liabilities evaluated for purposes of Section 101(32) of the Bankruptcy Code; (b) the present fair salable value of the property owned by such Person in an orderly liquidation of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured; (c) such Person is able to realize upon its property and pay its debts and other liabilities (including disputed, contingent and unliquidated liabilities) as they mature in the normal course of business; (d) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature; and (e) such Person is not engaged in business or a transaction, and is not about to engage in a business or a transaction, for which such Person's property would constitute unreasonably small capital.

"Spread" means, with respect to Floating Rate Loans, the cash interest spread of such Floating Rate Loan over the ~~LIBO~~Adjusted Term SOFR Rate.

"Structured Finance Obligation" means any Loan or security the payment or repayment of which is based primarily upon the collection of payments from a specified pool of financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period, together with any rights or other assets designed to assure the servicing or timely distribution of proceeds to security holders, including, in any event, any project finance security, any asset backed security and any future flow security.

"Subordinated Debt" means any debt (i) that is subordinated in right of payment to other debt of the Performance Guarantor and (ii) does not require any payment or prepayment of principal thereon prior to the Maturity Date, including Preferred Stock.

"Successor Servicer" is defined in Section 7.19(a).

"Supplemental Interests" means, with respect to any Transferred Loan, any warrants, equity or other equity interests or interests convertible into or exchangeable for any such interests received by the Originator from the Obligor in connection with such Transferred Loan.

"Swap Breakage and Indemnity Amounts" means any early termination payments, taxes, indemnification payments and any other amounts owed to a Hedge Counterparty under a Hedging Agreement that do not constitute monthly payments.

"Swing Advance" means an Advance made by the Swingline Lender pursuant to Section 2.1(b).

"Swing Prepayment Amount" is defined in Section 12.17(e).

"Swingline Lender" means KeyBank, in its capacity as lender of Swing Advances hereunder.

"Taxes" means any present or future taxes, levies, imposts, duties, charges, assessments or fees of any nature (including interest, penalties, and additions thereto) that are imposed by any Government Authority.

"Termination Date" means the earliest to occur of (a) the date declared by the Administrative Agent or occurring automatically in respect of the occurrence of an Early Termination Event pursuant to Section 8.1, (b) a date selected by the Borrower upon at least thirty (30) days' prior written notice to the Administrative Agent and each Managing Agent and (c) the Commitment Termination Date.

"Termination Notice" is defined in Section 7.18.

"Term SOFR" means for any calculation with respect to a SOFR Advance, the Term SOFR Reference Rate on the day (such day, the "Lookback Day") that is two SOFR Business Days prior to the first day of such Settlement Period (and rounded in accordance with the Administrative Agent's customary practice), as such rate is published by the Term SOFR

Administrator; provided, however, that if as of 5:00 p.m. (New York City time) on any Lookback Day the Term SOFR Reference Rate for the applicable tenor has not been published by the Term SOFR Administrator and a Benchmark Replacement Date with respect to the Term SOFR Reference Rate has not occurred, then Term SOFR will be the Term SOFR Reference Rate for such tenor as published by the Term SOFR Administrator on the first preceding SOFR Business Day for which such Term SOFR Reference Rate for such tenor was published by the Term SOFR Administrator so long as such first preceding SOFR Business Day is not more than three SOFR Business Days prior to such Lookback Day.

"Term SOFR Administrator" means CBA (or a successor administrator of the Term SOFR Reference Rate, as selected by the Administrative Agent in its reasonable discretion).

"Term SOFR~~" means, for the applicable corresponding tenor,~~ Reference Rate" means the forward-looking term rate based on SOFR ~~that has been selected or recommended by the Relevant Governmental Body~~for a period of 30 days.

"Total Funded Debt" means, with respect to any Obligor, at any time the same is to be determined, the sum (without duplication) at such time of (a) all indebtedness for borrowed money of such Obligor and its subsidiaries to Borrower; plus (b) all indebtedness for borrowed money of the Obligor and its subsidiaries to any creditor other than the Borrower; provided, however, that any indebtedness for borrowed money which is (x) subordinated in right of payment of the Loans to such Obligor and (y) owed to a creditor other than the Originator or any of its Affiliates shall be excluded from this clause (b); plus (c) all indebtedness of any other Person, whether secured or unsecured, which (i) is directly or indirectly guaranteed by the Obligor or any of its subsidiaries, (ii) the Obligor or any of its subsidiaries has agreed (contingently or otherwise) to purchase or otherwise acquire, or (iii) the Obligor or any of its subsidiaries has otherwise assured a creditor against loss; provided, however, that any indebtedness which is (A) subordinated in right of payment of the Loans to such Obligor and (B) owed to a creditor other than the Originator or any of its Affiliates shall be excluded from this clause (c).

"Transaction Documents" means this Agreement, the Purchase Agreement, all Hedging Agreements, the Custody Agreement, the Backup Servicing Agreement, the Deposit Account Control Agreements for the Collection Account and the Operating Account, the Performance Guaranty and any additional document, letter, fee letter, certificate, opinion, agreement or writing the execution of which is necessary or incidental to carrying out the terms of the foregoing documents.

"Transferred Loans" means each Loan that is acquired or in which an interest is acquired by the Borrower under the Purchase Agreement and all Loans received by the Borrower in respect of the Required Equity Investment. Any Transferred Loan that is (i) repurchased or reacquired by the Originator pursuant to the terms of Section 6.1 of the Purchase Agreement, (ii) purchased by the Servicer pursuant to the terms of Section 7.7 or (iii) otherwise released from the lien of this Agreement pursuant to Section 6.3 shall not be treated as a Transferred Loan for purposes of this Agreement (provided, that the purchase or repurchase of any Defaulted Loan or Charged-Off Loan shall not alter such Transferred Loan's status as a Defaulted Loan or

Charged-Off Loan for purposes of calculating ratios for periods occurring prior to the purchase or repurchase of such Transferred Loan).

"Transition Costs" means the reasonable costs and expenses incurred by the Backup Servicer in transitioning to Servicer; provided, however, that the Administrative Agent's consent shall be required if such Transition Costs exceed $50,000.00 in the aggregate.

"TTM EBITDA" means, with respect to any Obligor, as of any particular date, the EBITDA of such Obligor for the preceding twelve-month period.

"UCC" means the Uniform Commercial Code as from time to time in effect in the specified jurisdiction or, if no jurisdiction is specified, the State of New York.

"Undisclosed Administration" means in relation to a Lender or its parent company the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official by a supervisory authority or regulator under or based on the law in the country where such person is subject to home jurisdiction supervision if applicable law requires that such appointment is not to be publicly disclosed.

"United States" means the United States of America.

"Unmatured Termination Event" means an event that, with the giving of notice or lapse of time, or both, would become an Early Termination Event.

"Unreimbursed Servicer Advances" means, at any time, the amount of all previous Servicer Advances (or portions thereof) as to which the Servicer has not been reimbursed as of such time pursuant to Section 2.8 and that the Servicer has determined in its sole discretion will not be recoverable from Collections with respect to the related Transferred Loan.

"Unused Fee" means, for any Settlement Period, an amount equal to (i) 1.00% per annum on the daily unused amount of the Commitments if the average unused amount during such Settlement Period is more than sixty-five percent (65%), (ii) 0.75% per annum on the daily unused amount of the Commitments if the average unused amount during such Settlement Period is more than fifty percent (50%) and equal to or less than sixty-five percent (65%), (iii) 0.50% per annum on the daily unused amount of the Commitments if the average unused amount during such Settlement Period is more than thirty-five percent (35%) and equal to or less than fifty percent (50%) and (iv) 0.35% per annum on the daily unused amount of the Commitments if the average unused amount during such Settlement Period is equal to or less than thirty-five percent (35%).

~~"USD LIBOR" means the London interbank offered rate for U.S. dollars.~~

"Weighted Average Fixed Coupon" means, as of any date of determination, the number, expressed as a percentage, obtained by summing the products obtained by multiplying the cash interest coupon of each Fixed Rate Loan (excluding Defaulted Loans) as of such date by the Outstanding Loan Balance of such Loans as of such date, dividing such sum by the aggregate Outstanding Loan Balance of all such Fixed Rate Loans and rounding up to the nearest 0.01%.

For the purpose of calculating the Weighted Average Fixed Coupon, all Fixed Rate Loans that are not currently paying cash interest shall have an interest rate of 0%.

"Weighted Average Floating Spread" means, as of any date of determination, the number, expressed as a percentage, obtained by summing the products obtained by multiplying, in the case of each Floating Rate Loan (excluding Defaulted Loans) on an annualized basis, the Spread of such Loans (including commitment, letter of credit and all other fees), by the Outstanding Loan Balance of such Loans as of such date and dividing such sum by the aggregate Outstanding Loan Balance of all such Floating Rate Loans and rounding the result up to the nearest 0.01%; provided that the Spread of any Revolver Loan which is not fully funded shall be the sum of:

(a) the product of (1) the Spread payable on the funded portion of such Revolver Loan and (2) the percentage equivalent of a fraction the numerator of which is equal to the funded portion of such Revolver Loan and the denominator of which is equal to the commitment amount of such Revolver Loan; plus

(b) the product of (1) the scheduled amounts (other than interest) of commitment fee, unused fee and/or facility fee payable on the unfunded portion of such Revolver Loan less any withholding tax, if any, on such fees and (2) the percentage equivalent of a fraction the numerator of which is equal to the Revolver Loan Unfunded Commitment Amount of such Revolver Loan and the denominator of which is equal to the aggregate commitment amount of such Revolver Loan.

"Weighted Average Life" means, with respect to the Transferred Loans as of any determination date, (i) the quotient obtained by dividing (A) the sum of the amounts calculated for each month (beginning with the month in which such determination is being made and ending with the month in which the last principal payment is scheduled to be received with respect to the Transferred Loans), which amount for each such month shall be equal to the product of (x) the scheduled principal payment amount for the Transferred Loans for such month, multiplied by (y) the number of months that such month occurs from the month in which such determination date occurs (e.g., the month in which such determination date occurs shall have a value of 1, the month occurring immediately after the month in which such determination date occurs shall have a value of 2 etc.) by (B) the total amount of all scheduled principal payments to be received under the Transferred Loans as of such determination date, divided by (ii) 12.

"Weighted Average Spread" means, as of any date of determination, an amount (rounded up to the next 0.01%) equal to the weighted average of (a) for Floating Rate Loans, the Weighted Average Floating Spread of the Floating Rate Loans and (b) for Fixed Rate Loans, the excess of the Weighted Average Fixed Coupon of the Fixed Rate Loans over the then-current weighted average strike rate under the Hedge Transactions, or, if there are no Hedge Transactions outstanding, over the then current ~~LIBO~~Adjusted Term SOFR Rate.

"Write-Down and Conversion Powers" means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time

to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

Section 1.2 Other Terms.

All accounting terms not specifically defined herein shall be construed in accordance with GAAP. To the extent any change in GAAP after the Restatement Date resulting from the adoption of international accounting standards in the United States affects any computation or determination required to be made under or pursuant to this Agreement, including any computation or determination made with respect to the Borrower or Servicer's compliance with any covenant or condition hereunder, such computation or determination shall be made as if such change in GAAP had not occurred. All terms used in Article 9 of the UCC in the State of New York, and not specifically defined herein, are used herein as defined in such Article 9.

Section 1.3 Computation of Time Periods.

Unless otherwise stated in this Agreement, in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding."

Section 1.4 Interpretation.

In each Transaction Document, unless a contrary intention appears:

(i) the singular number includes the plural number and vice versa;

(ii) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by the Transaction Document;

(iii) reference to any gender includes each other gender;

(iv) reference to any agreement (including any Transaction Document), document or instrument means such agreement, document or instrument as amended, supplemented or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms of the other Transaction Documents and reference to any promissory note includes any promissory note that is an extension or renewal thereof or a substitute or replacement therefor; and

(v) reference to any Applicable Law means such Applicable Law as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder and reference to any section or other provision of any Applicable Law means that provision of such Applicable Law from time to time in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such section or other provision.

Section 1.5 ~~LIBOR~~SOFR Notification.

~~The Administrative Agent does not warrant or accept any responsibility for, and shall not have any liability with respect to, the administration, submission or any other matter related to USD LIBOR or with respect to any alternative or successor benchmark thereto, or replacement rate therefor or thereof, including, without limitation, whether the composition or characteristics of any such alternative, successor or replacement reference rate, as it may or may not be adjusted pursuant to Section 2.18, will be similar to, or produce the same value or economic equivalence of, USD LIBOR or any other benchmark or have the same volume or liquidity as did USD LIBOR or any other benchmark rate prior to its discontinuance or unavailability.~~

The interest rate on Advances may be determined by reference to a benchmark rate that is, or may in the future become, the subject of regulatory reform or cessation. The Administrative Agent does not warrant or accept responsibility for, and shall not have any liability with respect to (a) the continuation of, administration of, submission of, calculation of or any other matter related to the Base Rate, the Term SOFR Reference Rate, the Adjusted Term SOFR Rate or Term SOFR, or any component definition thereof or rates referred to in the definition thereof or any alternative, successor or replacement rate thereto (including any Benchmark Replacement), including whether the composition or characteristics of any such alternative, successor or replacement rate (including any Benchmark Replacement) will be similar to, or produce the same value or economic equivalence of, or have the same volume or liquidity as, the Base Rate, the Term SOFR Reference Rate, the Adjusted Term SOFR Rate or Term SOFR or any other Benchmark prior to its discontinuance or unavailability, or (b) the effect, implementation or composition of any Benchmark Replacement Conforming Changes. The Administrative Agent and its affiliates or other related entities may engage in transactions that affect the calculation of the Base Rate, the Term SOFR Reference Rate, Term SOFR, the Adjusted Term SOFR Rate, any alternative, successor or replacement rate (including any Benchmark Replacement) or any relevant adjustments thereto, in each case, in a manner adverse to the Borrower. The Administrative Agent may select information sources or services in its reasonable discretion to ascertain the Base Rate, the Term SOFR Reference Rate, Term SOFR, the Adjusted Term SOFR Rate or any other Benchmark, in each case pursuant to the terms of this Agreement, and shall have no liability to the Borrower, any Lender or any other person or entity for damages of any kind, including direct or indirect, special, punitive, incidental or consequential damages, costs, losses or expenses (whether in tort, contract or otherwise and whether at law or in equity), for any error or calculation of any such rate (or component thereof) provided by any such information source or service. In connection with the use or administration of Term SOFR, the Administrative Agent will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Transaction Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of any other party to this Agreement or any other Transaction Document. The Administrative Agent will promptly notify the Borrower and the Lenders of the effectiveness of any Benchmark Replacement Conforming Changes in connection with the use or administration of Term SOFR.

## ARTICLE II

## ADVANCES

Section 2.1 Advances.

(a) Revolver Advances. On the terms and conditions hereinafter set forth, the Borrower may, by delivery of a Funding Request to the Administrative Agent and each Managing Agent, from time to time on any Business Day during the Revolving Period, at its option, request that the Lenders make advances (each, an "Advance") to it in an amount which, at any time, shall not exceed the Availability in effect on the related Funding Date; provided, however, that the Borrower may not, without the consent of each Lender, request more than five (5) Advances per calendar month Such Funding Request shall be delivered not later than 12:00 noon (New York City time) on the date which is two (2) Business Days prior to the requested Funding Date. Upon receipt of such Funding Request, each Managing Agent shall promptly forward such Funding Request to its related Lenders, and the applicable portion of the Advance will be made by the Lenders in such Lender Group in accordance with their Pro-Rata Shares. Notwithstanding anything contained in this Section 2.1 or elsewhere in this Agreement to the contrary, no Lender shall be obligated to make any Advance in an amount that would result in the aggregate Advances then funded by such Lender exceeding its Commitment then in effect. The obligation of each Lender to remit its Pro-Rata Share of any such Investment shall be several from that of each other Lender, and the failure of any Lender to so make such amount available to the Borrower shall not relieve any other Lender of its obligation hereunder. Each Advance to be made hereunder shall be made ratably among the Lender Groups in accordance with their Group Advance Limits.

(b) Swing Advances. In addition to the foregoing, the Swingline Lender shall from time to time on any Business Day during the Revolving Period (but not more than three (3) times per calendar month), upon the request of the Borrower by delivery of a Funding Request to the Administrative Agent, if the conditions precedent in Article III have been satisfied, make Swing Advances to the Borrower in an aggregate principal amount at any time outstanding not exceeding $10,000,000; provided that, immediately after such Swing Advance is made, the aggregate principal amount of all Revolver Advances and Swing Advances shall not exceed the lesser of the Facility Amount or the Borrowing Base at such time, nor shall the aggregate Advances Outstanding of the Swingline Lender exceed its Commitment. Each Swing Advance under this Section 2.1(b) shall be in an aggregate principal amount of $2,000,000 or any larger multiple of $1,000,000. Within the foregoing limits, the Borrower may borrow under this Section 2.1(b), prepay and reborrow under this Section 2.1(b) at any time before the Termination Date. Solely for purposes of calculating fees under Section 2.7, Swing Advances shall not be considered a utilization of an Advance of the Swingline Lender or any other Lender hereunder. At any time, upon the request of the Swingline Lender, each Lender other than the Swingline Lender shall, on the third Business Day after such request is made, purchase a participating interest in Swing Advances in an amount equal to its Applicable Percentage of such Swing Advances. On such third Business Day, each Lender will immediately transfer to the Swingline Lender, in immediately available funds, the amount of its participation. Whenever, at any time after the Swingline Lender has received from any such Lender its participating interest in a Swing Advance, the Administrative Agent receives any payment on account thereof, the

Swing Advance, the Administrative Agent receives any payment on account thereof, the

Administrative Agent will distribute to such Lender its participating interest in such amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded); provided, however, that in the event that such payment received by the Administrative Agent is required to be returned, such Lender will return to the Administrative Agent any portion thereof previously distributed by the Administrative Agent to it. Each Lender's obligation to purchase such participating interests shall be absolute and unconditional and shall not be affected by any circumstance, including: (i) any set-off, counterclaim, recoupment, defense or other right which such Lender or any other Person may have against the Swingline Lender requesting such purchase or any other Person for any reason whatsoever; (ii) the occurrence or continuance of a Default or the termination of the Commitments; (iii) any adverse change in the condition (financial, business or otherwise) of the Borrower, the Performance Guarantor, the Servicer or any other Person; (iv) any breach of this Agreement by the Borrower, the Servicer or any other Lender; or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing. The Borrower may, concurrent with the delivery of a Funding Request for a Swing Advance under this Section 2.1(b) or at any time thereafter, deliver a Funding Request for a Revolver Advance pursuant to Section 2.1(a) and direct that all or any portion of such Revolver Advance be wired or credited to Swing Lender immediately on the Funding Date of such Revolver Advance to prepay any Swing Advance then outstanding.

Section 2.2 Procedures for Advances.

(a) In the case of the making of any Advance, the repayment of any Advance, or any termination, increase or reduction of the Facility Amount and prepayments of Advances, the Borrower shall give the Administrative Agent a Borrower Notice. Each Borrower Notice shall specify the amount (subject to Section 2.1 hereof) of Advances to be borrowed or repaid and the Funding Date or repayment date (which, in all cases, shall be a Business Day) and whether such Advance is a Revolver Advance or a Swing Advance.

(b) Subject to the conditions described in Section 2.1, the Borrower may request an Advance from the Lenders by delivering to the Administrative Agent at certain times the information and documents set forth in this Section 2.2.

(c) No later than 10:00 a.m. (New York City time) five (5) Business Days prior to the proposed Funding Date for a Revolver Advance (or such shorter period of time or later date as may be agreed to by the Required Lenders), the Borrower shall notify (i) the Collateral Custodian by delivery to the Collateral Custodian of written notice of such proposed Funding Date, and (ii) the Administrative Agent by delivery to the Administrative Agent of a credit report and transaction summary for each Loan that is the subject of the proposed Advance setting forth the credit underwriting by the Originator of such Loan, including without limitation a description of the Obligor and the proposed loan transaction in the form of Exhibit M hereto; provided that, in the case of Advances funding Revolver Loans, the requirements of this Section 2.2(c) shall apply only with respect to the first Advance to be made with respect to each such Revolver Loan. By 5:00 p.m. (New York City time) on the next Business Day, the Administrative Agent shall use its best efforts to confirm to the Borrower the receipt of such items and whether it has reviewed such items and found them to be complete and in proper form. If the Administrative Agent makes a determination that the items are incomplete or not in proper form, it will communicate

such determination to the Borrower. Failure by the Administrative Agent to respond to the Borrower by 5:00 on the day the related Funding Request is delivered by the Borrower shall constitute an implied determination that the items are incomplete or not in proper form. The Borrower will take such steps requested by the Administrative Agent to correct the problem(s). In the event of a delay in the actual Funding Date due to the need to correct any such problems, the Funding Date shall be no earlier than three (3) Business Days after the day on which the Administrative Agent confirms to the Borrower that the problems have been corrected.

(d) No later than 11:00 a.m. (New York, New York time) one (1) Business Day prior to the proposed Funding Date for a Revolver Advance (or such shorter period of time or later date as may be agreed to by the Required Lenders), the Administrative Agent, each Managing Agent and the Collateral Custodian, as applicable, shall receive or shall have previously received the following:

(i) a Borrower Notice in the form of Exhibit A;

(ii) a wire disbursement and authorization form shall be delivered to the Administrative Agent; and

(iii) a certification substantially in the form of Exhibit H concerning the Collateral Custodian's receipt of certain documentation relating to the Eligible Loan(s) related to such Advance shall be delivered to the Administrative Agent, which may be delivered either as a separate document or incorporated in the Monthly Report.

Each Funding Request for a Revolver Advance shall specify the aggregate amount of the requested Advance, which shall be in an amount equal to at least $1,000,000.

(e) No later than 12:00 noon (New York, New York time) on the Business Day proposed for a Swing Advance, the Administrative Agent shall receive or shall have previously received the following:

(i) a Borrower Notice in the form of Exhibit A; and

(ii) a wire disbursement and authorization form.

(f) Each Funding Request shall be accompanied by (i) a Borrower Notice, depicting the outstanding amount of Advances under this Agreement and representing that all conditions precedent for a funding have been met, including a representation by the Borrower that the requested Advance shall not, on the Funding Date thereof, exceed the Availability on such day, (ii) a calculation of the Borrowing Base as of the applicable Funding Date (which calculation may, for avoidance of doubt, take into account Loans which will become Transferred Loans on or prior to such Funding Date), (iii) an updated Loan List including each Loan that is subject to the requested Advance, (iv) the proposed Funding Date, and (v) wire transfer instructions for the Advance; provided, however, the Funding Request for a Swing Advance shall be required to contain only the information described in Section 2.2(e)(i) and (ii) above. A Funding Request shall be irrevocable when delivered; provided however, that if the Borrowing Base calculation delivered pursuant to clause (ii) above includes a Loan which does not become a Transferred Loan on or before the applicable Funding Date as anticipated, and the Borrower cannot otherwise

Loan on or before the applicable Funding Date as anticipated, and the Borrower cannot otherwise

make the representations required pursuant to clause (i) above, the Borrower shall revise the Funding Request accordingly, and shall pay any loss, cost or expense incurred by any Lender in connection with the broken funding evidenced by such revised Funding Request.

(g) On the Funding Date following the satisfaction of the applicable conditions set forth in this Section 2.2 and Article III, the Lenders shall make available to the Administrative Agent at its address listed beneath its signature on its signature page to this Agreement (or on the signature page to the Joinder Agreement pursuant to which it became a party hereto), for deposit to the account of the Borrower or its designee in same day funds, at the account specified in the Funding Request, an amount equal to such Lender's ratable share of the Advance then being made (except that in the case of a Swing Advance, the Swingline Lender will make available to the Borrower the amount of any such Swing Advance). Each wire transfer of an Advance to the Borrower shall be initiated by the applicable Lender no later than 3:00 p.m. (New York, New York time) on the applicable Funding Date.

Section 2.3 Optional Changes in Facility Amount; Prepayments.

(a) The Borrower shall be entitled at its option, on any Payment Date prior to the occurrence of an Early Termination Event, to reduce the Facility Amount in whole or in part; provided that the Borrower shall give prior written notice of such reduction to the Administrative Agent and each Managing Agent as provided in paragraph (b) of this Section 2.3 and that any partial reduction of the Facility Amount shall be in an amount equal to $3,000,000 with integral multiples of $500,000 above such amount. The Lenders hereby agree that, unless otherwise agreed by the Lenders, the Commitment of each Lender shall be reduced ratably in proportion to any such reduction in the Facility Amount. Any request for a reduction or termination pursuant to this Section 2.3 shall be irrevocable. Any reduction of the Facility Amount prior to the two-year anniversary of the Restatement Date shall be accompanied by a payment of the applicable Commitment Make-Whole Fee.

(b) From time to time during the Revolving Period, but not more often than three times in any calendar month, the Borrower may prepay any portion or all of the Advances Outstanding, other than with respect to Mandatory Prepayments, by delivering to the Administrative Agent and each Managing Agent a Borrower Notice (i) in the case of any partial prepayment, at least two (2) Business Days prior to the date of such repayment and (ii) in the case of any prepayment in full, at least thirty (30) Business Days prior to the date of such prepayment (or, in each case, such later time as the applicable Lenders, in their respective sole discretion, may agree), specifying the date and amount of the prepayment and certifying that, following such prepayment, the Borrower will be in compliance with the terms of this Agreement; provided, that no such reduction shall be given effect unless the Borrower has complied with the terms of any Hedging Agreement requiring that one or more Hedge Transactions be terminated in whole or in part as the result of any such prepayment of the Advances Outstanding, and the Borrower has paid all Hedge Breakage Costs owing to the relevant Hedge Counterparty for any such termination. If any Borrower Notice relating to any prepayment is given, the amount specified in such Borrower Notice shall be due and payable on the date specified therein, together with accrued Interest to the payment date on the amount prepaid and any Breakage Costs (including Hedge Breakage Costs) related thereto. Any partial prepayment by the Borrower of Advances hereunder, other than with respect to Mandatory

Prepayments, shall be in a minimum amount of $500,000 with integral multiples of $100,000 above such amount. Any amount so prepaid may, subject to the terms and conditions hereof, be reborrowed during the Revolving Period. A Borrower Notice relating to any such prepayment shall be irrevocable when delivered. Each such optional prepayment shall be applied first to any Swing Line Advances outstanding and then to prepay ratably the Revolver Advances.

(c) Subject to the terms and conditions set forth herein, the Borrower shall have the right, at any time from the Restatement Date until the Commitment Termination Date, to increase the Facility Amount by an amount up to $75,000,000 (for a total maximum Facility Amount of $250,000,000). The following terms and conditions shall apply to any such increase: (i) any such increase shall be obtained from existing Lenders or from other Eligible Assignees, in each case in accordance with the terms set forth below; (ii) the Commitment of any Lender may not be increased without the prior written consent of such Lender; (iii) any increase in the Facility Amount shall be in a minimum principal amount of (x) if such increase shall be obtained from existing Lenders, $5,000,000 (or such lower amount as may be consented to by the Administrative Agent) and (y) if such increase shall be obtained from Eligible Assignees who are not Lenders hereunder, $15,000,000 (or such lower amount as may be consented to by the Administrative Agent); (iv) the Borrower and Lenders shall execute an acknowledgement (or in the case of the addition of a bank or other financial institution not then a party to this Agreement, a Joinder Agreement) in form and content satisfactory to the Administrative Agent to reflect the revised Commitments and Facility Amount (the Lenders do hereby agree to execute such acknowledgement (or Joinder Agreement) without delay unless the acknowledgement purports to (A) increase the Commitment of a Lender without such Lender's consent or (B) amend this Agreement or the other Transaction Documents other than as provided for in this Section 2.3); (v) the Borrower shall execute such promissory notes as are necessary to reflect the increase in or creation of the Commitments; (vi) if any Advances are outstanding at the time of any such increase, the Borrower shall make such payments and adjustments on the Advances (including payment of any break-funding amount owing under Section 2.11 hereof) as necessary to give effect to the revised commitment percentages and outstandings of the Lenders; (vii) the Borrower may solicit commitments from Eligible Assignees that are not then a party to this Agreement so long as such Eligible Assignees are reasonably acceptable to the Administrative Agent and execute a Joinder Agreement in form and content satisfactory to the Administrative Agent; (viii) the conditions set forth in Section 3.2 shall be satisfied in all material respects; (ix) after giving effect to any such increase in the Facility Amount, no Unmatured Early Termination Event or Early Termination Event shall have occurred; (x) the Borrower shall have provided to the Administrative Agent, at least thirty (30) days prior to such proposed increase in the Facility Amount, written evidence demonstrating pro forma compliance with Section 8.1(q) of this Agreement after giving effect to such proposed increase, such evidence to be satisfactory in the sole discretion of the Administrative Agent. The amount of any increase in the Facility Amount hereunder shall be offered first to the existing Lenders, and in the event the additional commitments which existing Lenders are willing to take shall exceed the amount requested by the Borrower, such excess shall be allocated in proportion to the commitments of such existing Lenders willing to take additional commitments. If the amount of the additional commitments requested by the Borrower shall exceed the additional commitments which the existing Lenders are willing to take, then the Borrower may invite other Eligible Assignees reasonably acceptable to the Administrative Agent to join this Agreement as Lenders hereunder for the portion of commitments not taken by existing Lenders, provided that such Eligible Assignees shall enter

commitments not taken by existing Lenders, provided that such Eligible Assignees shall enter

into such joinder agreements to give effect thereto as the Administrative Agent and the Borrower may reasonably request. Unless otherwise agreed by the Administrative Agent and the Lenders, the terms of any increase in the Facility Amount shall be the same as those in effect prior to any increase; provided, however, that should the terms of the increase agreed to be other than those in effect prior to the increase, then the Transaction Documents shall, with the consent of the Administrative Agent and the Lenders, be amended to the extent necessary to incorporate any such different terms. Notwithstanding any of the foregoing, the Lenders hereby agree that, from the Restatement Date until such date as the Commitment of KeyBank is reduced to $75,000,000 (whether by assignment or otherwise), any syndication of the Facility Amount shall be effected pursuant to an assignment of the Commitment of KeyBank to the applicable Lender to the extent required to reduce such Commitment of KeyBank to $75,000,000.

Section 2.4 Principal Repayments; Extension of Term.

(a) The Advances Outstanding shall be repaid in accordance with Section 2.8, and shall be due and payable in full on the Maturity Date. In addition, Advances Outstanding shall be repaid as and when necessary (first, to Swing Advances outstanding) to cause the Borrowing Base Test to be met, in accordance with Section 2.8 (each such payment, a "Mandatory Prepayment"), and any amount so repaid may, subject to the terms and conditions hereof, be reborrowed hereunder during the Revolving Period.

(b) The Borrower may, at any time within 365 days, but no later than forty-five (45) days, prior to the then current Commitment Termination Date, by written notice to the Administrative Agent, make written requests for the Lenders to extend the Commitment Termination Date for an additional revolving period, which extension may be documented as part of a broader amendment to this Agreement or on a stand-alone basis. The Administrative Agent will give prompt notice to each Managing Agent of its receipt of such request, and each Managing Agent shall give prompt notice to each of the Lenders in its related Lender Group of its receipt of such request for extension of the Commitment Termination Date. Each Lender shall make a determination, in its sole discretion and after a full credit review, not less than fifteen (15) days following receipt of such request as to whether or not it will agree to extend the Commitment Termination Date; provided, however, that the failure of any Lender to make a timely response to the Borrower's request for extension of the Commitment Termination Date shall be deemed to constitute a refusal by such Lender to extend the Commitment Termination Date. In the event that at least one Lender agrees to extend the Commitment Termination Date, the Borrower, the Servicer, the Administrative Agent and the extending Lenders shall enter into such documents as the Administrative Agent and such extending Lenders and may deem necessary or appropriate to reflect such extension, and all reasonable costs and expenses incurred by such Lenders and the Administrative Agent (including reasonable attorneys' fees) shall be paid by the Borrower. In the event that any Lender declines the request to extend the Commitment Termination Date (each such Lender being referred to herein, from and after the date of the documented extension of the Commitment Termination Date (the "Renewal Date") by the consenting Lenders as a "Non-Renewing Lender"), and the Commitment of such Non-Renewing Lender is not assigned to another Person in accordance with the terms of Article XI prior to the Renewal Date, (i) such Non-Renewing Lender's Commitment shall be reduced to an amount equal at all times to such Non-Renewing Lender's Advances outstanding (declining as such

equal at all times to such Non-Renewing Lender's Advances outstanding (deeming all such

amount is paid down), (ii) the Facility Amount shall be reduced by an amount equal to each such Non-Renewing Lender's Commitment on the Renewal Date, (iii) the Group Advance Limits of the applicable Lender Groups shall be reduced by an amount equal to the applicable Non-Renewing Lender's Commitment on the Renewal Date, and (iv) the Borrower shall, to the extent such Non-Renewing Lender shall not previously have been paid pursuant to Section 2.8, repay in full all Advances made by such Non-Renewing Lender and other Obligations owing to such Non-Renewing Lender under this Agreement on or before such Non-Renewing Lender's original Commitment Termination Date (without giving effect to any extension thereof).

(c) All repayments of any Advance or any portion thereof shall be made together with payment of (i) all Interest accrued and unpaid on the amount repaid to (but excluding) the date of such repayment, (ii) any and all Breakage Costs, and (iii) all Hedge Breakage Costs and any other amounts payable by the Borrower under or with respect to any Hedging Agreement.

Section 2.5 The Notes.

(a) The Advances made by the Lenders hereunder shall be evidenced by a duly executed promissory note of the Borrower payable to each Managing Agent, on behalf of the applicable Lenders in the related Lender Group, in substantially the form of Exhibit B hereto (collectively, the "Notes"). The Notes shall be dated the Restatement Date, or, if later, the date on which a Lender becomes party to this Agreement and shall be in a maximum principal amount equal to the applicable Lender Group's Group Advance Limit, and shall otherwise be duly completed.

(b) Each Managing Agent is hereby authorized to enter on a schedule attached to its Notes the following notations (which may be computer generated) with respect to each Advance made by each Lender in the applicable Lender Group: (i) the date and principal amount thereof and (ii) each payment and repayment of principal thereof, and any such recordation shall constitute prima facie evidence of the accuracy of the information so recorded. The failure of a Managing Agent to make any such notation on the schedule attached to the applicable Note shall not limit or otherwise affect the obligation of the Borrower to repay the Advances in accordance with their respective terms as set forth herein.

Section 2.6 Interest Payments.

(a) Interest shall accrue on each Advance during each Settlement Period at the applicable Interest Rate. The Borrower shall pay Interest on the unpaid principal amount of each Advance for the period commencing on and including the Funding Date of such Advance until but excluding the date that such Advance shall be paid in full. Interest shall accrue during each Settlement Period and be payable on the Advances Outstanding on each Payment Date, unless earlier paid pursuant to (i) a prepayment in accordance with Section 2.3(b) or (ii) a repayment in accordance with Section 2.4(b).

(b) Interest Rates shall be determined by the Administrative Agent in accordance with the definitions thereof, and the Administrative Agent shall advise the Servicer, on behalf of the Borrower, of each calculation thereof.

~~(c) If any Managing Agent, on behalf of the applicable Lenders, shall notify the Administrative Agent that a Eurodollar Disruption Event as described in clause (a) of the definition of "Eurodollar Disruption Event" has occurred, and provided that such event is not a Benchmark Transition Event, the Administrative Agent shall in turn so notify the Borrower, whereupon all Advances in respect of which Interest accrues at the LIBO Rate plus the Applicable Margin shall immediately be converted into Advances in respect of which Interest accrues at the Base Rate plus the Applicable Margin.~~

(c) Subject to Section 2.18, if (A) the Administrative Agent determines (which determination shall be conclusive and binding absent manifest error) that the Adjusted Term SOFR Rate cannot be determined pursuant to the definition thereof or (B) the Required Lenders determine that for any reason in connection with any request for a borrowing of a SOFR Advance (or a conversion thereto or a continuation thereof) that the Adjusted Term SOFR Rate for the applicable Settlement Period with respect to a proposed Advance does not adequately and fairly reflect the cost to such Lenders of funding such Advance, and the Required Lenders have provided notice of such determination to the Administrative Agent, in each case of (A) and (B), on or prior to the first day of any Settlement Period, the Administrative Agent will promptly so notify the Borrower and each Lender. Upon notice thereof by the Administrative Agent to the Borrower, any obligation of the Lenders to make or continue Advances bearing interest at a rate based upon the Adjusted Term SOFR Rate shall be suspended (to the extent of the affected Settlement Periods) until the Administrative Agent revokes such notice.

(d) Anything in this Agreement or the other Transaction Documents to the contrary notwithstanding, if at any time the rate of interest payable by any Person under this Agreement and the Transaction Documents exceeds the highest rate of interest permissible under Applicable Law (the "Maximum Lawful Rate"), then, so long as the Maximum Lawful Rate would be exceeded, the rate of interest under this Agreement and the Transaction Documents shall be equal to the Maximum Lawful Rate. If at any time thereafter the rate of interest payable under this Agreement and the Transaction Documents is less than the Maximum Lawful Rate, such Person shall continue to pay interest under this Agreement and the Transaction Documents at the Maximum Lawful Rate until such time as the total interest received from such Person is equal to the total interest that would have been received had Applicable Law not limited the interest rate payable under this Agreement and the Transaction Documents. In no event shall the total interest received by a Lender under this Agreement and the Transaction Documents exceed the amount that such Lender could lawfully have received, had the interest due under this Agreement and the Transaction Documents been calculated since the Restatement Date at the Maximum Lawful Rate.

Section 2.7 Fees.

(a) The Borrower shall pay to the Administrative Agent from the Collection Account on each Payment Date, monthly in arrears in accordance with Section 2.8, the Unused Fee; and, from and after the Revolver Loan Funding Date, the Revolver Loan Funding Fee.

(b) The Borrower shall pay to the Servicer from the Collection Account on each Payment Date, monthly in arrears in accordance with Section 2.8, the Servicing Fee.

(c) The Backup Servicer shall be entitled to receive from the Collection Account on each Payment Date, monthly in arrears in accordance with Section 2.8, the Backup Servicing Fee.

(d) The Collateral Custodian shall be entitled to receive from the Collection Account on each Payment Date, monthly in arrears in accordance with Section 2.8, the Collateral Custodian Fee.

Section 2.8 Settlement Procedures.

On each Payment Date, the Servicer on behalf of the Borrower shall pay for receipt by the applicable Lender no later than 11:00 a.m. (New York City time) to the following Persons, from (i) the Collection Account, to the extent of available funds, (ii) Servicer Advances, and (iii) amounts received in respect of any Hedge Agreement during such Settlement Period (the sum of such amounts described in clauses (i), (ii) and (iii), minus any amounts required to be deposited to the Revolver Loan Funding Accounts in accordance with Section 2.14 below being the "Available Collections") the following amounts in the following order of priority:

(a) During the Revolving Period, and in each case unless otherwise specified below, applying Interest Collections first, and then Principal Collections:

(i) FIRST, to the Borrower, the aggregate amount of fees (including up-front, continuing or success fees) received in respect of the Transferred Loans;

(ii) SECOND, to each Hedge Counterparty, any amounts owing that Hedge Counterparty under its respective Hedging Agreement in respect of any Hedge Transaction(s), for the payment thereof, but excluding, to the extent the Hedge Counterparty is not the same Person as the Administrative Agent, any Swap Breakage and Indemnity Amounts;

(iii) THIRD, to the Servicer, in an amount equal to any Unreimbursed Servicer Advances, for the payment thereof;

(iv) FOURTH, to the extent not paid by the Servicer, to the Backup Servicer and any Successor Servicer, as applicable, in an amount equal to any accrued and unpaid Backup Servicing Fee and, if any, accrued and unpaid Transition Costs, Backup Servicer Expenses and Market Servicing Fee Differential, each for the payment thereof;

(v) FIFTH, to the extent not paid by the Servicer, to the Collateral Custodian in an amount equal to any accrued and unpaid Collateral Custodian Fee and Collateral Custodian Expenses, if any, for the payment thereof;

(vi) SIXTH, to the Servicer, in an amount equal to (A) if the Servicer is Gladstone Management Corporation or any of its Affiliates, its accrued and unpaid Servicing Fees to the end of the preceding Settlement Period, up to the Servicing Fee Limit Amount for such Settlement Period, for the payment thereof and (B) otherwise, its

accrued and unpaid Servicing Fees to the end of the preceding Settlement Period for the payment thereof;

(vii) SEVENTH, to the Administrative Agent for payment to each Managing Agent, on behalf of the related Lenders, in an amount equal to any accrued and unpaid Interest and Unused Fee for such Payment Date;

(viii) EIGHTH, first, to the extent of available Principal Collections, and second, to the extent of available Interest Collections, to the Administrative Agent for payment to each Managing Agent, on behalf of the related Lenders, an amount equal to the excess, if any, of Advances Outstanding over the lesser of (i) the Borrowing Base or (ii) the Facility Amount, together with the amount of Breakage Costs incurred by the applicable Lenders in connection with any such payment (as such Breakage Costs are notified to the Borrower by the applicable Lender(s)), pro rata; provided, however, that to the extent that (i) the Termination Date has not occurred and (ii) Advances Outstanding exceed the Facility Amount due to one or more Lenders becoming Non-Renewing Lenders, to each Managing Agent on behalf of such Non-Renewing Lenders only, pro rata in accordance with their Advances Outstanding;

(ix) NINTH, to each Hedge Counterparty, any Swap Breakage and Indemnity Amounts owing that Hedge Counterparty;

(x) TENTH, to the Administrative Agent for payment to each Managing Agent, on behalf of the related Lenders, in the amount of unpaid Breakage Costs (other than Breakage Costs covered in clause (vii) above) with respect to any prepayments made on such Payment Date Increased Costs, and/or Taxes (if any);

(xi) ELEVENTH, to the Swingline Lender, for the portion of the Obligations constituting unpaid principal of the Swing Advances;

(xii) TWELFTH, to the Administrative Agent, all other amounts or Obligations then due under this Agreement or the other Transaction Documents (other than the Performance Guaranty) to the Administrative Agent, the Lenders, the Affected Parties or Indemnified Parties, each for the payment thereof;

(xiii) THIRTEENTH, to the Servicer, in an amount equal to its accrued and unpaid Servicing Fees to the end of the preceding Settlement Period not otherwise paid pursuant to priority SIXTH above; and

(xiv) FOURTEENTH, all remaining amounts to the Borrower.

(b) During the Amortization Period, to the extent of available Interest Collections:

(i) FIRST, unless an Early Termination Event shall have occurred and be continuing, to the Borrower, the aggregate amount of fees (including up-front, continuing or success fees) received in respect of the Transferred Loans;

(ii) SECOND, to each Hedge Counterparty, any amounts owing that Hedge Counterparty under its respective Hedging Agreement in respect of any Hedge Transaction(s), for the payment thereof, but excluding, to the extent the Hedge Counterparty is not the same Person as the Administrative Agent, any Swap Breakage and Indemnity Amounts;

(iii) THIRD, to the Servicer, in an amount equal to any Unreimbursed Servicer Advances, for the payment thereof;

(iv) FOURTH, to the extent not paid by the Servicer, to the Backup Servicer and any Successor Servicer, as applicable, in an amount equal to any accrued and unpaid Backup Servicing Fee and, if any, accrued and unpaid Transition Costs, Backup Servicer Expenses and Market Servicing Fee Differential, each for the payment thereof;

(v) FIFTH, to the extent not paid by the Servicer, to the Collateral Custodian in an amount equal to any accrued and unpaid Collateral Custodian Fee and Collateral Custodian Expenses, if any, for the payment thereof;

(vi) SIXTH, to the Servicer, in an amount equal to (A) if the Servicer is Gladstone Management Corporation or any of its Affiliates, its accrued and unpaid Servicing Fees to the end of the preceding Settlement Period, up to the Servicing Fee Limit Amount for such Settlement Period, for the payment thereof and (B) otherwise, its accrued and unpaid Servicing Fees to the end of the preceding Settlement Period for the payment thereof;

(vii) SEVENTH, to the Administrative Agent for payment to each Managing Agent, on behalf of the related Lenders, in an amount equal to any accrued and unpaid Interest, Unused Fee and Revolver Loan Funding Fee for such Payment Date;

(viii) EIGHTH, to the Administrative Agent for payment to each Managing Agent, on behalf of the related Lenders, an amount equal to the excess, if any, of Advances Outstanding over the lesser of (i) the Borrowing Base or (ii) the Facility Amount, together with the amount of Breakage Costs incurred by the applicable Lenders in connection with any such payment (as such Breakage Costs are notified to the Borrower by the applicable Lender(s)), pro rata;

(ix) NINTH, all remaining amounts shall be distributed to the Borrower, provided, however, that if an Early Termination Event has occurred and is continuing, all remaining amounts shall be applied as Principal Collections in accordance with clause (c) below.

(c) During the Amortization Period, to the extent of available Principal Collections:

(i) FIRST, to the parties listed above, any amount remaining unpaid pursuant to clauses FIRST through EIGHTH under clause (b) above, in accordance with the priority set forth thereunder;

(ii) SECOND, following the occurrence of the Termination Date, to the Swingline Lender, for the portion of the Obligations constituting unpaid principal of the Swing Advances in an amount to reduce the outstanding Swing Advances to zero;

(iii) THIRD, following the occurrence of the Termination Date, to the Administrative Agent for ratable payment to each Managing Agent, on behalf of the related Lenders, in an amount to reduce Advances Outstanding to zero and to pay any other Obligations in full;

(iv) FOURTH, to each Hedge Counterparty, any Swap Breakage and Indemnity Amounts owing that Hedge Counterparty;

(v) FIFTH, to the Administrative Agent for payment to each Managing Agent, on behalf of the related Lenders, in the amount of unpaid Breakage Costs (other than Breakage Costs covered in clause (b) above) with respect to any prepayments made on such Payment Date, Increased Costs and/or Taxes (if any);

(vi) SIXTH, to the Administrative Agent, all other amounts or Obligations then due under this Agreement or the other Transaction Documents (other than the Performance Guaranty) to the Administrative Agent, the Lenders, the Affected Parties or Indemnified Parties, each for the payment thereof;

(vii) SEVENTH, to the Servicer, if the Servicer is Gladstone Management Corporation or any of its Affiliates, its accrued and unpaid Servicing Fees to the end of the preceding Settlement Period not otherwise paid pursuant to clause SIXTH of subsection (b) above; and

(viii) EIGHTH, all remaining amounts to the Borrower.

Section 2.9 Collections and Allocations.

(a) The Borrower or the Servicer on behalf of the Borrower shall promptly (but in no event later than two (2) Business Days after the receipt thereof) identify any Collections received by it as being on account of Interest Collections or Principal Collections and deposit all such Interest Collections or Principal Collections received directly by it into the Collection Account. The Servicer on behalf of the Borrower shall make such deposits or payments on the date indicated by wire transfer, in immediately available funds.

(b) Until the occurrence of an Early Termination Event, to the extent there are uninvested amounts deposited in the Collection Account, all amounts shall be invested in Permitted Investments selected by the Servicer on behalf of the Borrower that mature no later than the Business Day immediately preceding the next Payment Date; from and after (i) the occurrence of an Early Termination Event or (ii) the appointment of a Successor Servicer, to the extent there are uninvested amounts deposited in the Collection Account, all amounts may be invested in Permitted Investments selected by the Administrative Agent that mature no later than the next Business Day. Any earnings (and losses) thereon shall be for the account of the Servicer on behalf of the Borrower.

Section 2.10 Payments, Computations, Etc.

(a) Unless otherwise expressly provided herein, all amounts to be paid or deposited by the Borrower or the Servicer on behalf of the Borrower hereunder shall be paid or deposited in accordance with the terms hereof no later than 10:00 a.m. (New York City time) on the day when due in lawful money of the United States in immediately available funds to the Agent's Account. The Borrower shall, to the extent permitted by law, pay to the Secured Parties interest on all amounts not paid or deposited when due hereunder at a rate of interest equal to 2.0% per annum above the Base Rate plus the Applicable Margin, payable on demand; provided, however, that such interest rate shall not at any time exceed the Maximum Lawful Rate. All computations of interest and all computations of the Interest Rate and other fees hereunder shall be made on the basis of a year of 360 days for the actual number of days (including the first but excluding the last day) elapsed.

(b) Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of Interest, other interest or any fee payable hereunder, as the case may be.

(c) All payments hereunder shall be made without set-off or counterclaim and in such amounts as may be necessary in order that all such payments shall not be less than the amounts otherwise specified to be paid under this Agreement (after withholding for or on account of any Taxes).

Section 2.11 Breakage Costs.

The Borrower shall pay to the Administrative Agent for the account of the applicable Managing Agent, on behalf of the related Lenders, upon the request of any Managing Agent, any Lender or the Administrative Agent on each Payment Date on which a prepayment is made, such amount or amounts as shall, without duplication, compensate the Lenders for any loss, cost or expense (including, without limitation, any loss, cost, expense or liability incurred by reason of the liquidation or reemployment of deposits or other funds required by such Lender to fund its SOFR Advances) (the "Breakage Costs") incurred by the Lenders (as reasonably determined by the applicable Lender) as a result of any prepayment of an Advance (and interest thereon) arising under this Agreement. The determination by any Managing Agent, on behalf of the related Lenders, of the amount of any such loss or expense shall be set forth in a written notice to the Borrower delivered by the applicable Lender prior to the date of such prepayment in the case where notice of such prepayment is delivered to such Lender in accordance with Section 2.3(b) or within two (2) Business Days following such prepayment in the case where no such notice is delivered (in which case, Breakage Costs shall include interest thereon from the date of such prepayment) and shall be conclusive absent manifest error.

Section 2.12 Increased Costs; Capital Adequacy; Illegality.

(a) If after the date hereof, any Managing Agent, Lender or any Affiliate thereof (each of which, an "Affected Party") shall be charged any fee, expense or increased cost on account of the adoption of any applicable law, rule or regulation (including any applicable law, rule or

regulation regarding capital adequacy or liquidity), any accounting principles or any change in any of the foregoing, or any change in the interpretation or administration thereof by any governmental authority, the Financial Accounting Standards Board, any central bank or any comparable agency charged with the interpretation or administration thereof, or compliance with any request or directive (whether or not having the force of law) of any such authority or agency (as clarified by the last sentence of this Section 2.12(a) below, a "Regulatory Change") or other circumstances affecting the availability of Term SOFR: (i) that subjects any Affected Party to any charge or withholding on or with respect to any Transaction Document or an Affected Party's obligations under a Transaction Document, or on or with respect to the Advances, or changes the basis of taxation of payments to any Affected Party of any amounts payable under any Transaction Document (except for changes in the rate of tax on the overall net income of an Affected Party or taxes excluded by Section 2.13) or (ii) that imposes, modifies or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of an Affected Party, or credit extended by an Affected Party pursuant to a Transaction Document or (iii) that imposes any other condition the result of which is to increase the cost to an Affected Party of performing its obligations under a Transaction Document, or to reduce the rate of return on an Affected Party's capital as a consequence of its obligations under a Transaction Document, or to reduce the amount of any sum received or receivable by an Affected Party under a Transaction Document or to require any payment calculated by reference to the amount of interests or loans held or interest received by it, then, upon demand by the applicable Managing Agent, Borrower shall pay to the Administrative Agent, for payment to the applicable Managing Agent for the benefit of the relevant Affected Party, such amounts charged to such Affected Party or such amounts to otherwise compensate such Affected Party for such increased cost or such reduction. For avoidance of doubt, "Regulatory Change" shall include the compliance, whether commenced prior to or after the date hereof, by any Affected Party with the requirements of (i) the final rule titled Risk-Based Capital Guidelines; Capital Adequacy Guidelines; Capital Maintenance: Regulatory Capital; Impact of Modifications to Generally Accepted Accounting Principles; Consolidation of Asset-Backed Commercial Paper Programs; and Other Related Issues, adopted by the United States bank regulatory agencies on December 15, 2009, or any rules, regulations, guidance, interpretations or directives promulgated or issued in connection therewith by such agency (whether or not having force of law), (ii) the Dodd-Frank Wall Street Reform and Consumer Protection Act adopted by Congress on July 21, 2010, or any existing or future rules, regulations, guidance, interpretations or directives from the United States bank regulatory agencies relating thereto (whether or not having the force of law), and (iii) the July 1988 paper or the June 2006 paper prepared by the Basel Committee on Banking Supervision as set out in the publication entitled: "International Convergence of Capital Measurements and Capital Standards: a Revised Framework", as updated from time to time, or any rules, regulations, guidance, interpretations or directives promulgated or issued in connection therewith by the United States bank regulatory agencies (whether or not having force of law) or any other request, rule, guideline or directive promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel II or Basel III.

(b) If as a result of any event or circumstance similar to those described in clause (a) of this Section 2.12, an Affected Party is required to compensate a bank or other financial institution providing liquidity support, credit enhancement or other similar support or financing

institution providing liquidity support, credit enhancement or other similar support or financing

to such Affected Party in connection with this Agreement or the funding or maintenance of Advances hereunder, then within ten (10) days after demand by such Affected Party, the Borrower shall pay to such Affected Party such additional amount or amounts as may be necessary to reimburse such Affected Party for any such amounts paid by it.

(c) In determining any amount provided for in this section, the Affected Party may use any reasonable averaging and attribution methods. Any Affected Party making a claim under this section shall submit to the Borrower a certificate as to such additional or increased cost or reduction, which certificate shall be subject to Section 12.12(a) and shall calculate in reasonable detail any such charges and shall be conclusive absent demonstrable error; provided, however.

Section 2.13 Taxes.

(a) All payments made by the Borrower in respect of any Advance and all payments made by the Borrower under this Agreement will be made free and clear of and without deduction or withholding for or on account of any Taxes, unless such withholding or deduction is required by law. In such event, the Borrower shall pay to the appropriate taxing authority any such Taxes required to be deducted or withheld and the amount payable to each Lender or the Administrative Agent (as the case may be) will be increased (such increase, the "Additional Amount") such that every net payment made under this Agreement after deduction or withholding for or on account of any Taxes (including, without limitation, any Taxes on such increase) is not less than the amount that would have been paid had no such deduction or withholding been deducted or withheld. The foregoing obligation to pay Additional Amounts, however, will not apply with respect to, and the term "Additional Amount" shall be deemed not to include net income or franchise taxes imposed on a Lender, any Managing Agent or the Administrative Agent, respectively, with respect to payments required to be made by the Borrower or Servicer on behalf of the Borrower under this Agreement, by a taxing jurisdiction in which such Lender, such Managing Agent or the Administrative Agent is organized, conducts business or is paying taxes as of the Restatement Date (as the case may be). If a Lender, any Managing Agent or the Administrative Agent pays any Taxes in respect of which the Borrower is obligated to pay Additional Amounts under this Section 2.13(a), the Borrower shall promptly reimburse such Lender or Administrative Agent in full.

(b) The Borrower will indemnify each Lender, each Managing Agent and the Administrative Agent for the full amount of Taxes in respect of which the Borrower is required to pay Additional Amounts (including, without limitation, any Taxes imposed by any jurisdiction on such Additional Amounts) paid by such Lender, Managing Agent or the Administrative Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto; provided, however, that such Lender, Managing Agent or the Administrative Agent, as appropriate, making a demand for indemnity payment, shall provide the Borrower, at its address set forth under its name on the signature pages hereof, with a certificate from the relevant taxing authority or from a Responsible Officer of such Lender, Managing Agent or the Administrative Agent stating or otherwise evidencing that such Lender, Managing Agent or the Administrative Agent has made payment of such Taxes and will provide a copy of or extract from documentation, if available, furnished by such taxing authority evidencing assertion or payment of such Taxes. This indemnification shall be made within ten (10) days

from the date such Lender, Managing Agent or the Administrative Agent (as the case may be) makes written demand therefor.

(c) Within thirty (30) days after the date of any payment by the Borrower of any Taxes, the Borrower will furnish to the Administrative Agent, the Managing Agent or the Lender, as applicable, at its address set forth under its name on the signature pages hereof, appropriate evidence of payment thereof.

(d) If a Lender is not created or organized under the laws of the United States or a political subdivision thereof, such Lender shall, to the extent that it may then do so under Applicable Laws, deliver to the Borrower with a copy to the Administrative Agent (i) within fifteen (15) days after the date hereof, or, if later, the date on which such Lender becomes a Lender hereof two (or such other number as may from time to time be prescribed by Applicable Laws) duly completed copies of IRS Form W-8EC1 or Form W-8BEN or any successor forms or other certificates or statements that may be required from time to time by the relevant United States taxing authorities or Applicable Laws), as appropriate, to permit the Borrower to make payments hereunder for the account of such Lender, as the case may be, without deduction or withholding of United States federal income or similar Taxes and (ii) upon the obsolescence of or after the occurrence of any event requiring a change in, any form or certificate previously delivered pursuant to this Section 2.13(d), two copies (or such other number as may from time to time be prescribed by Applicable Laws) of such additional, amended or successor forms, certificates or statements as may be required under Applicable Laws to permit the Borrower to make payments hereunder for the account of such Lender, without deduction or withholding of United States federal income or similar Taxes.

(e) For any period with respect to which a Lender has failed to provide the Borrower with the appropriate form, certificate or statement described in clause (d) of this section (other than if such failure is due to a change in law occurring after the date of this Agreement), such Lender, as the case may be, shall not be entitled to indemnification under clauses (a) or (b) of this section with respect to any Taxes.

(f) Within thirty (30) days of the written request of the Borrower therefor, the Administrative Agent, the Managing Agent or the Lender, as appropriate, shall execute and deliver to the Borrower such certificates, forms or other documents that can be furnished consistent with the facts and that are reasonably necessary to assist the Borrower in applying for refunds of Taxes remitted hereunder; provided, however, that the Administrative Agent, the Managing Agent and the Lender shall not be required to deliver such certificates forms or other documents if in their respective sole discretion it is determined that the delivery of such certificate, form or other document would have a material adverse effect on the Administrative Agent, the Managing Agent or the Lender and provided further, however, that the Borrower shall reimburse the Administrative Agent, the Managing Agent or the Lender for any reasonable expenses incurred in the delivery of such certificate, form or other document.

(g) If, in connection with an agreement or other document providing liquidity support, credit enhancement or other similar support or financing to the Lenders in connection with this Agreement or the funding or maintenance of Advances hereunder, the Lenders are required to compensate a bank or other financial institution in respect of Taxes under

circumstances similar to those described in this section then within ten (10) days after demand by the Lenders, the Borrower shall pay to the Lenders such additional amount or amounts as may be necessary to reimburse the Lenders for any amounts paid by them.

Section 2.14 Revolver Loan Funding.

(a) Upon the occurrence of a Revolver Loan Funding Date, each Lender shall make an advance (each, a "Revolver Loan Funding") in an amount equal to such Lender's ratable share of the aggregate outstanding unfunded commitments under the Revolver Loans. Upon receipt of the proceeds of such Revolver Loan Funding, the Administrative Agent shall deposit such funds into segregated accounts (each, a "Revolver Loan Funding Account"), in its name, referencing the name of such Lender, and maintained at a Qualified Institution. Each Lender hereby grants to the Administrative Agent full power and authority, on its behalf, to withdraw funds from the applicable Revolver Loan Funding Account at the time of, and in connection with, the funding of any Post-Termination Revolver Loan Advances to be made to the Borrower, and to deposit to the related Revolver Loan Funding Account any funds received in respect of each relevant Lender's ratable share of principal payments under Section 2.8 hereof, all in accordance with the terms of and for the purposes set forth in this Agreement. The deposit of monies in such Revolver Loan Funding Account by any Lender shall not constitute an Advance (and such Lender shall not be entitled to interest on such monies except as provided in clause (d) below) unless and until (and then only to the extent that) such monies are used to make Post-Termination Revolver Loan Advances pursuant to the first sentence of clause (b) below. On each Payment Date from and after the Revolver Loan Funding Date, the Borrower shall pay the Administrative Agent, for the benefit of the Lenders, a fee (the "Revolver Loan Funding Fee") equal to the sum of (i) the ~~LIBO~~Adjusted Term SOFR Rate for such Settlement Period plus (ii) 3.0%, multiplied by the weighted average amount on deposit in the Revolver Loan Funding Accounts during the applicable Settlement Period, calculated on the basis of a year of 360 days for the actual number of days elapsed.

(b) From and after the establishment of a Revolver Loan Funding Account with respect to any Lender, and until the earlier of (i) the reduction to zero of all outstanding commitments in respect of Revolver Loans and (ii) one year following the Revolver Loan Funding Date, all Post-Termination Revolver Loan Advances to be made by such Lender hereunder shall be made by withdrawing funds from the applicable Revolver Loan Funding Account. On each Business Day during such time, the Administrative Agent shall, (i) if a Revolver Loan Funding Account Shortfall exists, deposit the lesser of (A) the amount allocable to the repayment of principal to the Lenders and (B) the Revolver Loan Funding Account Shortfall and (ii) if a Revolver Loan Funding Account Surplus exists, pay to the applicable Managing Agent, on behalf of each Lender, such Lender's ratable share of the Revolver Loan Funding Account Surplus. Until the earlier of (i) the reduction to zero of all outstanding commitments in respect of Revolver Loans and (ii) one year following the Revolver Loan Funding Date, all remaining funds then held in such Revolver Loan Funding Account (after giving effect to any Post-Termination Revolver Loan Advances to be made on such date) shall be paid by the Administrative Agent to the applicable Managing Agent, on behalf of such Lender, and thereafter all payments made in respect of the Loans (whether or not originally funded from such Lender's Revolver Loan Funding Account) shall be paid directly to the

applicable Managing Agent, on behalf of such Lender, in accordance with the terms of Section 2.8.

(c) The Administrative Agent may, its sole discretion, advance funds withdrawn from the Revolver Loan Funding Accounts to (i) the Borrower or (ii) the applicable Obligor directly, on behalf of the Borrower, and in either case, such funds shall be used solely for the purpose of funding advances requested by an Obligor under a Revolver Loan.

(d) Proceeds in a Revolver Loan Funding Account shall be invested, at the written direction of the applicable Lender (or the applicable Managing Agent on its behalf) to the applicable Revolver Loan Funding Account bank, only in investments which constitute Permitted Investments. The investment earnings with respect to a Revolver Loan Funding Account shall accrue as the Lender and Revolver Loan Funding Account bank shall agree. The Administrative Agent shall direct the Revolver Loan Funding Account bank to pay all such investment earnings from the relevant account directly to the applicable Managing Agent, for the account of the applicable Lender.

(e) Notwithstanding anything herein to the contrary, none of the Administrative Agent, the other Managing Agents, the other Purchasers nor the Revolver Loan Funding Account bank shall have any liability for any loss arising from any investment or reinvestment made by it with respect to a Revolver Loan Funding Account in accordance with, and pursuant to, the provisions hereof.

Section 2.15 Replacement of Lenders.

If (a) any Lender requests compensation under Section 2.12 or reimbursement under Section 2.13, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.12 or under Section 2.13, or (b) any Lender is a Defaulting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions set forth in Section 11.1(b)), all of its interests, rights (other than its existing rights to payments pursuant to Section 2.12 or reimbursement under Section 2.13) and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender) (a "Replacement Lender"); provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent, which consent shall not be unreasonably withheld, conditioned or delayed, (ii) such Lender shall have received payment of an amount equal to the outstanding principal amount of the portion of the Loan owed to it, accrued interest thereon, accrued fees and all other amounts payable to it hereunder from the assignee (in the case of such outstanding principal and accrued interest) and from the Borrower (in the case of all other amounts), and (iii) in the case of a requirement by Borrower to replace a Lender based on such Lender's claim for compensation under Section 2.12 or reimbursement under Section 2.13, the resulting assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

Section 2.16 Discretionary Sales of Loans.

On any Discretionary Sale Settlement Date, the Borrower shall have the right to prepay all or a portion of the Advances Outstanding in connection with the sale and assignment by the Borrower of, and the release of the Lien by the Administrative Agent over, one or more Transferred Loans, in whole but not in part (and expressly excluding any sale of a Transferred Loan from the Borrower to the Originator required under the Purchase Agreement) (a "Discretionary Sale"), subject to the following terms and conditions and subject to the other restrictions contained herein:

(a) any Discretionary Sale shall be made by the Borrower in a transaction (A) arranged by the Servicer (or, if a Successor Servicer shall have been appointed pursuant to Section 7.19, arranged by the Borrower with the approval of the Administrative Agent) in accordance with the customary management practices of prudent institutions which manage financial assets similar to the Transferred Loans for their own account or for the account of others, (B) reflecting arm's-length market terms, (C) in which the Borrower makes no representations, warranties or covenants and provides no indemnification for the benefit of any other party to the Discretionary Sale (other than any representations, warranties or covenants relating to the Borrower's ownership of or clean title to the Transferred Loans that are the subject of the Discretionary Sale that are standard and customary in connection with such a sale or for which the Originator has agreed to fully indemnify the Borrower), (D) of which the Administrative Agent and the Required Lenders shall have received two (2) Business Days' (or such shorter period as the Required Lenders shall consent to) written notice (such notice, a "Discretionary Sale Notice") which notice shall provide a description of the terms of the Discretionary Sale, and (E) if occurring after the Termination Date, which the Required Lenders shall have approved in writing (which approval shall not be unreasonably withheld or delayed);

(b) after giving effect to the Discretionary Sale on the related Discretionary Sale Trade Date and the payment of funds from the sale into the Collection Account required under Section 2.16(d), (A) all representations and warranties of the Borrower contained in Section 4.1 shall be true and correct as of the Discretionary Sale Trade Date, (B) neither a Early Termination Event nor Unmatured Termination Event shall have occurred and be continuing, (C) the Borrowing Base Test shall have been satisfied, and, if such Discretionary Sale Trade Date takes place during the Amortization Period, following the application of the funds described in clause (d) below, the ratio of the Borrowing Base to the Drawn Amount shall have been improved, (D) the Collateral Quality Test shall have been satisfied, and, if such Discretionary Sale Trade Date takes place during the Amortization Period, the Collateral Quality Test shall have been improved and (E) the Required Equity Investment shall be maintained;

(c) on the Discretionary Sale Trade Date, the Borrower and the Servicer shall be deemed to have represented and warranted that the requirements of Section 2.16(b) shall have been satisfied as of the related Discretionary Sale Trade Date after giving effect to the contemplated Discretionary Sale; and

(d) on the related Discretionary Sale Settlement Date, the Administrative Agent shall have received into the Collection Account, in immediately available funds, an amount (i) other than as described in clause (ii) below, equal to the sum of (A) the portion of the Advances

Outstanding to be prepaid so that the requirements of Section 2.16(b) shall have been satisfied as of such Discretionary Sale Settlement Date plus (B) an amount equal to all unpaid Interest attributable to that portion of the Advances Outstanding to be paid in connection with the Discretionary Sale plus (C) any Breakage Costs owed in connection with the payment and (ii) in the case of a sale of (x) Defaulted Loans or Charged-Off Loans in accordance with Section 7.7, or (y) any Transferred Loans following the end of the Revolving Period, equal to the proceeds of such Discretionary Sale.

In connection with any Discretionary Sale, following receipt by the Administrative Agent of the amounts referred to in Section 2.16(d) above (receipt of which shall be confirmed to the Administrative Agent), there shall be released to the Borrower (for further sale to a purchaser) without recourse, representation or warranty of any kind all of the right, title and interest of the Administrative Agent and the Secured Parties in, to and under the portion of the Collateral subject to such Discretionary Sale and such portion of the Collateral so released shall be released from any Lien and the Loan Documents (subject to the requirements set forth above in this Section 2.16).

In connection with any Discretionary Sale, on the related Discretionary Sale Settlement Date, the Administrative Agent on behalf of the Secured Parties shall (i) execute such instruments of release with respect to the portion of the Collateral to be released to the Borrower, in recordable form if necessary, in favor of the Borrower as the Servicer on behalf of the Borrower may reasonably request, (ii) deliver any portion of the Collateral to be released to the Borrower in its possession to the Borrower and (iii) otherwise take such actions, as are determined by the Borrower or Servicer to be reasonably necessary and appropriate to release the Lien on the portion of the Collateral to be released to the Borrower and release and deliver to the Borrower such portion of the Collateral to be released to the Borrower.

Section 2.17 Acknowledgement and Consent to Bail-In of EEA Financial Institutions.

Notwithstanding anything to the contrary in any Transaction Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Transaction Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or

a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Transaction Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

Section 2.18 Benchmark Replacement Setting.

Notwithstanding anything to the contrary herein or in any other Transaction Document:

(a) Benchmark Replacement. Notwithstanding anything to the contrary herein or in any other Transaction Document, upon the occurrence of a Benchmark Transition Event, this Agreement may be amended to replace the Term SOFR Reference Rate or the then-current Benchmark with a Benchmark Replacement by a written document executed by the Borrower, the Required Lenders and the Administrative Agent, subject to the requirements of this Section 2.18. No replacement of the Adjusted Term SOFR Rate with a Benchmark Replacement pursuant to this Section 2.18 will occur prior to the applicable Benchmark Transition Start Date.

(a) Replacing USD LIBOR. On March 5, 2021, the Financial Conduct Authority ("FCA"), the regulatory supervisor of USD LIBOR's administrator ("IBA"), announced in a public statement the future cessation or loss of representativeness of overnight/Spot Next, 1-month, 3-month, 6-month and 12-month USD LIBOR tenor settings. On the earliest of (i) July 1, 2023, (ii) the date that all Available Tenors of USD LIBOR have either permanently or indefinitely ceased to be provided by IBA or have been announced by the FCA pursuant to public statement or publication of information to be no longer representative and (iii) the Early Opt-in Effective Date, if the then-current Benchmark is USD LIBOR, the Benchmark Replacement will replace such Benchmark for all purposes hereunder and under any Transaction Document in respect of any setting of such Benchmark on such day and all subsequent settings without any amendment to, or further action by or consent of any other party to, this Agreement or any other Transaction Document. If the Benchmark Replacement is Daily Simple SOFR, all interest payments will be payable on a monthly basis.

(b) Replacing Future Benchmarks. If any Benchmark Transition Event occurs after the date hereof (other than as described above with respect to USD LIBOR), the then-current Benchmark will be replaced with the Benchmark Replacement for all purposes hereunder and under any Transaction Document in respect of any Benchmark setting on the later of (i) as of 5:00 p.m. (New York City time) on the fifth (5th) Business Day after the date notice of such Benchmark Replacement is provided to the Managing Agents, the Lenders and the Borrower or (ii) such other date as may be determined by the Administrative Agent, in each case, without any further action or consent of any other party to this Agreement or any other Transaction Document, so long as the Administrative Agent has not received, by such time (or, in the case of clause (ii) above, such time as may be specified by the Administrative Agent as a deadline to receive objections, but in any case, no less than five (5) Business Days after the date such notice is provided to the Lenders and the Borrower), written notice of objection to such Benchmark Replacement from Lenders (or Managing Agents on their behalf) comprising the Required Lenders. At any time that the administrator of the then-current Benchmark has permanently or

~~indefinitely ceased to provide such Benchmark or such Benchmark has been announced by the regulatory supervisor for the administrator of such Benchmark pursuant to public statement or publication of information to be no longer representative of the underlying market and economic reality that such Benchmark is intended to measure and that representativeness will not be restored, the Borrower may revoke any request for a borrowing of, conversion to or continuation of Loans to be made, converted or continued that would bear interest by reference to such Benchmark until the Borrower's receipt of notice from the Administrative Agent that a Benchmark Replacement has replaced such Benchmark, and, failing that, the Borrower will be deemed to have converted any such request into a request for a borrowing of or conversion to Advances bearing interest at the Interest Rate based on the Base Rate. During the period referenced in the foregoing sentence, the components of Base Rate and Interest Rate based upon the Benchmark will not be used in any determination of Base Rate or Interest Rate.~~

(b) ~~(c)~~ Benchmark Replacement Conforming Changes. In connection with the ~~implementation and~~use, administration, adoption or implementation of a Benchmark Replacement ~~(whether in connection with the replacement of USD LIBOR or any future Benchmark)~~, the Administrative Agent will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Transaction Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of any other party to this Agreement or any other Transaction Document.

(c) ~~(d)~~ Notices; Standards for Decisions and Determinations. The Administrative Agent will promptly notify the Borrower and the Managing Agents and Lenders of (i) the implementation of any Benchmark Replacement and (ii) the effectiveness of any Benchmark Replacement Conforming Changes. Any determination, decision or election that may be made by the Administrative Agent pursuant to this Section 2.18 including, without limitation, any determination with respect to a tenor, rate or adjustment, or implementation of any Benchmark Replacement Conforming Changes, the timing of implementation of any Benchmark Replacement or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action, will be conclusive and binding on all parties hereto absent manifest error and may be made in its sole discretion and without consent from any other party to this Agreement or any other Transaction Document, except, in each case, as expressly required pursuant to this Section 2.18, and shall not be a basis of any claim of liability of any kind or nature by any party hereto, all such claims being hereby waived individually by each party hereto.

(d) ~~(e)~~ Unavailability of Tenor of Benchmark. ~~At~~Notwithstanding anything to the contrary herein or in any other Transaction Document, at any time (including in connection with the implementation of a Benchmark Replacement), (i) if ~~the~~any then-current Benchmark is a term rate (including the Term SOFR ~~or USD LIBOR), then the Administrative Agent may remove any tenor of such Benchmark that is unavailable or non-representative for such Benchmark (including any Benchmark Replacement) settings and (ii) if such tenor becomes available or representative, the Administrative Agent may reinstate any~~ Reference Rate) and either (A) any tenor for such Benchmark is not displayed on a screen or other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion or (B) the administrator of such Benchmark or the regulatory supervisor for

reasonable discretion or (B) the administrator of such Benchmark or the regulatory supervisor for

the administrator of such Benchmark has provided a public statement or publication of information announcing that any tenor for such Benchmark is not or will not be representative or in compliance with or aligned with the International Organization of Securities Commissions (IOSCO) Principles for Financial Benchmarks, then the Administrative Agent may modify the definition of "Settlement Period" (or any similar or analogous definition) for any Benchmark settings at or after such time to remove such unavailable, non-representative, non-compliant or non-aligned tenor and (ii) if a tenor that was removed pursuant to clause (i) above either (A) is subsequently displayed on a screen or information service for a Benchmark (including a Benchmark Replacement) or (B) is not, or is no longer, subject to an announcement that it is not or will not be representative or in compliance with or aligned with the International Organization of Securities Commissions (IOSCO) Principles for Financial Benchmarks for a Benchmark (including a Benchmark Replacement), then the Administrative Agent may modify the definition of "Settlement Period" (or any similar or analogous definition) for all Benchmark settings at or after such time to reinstate such previously removed tenor ~~for such Benchmark (including any Benchmark Replacement) settings~~.

(e) Benchmark Unavailability Period. Upon the Borrower's receipt of notice of the commencement of a Benchmark Unavailability Period, the Borrower may revoke any request for a SOFR Advance to be made, converted or continued during any Benchmark Unavailability Period and, failing that, the Borrower will be deemed to have converted any such request into a request for a borrowing of or conversion to a Base Rate Advance.

## ARTICLE III

## CONDITIONS OF EFFECTIVENESS AND ADVANCES

Section 3.1 Conditions to Restatement and Advances.

No Lender (including the Swingline Lender) shall be obligated to make any Advance hereunder from and after the Restatement Date, nor shall any Lender, the Administrative Agent or the Managing Agents be obligated to take, fulfill or perform any other action hereunder, until the following conditions have been satisfied, in the sole discretion of, or waived in writing by, the Managing Agents:

(a) This Agreement and all other Transaction Documents or counterparts hereof or thereof shall have been duly executed by, and delivered to, the parties hereto and thereto and the Administrative Agent shall have received such other documents, instruments, agreements and legal opinions as any Managing Agent shall reasonably request in connection with the transactions contemplated by this Agreement, on or prior to the Restatement Date, each in form and substance satisfactory to the Administrative Agent.

(b) Each Managing Agent shall be satisfied with the results of the due diligence review performed by it and each Lender shall have received all necessary internal approvals.

(c) The Borrower shall have paid all fees required to be paid by it on the Restatement Date, including all fees required hereunder and under the Fee Letters to be paid as of such date, and shall have reimbursed each Lender and the Administrative Agent for all fees, costs and

expenses related to the transactions contemplated hereunder and under the other Transaction Documents, including the legal and other document preparation costs incurred by any Lender and/or the Administrative Agent.

(d) The Required Equity Investment shall be maintained.

The Administrative Agent shall promptly notify each Lender of the satisfaction or waiver of the conditions set forth above.

Section 3.2 Additional Conditions Precedent to All Advances.

Each Advance shall be subject to the further conditions precedent that:

(a) On the related Funding Date, the Borrower or the Servicer, as the case may be, shall have certified in the related Borrower Notice that:

(i) The representations and warranties set forth in Sections 4.1 and 7.8 are true and correct in all material respects on and as of such date, before and after giving effect to such borrowing and to the application of the proceeds therefrom, as though made on and as of such date; and

(ii) No event has occurred, or would result from such Advance or from the application of the proceeds therefrom, that constitutes an Early Termination Event or an Unmatured Termination Event.

(b) The Termination Date shall not have occurred;

(c) Before and after giving effect to such borrowing and to the application of proceeds therefrom the Collateral Quality Test shall be satisfied, as calculated on such date;

(d) Before and after giving effect to such borrowing and to the application of proceeds therefrom the Borrowing Base Test shall be satisfied, as calculated on such date;

(e) No (i) claim has been asserted or proceeding commenced challenging enforceability or validity of any of the Transaction Documents or (ii) material claim has been asserted or proceeding commenced challenging enforceability or validity of any of the Loan Documents, in each case, excluding any instruments, certificates or other documents relating to Loans that were the subject of prior Advances;

(f) There shall have been no Material Adverse Change with respect to the Borrower or the Servicer since the preceding Advance;

(g) Such Advance shall not cause the aggregate amount of Advances Outstanding to increase by more than $40,000,000 during the 32-day period ending on the related Funding Date of such Advance; provided, that the foregoing amount set forth in this clause (g) may be increased (i) upon no less than thirty-two (32) days prior written notice from the Borrower to the Administrative Agent or (ii) by the Administrative Agent in its sole discretion; and

(h) The Servicer and Borrower shall have taken such other action, including delivery of approvals, consents, opinions, documents, and instruments to the Managing Agents as each may reasonably request.

## ARTICLE IV

## REPRESENTATIONS AND WARRANTIES

Section 4.1 Representations and Warranties of the Borrower.

The Borrower represents and warrants as follows:

(a) Organization and Good Standing. The Borrower is a Delaware limited liability company duly organized, validly existing, and in good standing under the laws of the jurisdiction of its formation, and has full power, authority and legal right to own or lease its properties and conduct its business as such business is presently conducted.

(b) Due Qualification. The Borrower is qualified to do business as a limited liability company, is in good standing, and has obtained all licenses and approvals as required under the laws of all jurisdictions in which the ownership or lease of its property and or the conduct of its business (other than the performance of its obligations hereunder) requires such qualification, standing, license or approval, except to the extent that the failure to so qualify, maintain such standing or be so licensed or approved would not have a material adverse effect on the interests of the Lenders. The Borrower is qualified to do business as a limited liability company, is in good standing, and has obtained all licenses and approvals as are required under the laws of all states in which the performance of its obligations pursuant to this Agreement requires such qualification, standing, license or approval and where the failure to qualify or obtain such license or approval would have a material adverse effect on its ability to perform hereunder.

(c) Due Authorization. The execution and delivery of this Agreement and each Transaction Document to which the Borrower is a party and the consummation of the transactions provided for herein and therein have been duly authorized by the Borrower by all necessary action on the part of the Borrower.

(d) No Conflict. The execution and delivery of this Agreement and each Transaction Document to which the Borrower is a party, the performance by the Borrower of the transactions contemplated hereby and thereby and the fulfillment of the terms hereof and thereof will not conflict with or result in any breach of any of the terms and provisions of, and will not constitute (with or without notice or lapse of time or both) a default under, the Borrower's limited liability company agreement or any material Contractual Obligation of the Borrower.

(e) No Violation. The execution and delivery of this Agreement and each Transaction Document to which the Borrower is a party, the performance of the transactions contemplated hereby and thereby and the fulfillment of the terms hereof and thereof will not conflict with or violate, in any material respect, any Applicable Law.

(f) No Proceedings. There are no proceedings or investigations pending or, to the best knowledge of the Borrower, threatened against the Borrower, before any Governmental

best knowledge of the Borrower, threatened against the Borrower, before any Governmental

Authority (i) asserting the invalidity of this Agreement or any Transaction Document to which the Borrower is a party, (ii) seeking to prevent the consummation of any of the transactions contemplated by this Agreement or any Transaction Document to which the Borrower is a party or (iii) seeking any determination or ruling that could reasonably be expected to have a Material Adverse Effect.

(g) All Consents Required. All material approvals, authorizations, consents, orders or other actions of any Person or of any Governmental Authority (if any) required in connection with the due execution, delivery and performance by the Borrower of this Agreement and any Transaction Document to which the Borrower is a party, have been obtained.

(h) Reports Accurate. All Monthly Reports (if prepared by the Borrower, or to the extent that information contained therein is supplied by the Borrower), information, exhibits, financial statements, documents, books, records or reports furnished or to be furnished by the Borrower to the Administrative Agent or a Lender in connection with this Agreement are true, complete and accurate in all material respects.

(i) Solvency. The transactions contemplated under this Agreement and each Transaction Document to which the Borrower is a party do not and will not render the Borrower not Solvent.

(j) Selection Procedures. No procedures believed by the Borrower to be materially adverse to the interests of the Secured Parties were utilized by the Borrower in identifying and/or selecting the Loans that are part of the Collateral.

(k) Taxes. The Borrower has filed or caused to be filed all Tax returns required to be filed by it. The Borrower has paid all Taxes and all assessments made against it or any of its property (other than any amount of Tax the validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in accordance with GAAP have been provided on the books of the Borrower), and no Tax lien has been filed and, to the Borrower's knowledge, no claim is being asserted, with respect to any such Tax, fee or other charge.

(l) Agreements Enforceable. This Agreement and each Transaction Document to which the Borrower is a party constitute the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with their respective terms, except as such enforceability may be limited by Insolvency Laws and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity).

(m) No Liens. The Collateral is owned by the Borrower free and clear of any Liens except for Permitted Liens as provided herein, and the Administrative Agent, as agent for the Secured Parties, has a valid and perfected first priority security interest in the Collateral then existing or thereafter arising, free and clear of any Liens except for Permitted Liens. No effective financing statement or other instrument similar in effect covering any Collateral is on file in any recording office except such as may be filed in favor of the Administrative Agent relating to this Agreement or reflecting the transfer of the Collateral from the Originator to the Borrower.

(n) Security Interest. The Borrower has granted a security interest (as defined in the UCC) to the Administrative Agent, as agent for the Secured Parties, in the Collateral, which is enforceable in accordance with Applicable Law. All filings (including, without limitation, such UCC filings) as are necessary in any jurisdiction to perfect the interest of the Administrative Agent as agent for the Secured Parties, in the Collateral have been made.

(o) Location of Offices. The Borrower's jurisdiction of organization, principal place of business and chief executive office and the office where the Borrower keeps all the Records is located at the address of the Borrower referred to in Section 12.2 hereof (or at such other locations as to which the notice and other requirements specified in Section 5.1(m) shall have been satisfied).

(p) Tradenames. The Borrower has no trade names, fictitious names, assumed names or "doing business as" names or other names under which it has done or is doing business.

(q) Purchase Agreement. The Purchase Agreement is the only agreement pursuant to which the Borrower acquires Collateral (other than the Hedge Collateral).

(r) Value Given. The Borrower gave reasonably equivalent value to the Originator in consideration for the transfer to the Borrower of the Transferred Loans under the Purchase Agreement, no such transfer was made for or on account of an antecedent debt owed by the Originator to the Borrower, and no such transfer is voidable or subject to avoidance under any Insolvency Law.

(s) Accounting. The Borrower accounts for the transfers to it from the Originator of interests in the Loans under the Purchase Agreement as sales of such Loans in its books, records and financial statements, in each case consistent with GAAP.

(t) Separate Entity. The Borrower is operated as an entity with assets and liabilities distinct from those of the Originator and any Affiliates thereof (other than the Borrower), and the Borrower hereby acknowledges that the Administrative Agent and the Lenders are entering into the transactions contemplated by this Agreement in reliance upon the Borrower's identity as a separate legal entity from the Originator and from each such other Affiliate of the Originator.

(u) Investments. Except for Supplemental Interests or Supplemental Interests that convert into an equity interest in any Person, the Borrower does not own or hold directly or indirectly, any capital stock or equity security of, or any equity interest in, any Person.

(v) Business. Since its formation, the Borrower has conducted no business other than the purchase and receipt of Loans and Related Property from the Originator under the Purchase Agreement, the borrowing of funds under this Agreement and such other activities as are incidental to the foregoing.

(w) ERISA. The Borrower is in compliance with ERISA and has not incurred and does not expect to incur any liabilities (except for premium payments arising in the ordinary course of business) payable to the Pension Benefit Guaranty Corporation under ERISA.

(x) Investment Company Act.

(i) The Borrower represents and warrants that the Borrower is exempt and will remain exempt from registration as an "investment company" within the meaning of the Investment Company Act of 1940, as amended (the "1940 Act").

(ii) The business and other activities of the Borrower, including but not limited to, the making of the Advances by the Lenders, the application of the proceeds and repayment thereof by the Borrower and the consummation of the transactions contemplated by the Transaction Documents to which the Borrower is a party do not now and will not at any time result in any violations, with respect to the Borrower, of the provisions of the 1940 Act or any rules, regulations or orders issued by the SEC thereunder.

(y) Government Regulations. The Borrower is not engaged in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin security," as such terms are defined in Regulation U of the Federal Reserve Board as now and from time to time hereafter in effect (such securities being referred to herein as "Margin Stock"). The Borrower owns no Margin Stock, and no portion of the proceeds of any Advance hereunder will be used, directly or indirectly, for the purpose of purchasing or carrying any Margin Stock, for the purpose of reducing or retiring any Indebtedness that was originally incurred to purchase or carry any Margin Stock or for any other purpose that might cause any portion of such proceeds to be considered a "purpose credit" within the meaning of Regulation T, U or X of the Federal Reserve Board. The Borrower will not take or permit to be taken any action that might cause any Transaction Document to violate any regulation of the Federal Reserve Board.

(z) Eligibility of Loans. As of the Restatement Date, (i) the Loan List and the information contained in the Borrower Notice delivered pursuant to Sections 2.1 and 2.2 is an accurate and complete listing in all material respects of all the Loans that are part of the Collateral as of the Restatement Date, and the information contained therein with respect to the identity of such Loans and the amounts owing thereunder is true and correct in all material respects as of such date and (ii) each such Loan is an Eligible Loan. On each Funding Date, the Borrower shall be deemed to represent and warrant that any additional Loan referenced on the related Borrower Notice delivered pursuant to Sections 2.1 and 2.2 is an Eligible Loan.

(aa) Anti-Corruption Laws and Sanctions. The Borrower has implemented and maintains in effect policies and procedures designed to ensure compliance by the Borrower and its directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and the Borrower and its officers and employees and, to the knowledge of the Borrower, its directors and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects. None of (a) the Borrower or the Servicer or (b) to the knowledge of the Borrower, any of the directors, officers or employees of the Borrower or the Servicer, or any agent of the Borrower or the Servicer that will act in any capacity in connection with or benefit from the credit facility established hereby, is a Sanctioned Person. None of the Transactions will violate any Anti-Corruption Law or Sanctions that are applicable to the Borrower or the Servicer. Neither the Borrower nor any Affiliate of the Borrower is (1) a Person that resides or has a place of business in a country or territory named on such lists or which is

designated as a Non-Cooperative Jurisdiction by the Financial Action Task Force on Money Laundering ("FATF"), or whose subscription funds are transferred from or through such a jurisdiction; (2) a "Foreign Shell Bank" within the meaning of the USA PATRIOT Act, i.e., a foreign bank that does not have a physical presence in any country and that is not affiliated with a bank that has a physical presence and an acceptable level of regulation and supervision; or (3) a person or entity that resides in or is organized under the laws of a jurisdiction designated by the United States Secretary of the Treasury under Section 311 or 312 of the USA PATRIOT Act as warranting special measures due to money laundering concerns.

## ARTICLE V

## GENERAL COVENANTS OF THE BORROWER

Section 5.1 Covenants of the Borrower.

The Borrower hereby covenants that:

(a) Compliance with Laws. The Borrower will comply in all material respects with all Applicable Laws, including those with respect to the Loans in the Collateral and any Related Property.

(b) Preservation of Corporate Existence. The Borrower will preserve and maintain its existence, rights, franchises and privileges in the jurisdiction of its formation, and qualify and remain qualified in good standing in each jurisdiction where the failure to maintain such existence, rights, franchises, privileges and qualification has had, or could reasonably be expected to have, a Material Adverse Effect.

(c) Security Interests. Except as contemplated in this Agreement, the Borrower will not sell, pledge, assign or transfer to any other Person, or grant, create, incur, assume or suffer to exist any Lien on any Loan or Related Property that is part of the Collateral, whether now existing or hereafter transferred hereunder, or any interest therein. The Borrower will promptly notify the Administrative Agent of the existence of any Lien on any Loan or Related Property that is part of the Collateral and the Borrower shall defend the right, title and interest of the Administrative Agent as agent for the Secured Parties in, to and under any Loan and the Related Property that is part of the Collateral, against all claims of third parties; provided, however, that nothing in this Section 5.1(c) shall prevent or be deemed to prohibit the Borrower from suffering to exist Permitted Liens upon any Loan or any Related Property that is part of the Collateral.

(d) Delivery of Collections. The Borrower agrees to cause the delivery to the Servicer promptly (but in no event later than two (2) Business Days after receipt) all Collections (including any Deemed Collections) received by Borrower in respect of the Loans that are part of the Collateral.

(e) Activities of Borrower. The Borrower shall not engage in any business or activity of any kind, or enter into any transaction or indenture, mortgage, instrument, agreement, contract, Loan or other undertaking, which is not incidental to the transactions contemplated and authorized by this Agreement or the Purchase Agreement.

(f) Indebtedness. The Borrower shall not create, incur, assume or suffer to exist any Indebtedness or other liability whatsoever, except (i) obligations incurred under this Agreement, under any Hedging Agreement required by Section 5.2(a), or the Purchase Agreement, or (ii) liabilities incident to the maintenance of its existence in good standing.

(g) Guarantees. The Borrower shall not become or remain liable, directly or indirectly, in connection with any Indebtedness or other liability of any other Person, whether by guarantee, endorsement (other than endorsements of negotiable instruments for deposit or collection in the ordinary course of business), agreement to purchase or repurchase, agreement to supply or advance funds, or otherwise.

(h) Investments. The Borrower shall not make or suffer to exist any loans or advances to, or extend any credit to, or make any investments (by way of transfer of property, contributions to capital, purchase of stock or securities or evidences of indebtedness, acquisition of the business or assets, or otherwise) in, any Person except for purchases of Loans and Supplemental Interests pursuant to the Purchase Agreement, or for investments in Permitted Investments in accordance with the terms of this Agreement.

(i) Merger; Sales. The Borrower shall not enter into any transaction of merger or consolidation, or liquidate or dissolve itself (or suffer any liquidation or dissolution), or acquire or be acquired by any Person, or convey, sell, loan or otherwise dispose of all or substantially all of its property or business, except as provided for in this Agreement.

(j) Distributions. The Borrower may not declare or pay or make, directly or indirectly, any distribution (whether in cash or other property) with respect to any Person's equity interest in the Borrower (collectively, a "Distribution"); provided, however, if no Early Termination Event has occurred and is continuing or will occur as a result thereof, the Borrower may make Distributions, including, without limitation, distributions in cash to its members (1) so as to permit the Performance Guarantor to make distributions in cash to the holders of its capital stock to the extent necessary to comply with all applicable RIC/BDC Requirements and to avoid excise taxes imposed on RICs; or (2) to be applied for general corporate purposes of the receiving Person(s), in each case so long as immediately before and after giving effect to such Distribution, (i) the Borrower is in compliance with all covenants under this Agreement after giving pro forma effect to such Advance and (ii) if all or any portion of any Advance is applied toward any such Distribution, after giving effect to such Advance, the Availability is not less than $30,000,000.

(k) Agreements. The Borrower shall not amend or modify (i) the provisions of its limited liability company agreement or (ii) the Purchase Agreement without the consent of the Administrative Agent and prior written notice to each Managing Agent, or issue any power of attorney except to the Administrative Agent or the Servicer.

(l) Separate Existence. The Borrower shall:

(i) Maintain its own deposit account or accounts, separate from those of any Affiliate, with commercial banking institutions. The funds of the Borrower will not be diverted to any other Person or for other than corporate uses of the Borrower.

(ii) Ensure that, to the extent that it shares the same persons as officers or other employees as any of its Affiliates, the salaries of and the expenses related to providing benefits to such officers or employees shall be fairly allocated among such entities, and each such entity shall bear its fair share of the salary and benefit costs associated with all such common officers and employees.

(iii) Ensure that, to the extent that it jointly contracts with any of its Affiliates to do business with vendors or service providers or to share overhead expenses, the costs incurred in so doing shall be allocated fairly among such entities, and each such entity shall bear its fair share of such costs. To the extent that the Borrower contracts or does business with vendors or service providers when the goods and services provided are partially for the benefit of any other Person, the costs incurred in so doing shall be fairly allocated to or among such entities for whose benefit the goods and services are provided, and each such entity shall bear its fair share of such costs. All material transactions between Borrower and any of its Affiliates shall be only on an arm's length basis.

(iv) Maintain a principal executive and administrative office through which its business is conducted separate from those of its Affiliates. To the extent that Borrower and any of its Affiliates have offices in the same location, there shall be a fair and appropriate allocation of overhead costs among them, and each such entity shall bear its fair share of such expenses.

(v) Conduct its affairs strictly in accordance with its limited liability company agreement and observe all necessary, appropriate and customary legal formalities, including, but not limited to, holding all regular and special director's meetings appropriate to authorize all action, keeping separate and accurate records of such meetings, passing all resolutions or consents necessary to authorize actions taken or to be taken, and maintaining accurate and separate books, records and accounts, including, but not limited to, payroll and transaction accounts.

(vi) Take or refrain from taking, as applicable, each of the activities specified or assumed in the Proskauer Opinion, upon which the conclusions expressed therein are based.

(vii) Maintain the effectiveness of, and continue to perform under the Purchase Agreement and the Performance Guaranty, such that it does not amend, restate, supplement, cancel, terminate or otherwise modify the Purchase Agreement or the Performance Guaranty, or give any consent, waiver, directive or approval thereunder or waive any default, action, omission or breach under the Purchase Agreement or the Performance Guaranty or otherwise grant any indulgence thereunder, without (in each case) the prior written consent of the Administrative Agent and each Managing Agent.

(m) Change of Name or Jurisdiction of Borrower; Records. The Borrower (x) shall not change its name or jurisdiction of organization, without thirty (30) days' prior written notice to the Administrative Agent and (y) shall not move, or consent to the Servicer or Collateral Custodian moving, the Loan Documents without thirty (30) days' prior written notice to the Administrative Agent and (z) will promptly take all actions required of each relevant jurisdiction

in order to continue the first priority perfected security interest of the Administrative Agent as agent for the Secured Parties (except for Permitted Liens) in all Collateral, and such other actions as the Administrative Agent may reasonably request, including but not limited to delivery of an Opinion of Counsel.

(n) ERISA Matters. The Borrower will not (a) engage or permit any ERISA Affiliate to engage in any prohibited transaction for which an exemption is not available or has not previously been obtained from the United States Department of Labor; (b) permit to exist any accumulated funding deficiency, as defined in Section 302(a) of ERISA and Section 412(a) of the Code, or funding deficiency with respect to any Benefit Plan other than a Multiemployer Plan; (c) fail to make any payments to a Multiemployer Plan that the Borrower or any ERISA Affiliate may be required to make under the agreement relating to such Multiemployer Plan or any law pertaining thereto; (d) terminate any Benefit Plan so as to result in any liability; or (e) permit to exist any occurrence of any reportable event described in Title IV of ERISA.

(o) Originator Collateral. With respect to each item of Collateral acquired by the Borrower, the Borrower will (i) acquire such Collateral pursuant to and in accordance with the terms of the Purchase Agreement, (ii) take all action necessary to perfect, protect and more fully evidence the Borrower's ownership of such Collateral, including, without limitation, (A) filing and maintaining, effective financing statements (Form UCC-1) naming the Originator as seller/debtor and the Borrower as purchaser/creditor in all necessary or appropriate filing offices, and filing continuation statements, amendments or assignments with respect thereto in such filing offices and (B) executing or causing to be executed such other instruments or notices as may be necessary or appropriate, including, without limitation, Assignments of Mortgage, and (iii) take all additional action that the Administrative Agent may reasonably request to perfect, protect and more fully evidence the respective interests of the parties to this Agreement in the Collateral.

(p) Transactions with Affiliates. The Borrower will not enter into, or be a party to, any transaction with any of its Affiliates or Control Affiliates, except (i) the transactions permitted or contemplated by this Agreement, including, without limitation, Controlled Transactions, (ii) the Purchase Agreement and any Hedging Agreements, and (iii) other transactions (including, without limitation, transactions related to the use of office space or computer equipment or software by the Borrower to or from an Affiliate or Control Affiliate) (A) in the ordinary course of business, (B) pursuant to the reasonable requirements of the Borrower's business, (C) upon fair and reasonable terms that are no less favorable to the Borrower than could be obtained in a comparable arm's-length transaction with a Person not an Affiliate or Control Affiliate of the Borrower, and (D) not inconsistent with the factual assumptions set forth in the Proskauer Opinion, as such assumptions may be modified in any subsequent opinion letters delivered to the Administrative Agent pursuant to Section 3.2 or otherwise. It is understood that any compensation arrangement for any officer or employee shall be permitted under clause (iii)(A) through (C) above if such arrangement has been expressly approved by the managers of the Borrower in accordance with the Borrower's limited liability company agreement.

(q) Change in the Transaction Documents. The Borrower will not amend, modify, waive or terminate any terms or conditions of any of the Transaction Documents to which it is a party, without the prior written consent of the Administrative Agent.

(r) Credit and Collection Policy. The Borrower will (a) comply in all material respects with the Credit and Collection Policy in regard to each Loan and the Related Property included in the Collateral, and in regard to compliance with Loan Documents, including determinations with respect to the enforcement of its rights thereunder, and (b) furnish to the Administrative Agent and each Managing Agent, at least twenty (20) days prior to its proposed effective date, prompt notice of any material changes in the Credit and Collection Policy. The Borrower will not agree or otherwise permit to occur any material change in the Credit and Collection Policy, which change would impair the collectibility of any Loan or otherwise adversely affect the interests or remedies of the Administrative Agent or the Secured Parties under this Agreement or any other Transaction Document, without the prior written consent of the Administrative Agent (in its sole discretion).

(s) Extension or Amendment of Loans. The Borrower will not, except as otherwise permitted in Section 7.4(a) extend, amend or otherwise modify, or permit the Servicer on its behalf to extend, amend or otherwise modify, the terms of any Loan.

(t) Reporting. The Borrower will furnish to the Administrative Agent and each Managing Agent:

(i) as soon as possible and in any event within two (2) Business Days after the occurrence of each Early Termination Event and each Unmatured Termination Event, a written statement, signed by a Responsible Officer, setting forth the details of such event and the action that the Borrower proposes to take with respect thereto;

(ii) promptly upon request, such other information, documents, records or reports respecting the Transferred Loans or the condition or operations, financial or otherwise, of the Borrower or Originator as the Administrative Agent may from time to time reasonably request in order to protect the interests of the Administrative Agent or the Secured Parties under or as contemplated by this Agreement; and

(iii) promptly, but in no event later than two (2) Business Days after its receipt thereof, copies of any and all notices, certificates, documents, or reports delivered to it by the Originator under the Purchase Agreement.

(u) Compliance with Anti-Corruption Laws. The Borrower will, and will require the Servicer to, maintain in effect and enforce policies and procedures designed to ensure compliance by the Borrower, the Servicer and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions. The Borrower will not request any Advance, and the Borrower shall not use, and shall procure that its directors, officers, employees and agents shall not use, the proceeds of any Advance (A) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (B) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any

Sanctioned Country, or (C) in any manner that would result in the violation of any Sanctions applicable to the Borrower.

(v) Permitted Loan Amendment Reports. The Borrower will furnish, or cause the Servicer to furnish, to the Administrative Agent with respect to each Loan that is subject to a Permitted Loan Amendment:

(i) Concurrently with delivery by the Servicer of each Monthly Report (or, in the case of any amendment described in clause (d) of the definition of "Permitted Loan Amendment," concurrently with the notice thereof to the Administrative Agent and each Lender and request for the consent of the Administrative Agent thereto), copies of all applicable credit memos relating to the approval of such Permitted Loan Amendment; and

(ii) concurrently with delivery by the Servicer of each Monthly Report, a tracking spreadsheet listing each Loan that is subject to a Permitted Loan Amendment and the following information with respect to each such Loan: (A) the effective date(s) of each applicable Permitted Loan Amendment(s) with respect to such Loan, (B) consent type, (C) consent date and (D) summary of modifications pursuant to such Permitted Loan Amendment(s).

Section 5.2 Hedging Agreement.

(a) If at any time the aggregate Purchased Loan Balances of Fixed Rate Loans exceeds 20% of the Aggregate Purchased Loan Balance, the Borrower shall, with respect only to such Purchased Loan Balance of Fixed Rate Loans aggregating in excess of 20% of the Aggregate Purchased Loan Balance, enter into and maintain a Hedge Transaction with a Hedge Counterparty which Hedge Transaction shall: (i) be in the form of (A) interest rate caps having a notional amount equal to the Purchased Loan Balance of such Fixed Rate Loans and an amortization schedule that provides for payments through a date which is within three (3) months of the maturity of the applicable Fixed Rate Loans or (B) such other form as shall be approved by the Managing Agents and (ii) shall provide for payments to the Borrower to the extent that the ~~LIBO~~Adjusted Term SOFR Rate shall exceed a rate agreed upon between the Managing Agents and the Borrower.

(b) As additional security hereunder, the Borrower hereby assigns to the Administrative Agent, as agent for the Secured Parties, all right, title and interest of the Borrower in any and all Hedging Agreements, any and all Hedge Transactions, and any and all present and future amounts payable by a Hedge Counterparty to the Borrower under or in connection with its respective Hedging Agreement and Hedge Transaction(s) (collectively, the "Hedge Collateral"), and grants a security interest to the Administrative Agent, as agent for the Secured Parties, in the Hedge Collateral. The Borrower acknowledges that, as a result of that assignment, the Borrower may not, without the prior written consent of the Administrative Agent, exercise any rights under any Hedging Agreement or Hedge Transaction, except for the Borrower's right under any Hedging Agreement to enter into Hedge Transactions in order to meet the Borrower's obligations under Section 5.2(a) hereof. Nothing herein shall have the effect of releasing the Borrower from any of its obligations under any Hedging Agreement or any

Hedge Transaction, nor be construed as requiring the consent of the Administrative Agent or any Secured Party for the performance by the Borrower of any such obligations.

## ARTICLE VI

## SECURITY INTEREST

Section 6.1 Security Interest.

As collateral security for the prompt, complete and indefeasible payment and performance in full when due, whether by lapse of time, acceleration or otherwise, of the Obligations, the Borrower hereby assigns, pledges and grants to the Administrative Agent, as agent for the Secured Parties, a lien on and security interest in all of the Borrower's right, title and interest in, to and under (but none of its obligations under) the Collateral, whether now owned or hereafter acquired or arising, and wherever located. The assignment under this Section 6.1 does not constitute and is not intended to result in a creation or an assumption by the Administrative Agent, the Managing Agents or any of the Secured Parties of any obligation of the Borrower or any other Person in connection with any or all of the Collateral or under any agreement or instrument relating thereto. Anything herein to the contrary notwithstanding, (a) the Borrower shall remain liable under the Transferred Loans to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Administrative Agent, as agent for the Secured Parties, of any of its rights in the Collateral shall not release the Borrower from any of its duties or obligations under the Collateral, and (c) none of the Administrative Agent, the Managing Agents or any Secured Party shall have any obligations or liability under the Collateral by reason of this Agreement, nor shall the Administrative Agent, the Managing Agents or any Secured Party be obligated to perform any of the obligations or duties of the Borrower thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

Section 6.2 Remedies.

The Administrative Agent (for itself and on behalf of the other Secured Parties) shall have all of the rights and remedies of a secured party under the UCC and other Applicable Law. Upon the occurrence and during the continuance of an Early Termination Event, the Administrative Agent or its designees may (i) deliver a notice of exclusive control to the Collateral Custodian; (ii) instruct the Collateral Custodian to deliver any or all of the Collateral to the Administrative Agent or its designees and otherwise give all instructions and entitlement orders to the Collateral Custodian regarding the Collateral; (iii) require that the Borrower or the Collateral Custodian immediately take action to liquidate the Collateral to pay amounts due and payable in respect of the Obligations; (iv) sell or otherwise dispose of the Collateral in a commercially reasonable manner, all without judicial process or proceedings; (v) take control of the Proceeds of any such Collateral; (vi) exercise any consensual or voting rights in respect of the Collateral; (vii) release, make extensions, discharges, exchanges or substitutions for, or surrender all or any part of the Collateral; (viii) enforce the Borrower's rights and remedies under the Custody Agreement with respect to the Collateral; (ix) institute and prosecute legal and equitable proceedings to enforce collection of, or realize upon, any of the Collateral; (x) remove from the Borrower's, the Servicer's, the Collateral Custodian's and their respective agents' place

of business all books, records and documents relating to the Collateral; and/or (xi) endorse the name of the Borrower upon any items of payment relating to the Collateral or upon any proof of claim in bankruptcy against an account debtor. For purposes of taking the actions described in subsections (i) through (xi) of this Section 6.2 the Borrower hereby irrevocably appoints the Administrative Agent as its attorney-in-fact (which appointment being coupled with an interest is irrevocable while any of the Obligations remain unpaid), with power of substitution, in the name of the Administrative Agent or in the name of the Borrower or otherwise, for the use and benefit of the Administrative Agent, but at the cost and expense of the Borrower and without notice to the Borrower; provided that the Administrative Agent hereby agrees to exercise such power only so long as an Early Termination Event shall be continuing. The Administrative Agent and the other Secured Parties agree that the sale of the Collateral shall be conducted in good faith and in accordance with commercially reasonable practices.

Section 6.3 Release of Liens.

(a) If (i) the Borrowing Base Test is met, and (ii) no Early Termination Event or Unmatured Termination Event has occurred and is continuing, at the same time as any Loan that is part of the Collateral expires by its terms and all amounts in respect thereof have been paid by the related Obligor and deposited in the Collection Account, the Administrative Agent as agent for the Secured Parties will, to the extent requested by the Borrower or the Servicer on behalf of the Borrower, release its interest in such Loan and any Supplemental Interests related thereto. In connection with any such release on or after the occurrence of the above, the Administrative Agent, as agent for the Secured Parties, will execute and deliver to the Borrower or the Servicer on behalf of the Borrower any termination statements and any other releases and instruments as the Borrower or the Servicer on behalf of the Borrower may reasonably request in order to effect the release of such Loan and Supplemental Interest; provided, that, the Administrative Agent as agent for the Secured Parties will make no representation or warranty, express or implied, with respect to any such Loan or Supplemental Interest in connection with such sale or transfer and assignment.

(b) Upon any request for a release of certain Loans in connection with a proposed Discretionary Sale, if, upon application of the proceeds of such transaction in accordance with Section 2.8, the requirements of Section 2.16 shall have been met, the Administrative Agent as agent for the Secured Parties will, to the extent requested by the Borrower or the Servicer on behalf of the Borrower, release its interest in such Loan and any Supplemental Interests related thereto. In connection with any such release on or after the occurrence of the above, the Administrative Agent, as agent for the Secured Parties, will execute and deliver to the Borrower or the Servicer on behalf of the Borrower any termination statements and any other releases and instruments as the Borrower or the Servicer on behalf of the Borrower may reasonably request in order to effect the release of such Loan and Supplemental Interest; provided, that, the Administrative Agent as agent for the Secured Parties will make no representation or warranty, express or implied, with respect to any such Loan or Supplemental Interest in connection with such sale or transfer and assignment.

(c) Upon receipt by the Administrative Agent of the Proceeds of a repurchase of an Ineligible Loan (as such term is defined in the Purchase Agreement) by the Originator pursuant to the terms of Section 6.1 of the Purchase Agreement, the Administrative Agent, as agent for the

Secured Parties, shall be deemed to have automatically released its interest in such Ineligible Loan and any Supplemental Interests related thereto without any further action on its part. In connection with any such release on or after the occurrence of such repurchase, the Administrative Agent, as agent for the Secured Parties, will execute and deliver to the Borrower or the Servicer on behalf of the Borrower any releases and instruments as the Borrower or the Servicer on behalf of the Borrower may reasonably request in order to effect the release of such Ineligible Loan and Supplemental Interest.

(d) Upon receipt by the Administrative Agent of the Proceeds of a purchase of a Transferred Loan by the Servicer pursuant to the terms of Section 7.7, the Administrative Agent, as agent for the Secured Parties, shall be deemed to have automatically released its interest in such Transferred Loan and any Supplemental Interests related thereto without any further action on its part. In connection with any such release on or after the occurrence of such purchase, the Administrative Agent, as agent for the Secured Parties, will execute and deliver to the Borrower or the Servicer on behalf of the Borrower any releases and instruments as the Borrower or the Servicer on behalf of the Borrower may reasonably request in order to effect the release of such Transferred Loan and Supplemental Interest.

Section 6.4 Assignment of the Purchase Agreement.

The Borrower hereby represents, warrants and confirms to the Administrative Agent that the Borrower has assigned to the Administrative Agent, for the ratable benefit of the Secured Parties hereunder, all of the Borrower's right and title to and interest in the Purchase Agreement. The Borrower confirms that following an Early Termination Event the Administrative Agent shall have the sole right to enforce the Borrower's rights and remedies under the Purchase Agreement for the benefit of the Secured Parties, but without any obligation on the part of the Administrative Agent, the Secured Parties or any of their respective Affiliates to perform any of the obligations of the Borrower under the Purchase Agreement. The Borrower further confirms and agrees that such assignment to the Administrative Agent shall terminate upon the Collection Date; provided, however, that the rights of the Administrative Agent and the Secured Parties pursuant to such assignment with respect to rights and remedies in connection with any indemnities and any breach of any representation, warranty or covenants made by the Originator pursuant to the Purchase Agreement, which rights and remedies survive the Termination of the Purchase Agreement, shall be continuing and shall survive any termination of such assignment.

## ARTICLE VII

## ADMINISTRATION AND SERVICING OF LOANS

Section 7.1 Appointment of the Servicer.

The Borrower hereby appoints the Servicer to service the Transferred Loans and enforce its respective rights and interests in and under each Transferred Loan in accordance with the terms and conditions of this Article VII and to serve in such capacity until the termination of its responsibilities pursuant to Section 7.18. The Servicer hereby agrees to perform the duties and obligations with respect thereto set forth herein. The Servicer and the Borrower hereby

acknowledge that the Administrative Agent and the Secured Parties are third party beneficiaries of the obligations undertaken by the Servicer hereunder.

Section 7.2 Duties and Responsibilities of the Servicer.

(a) The Servicer shall conduct the servicing, administration and collection of the Transferred Loans and shall take, or cause to be taken, all such actions as may be necessary or advisable to service, administer and collect Transferred Loans from time to time on behalf of the Borrower and as the Borrower's agent.

(b) The duties of the Servicer, as the Borrower's agent, shall include, without limitation:

(i) preparing and submitting of claims to, and post-billing liaison with, Obligors on Transferred Loans;

(ii) maintaining all necessary Servicing Records with respect to the Transferred Loans and providing such reports to the Borrower, the Managing Agents and the Administrative Agent in respect of the servicing of the Transferred Loans (including information relating to its performance under this Agreement) as may be required hereunder or as the Borrower, any Managing Agent or the Administrative Agent may reasonably request;

(iii) maintaining and implementing administrative and operating procedures (including, without limitation, an ability to recreate Servicing Records evidencing the Transferred Loans in the event of the destruction of the originals thereof) and keeping and maintaining all documents, books, records and other information reasonably necessary or advisable for the collection of the Transferred Loans (including, without limitation, records adequate to permit the identification of each new Transferred Loan and all Collections of and adjustments to each existing Transferred Loan); provided, however, that any Successor Servicer shall only be required to recreate the Servicing Records of each prior Servicer to the extent such records have been delivered to it in a format reasonably acceptable to such Successor Servicer;

(iv) promptly delivering to the Borrower, any Managing Agent or the Administrative Agent, from time to time, such information and Servicing Records (including information relating to its performance under this Agreement) as the Borrower, such Managing Agent or the Administrative Agent from time to time reasonably request;

(v) identifying each Transferred Loan clearly and unambiguously in its Servicing Records to reflect that such Transferred Loan is owned by the Borrower and pledged to the Administrative Agent;

(vi) complying in all material respects with the Credit and Collection Policy in regard to each Transferred Loan;

(vii) complying in all material respects with all Applicable Laws with respect to it, its business and properties and all Transferred Loans and Collections with respect thereto;

(viii) preserving and maintaining its existence, rights, licenses, franchises and privileges as a corporation in the jurisdiction of its organization, and qualifying and remaining qualified in good standing as a foreign corporation and qualifying to and remaining authorized and licensed to perform obligations as Servicer (including enforcement of collection of Transferred Loans on behalf of the Borrower, Lenders, each Hedge Counterparty and the Collateral Custodian) in each jurisdiction where the failure to preserve and maintain such existence, rights, franchises, privileges and qualification would materially adversely affect (A) the rights or interests of the Borrower, Lenders, each Hedge Counterparty and the Collateral Custodian in the Transferred Loans, (B) the collectibility of any Transferred Loan, or (C) the ability of the Servicer to perform its obligations hereunder; and

(ix) notifying the Borrower, each Managing Agent and the Administrative Agent of any material action, suit, proceeding, dispute, offset, deduction, defense or counterclaim that is or is threatened to be (1) asserted by an Obligor with respect to any Transferred Loan; or (2) reasonably expected to have a Material Adverse Effect; and

(c) The Borrower and Servicer hereby acknowledge that the Secured Parties, the Administrative Agent and the Collateral Custodian shall not have any obligation or liability with respect to any Transferred Loans, nor shall any of them be obligated to perform any of the obligations of the Servicer hereunder.

Section 7.3 Authorization of the Servicer.

(a) Each of the Borrower, each Managing Agent, on behalf of itself and the related Lenders, the Administrative Agent and each Hedge Counterparty hereby authorizes the Servicer (including any successor thereto) to take any and all reasonable steps in its name and on its behalf necessary or desirable and not inconsistent with the pledge of the Transferred Loans to the Lender, each Hedge Counterparty, and the Collateral Custodian, in the determination of the Servicer, to collect all amounts due under any and all Transferred Loans, including, without limitation, endorsing any of their names on checks and other instruments representing Collections, executing and delivering any and all instruments of satisfaction or cancellation, or of partial or full release or discharge, and all other comparable instruments, with respect to the Transferred Loans and, after the delinquency of any Transferred Loan and to the extent permitted under and in compliance with Applicable Law, to commence proceedings with respect to enforcing payment thereof, to the same extent as the Originator could have done if it had continued to own such Loan; provided, however, that the Servicer may not execute any document in the name of, or which imposes any direct obligation on, any Lender. The Borrower shall furnish the Servicer (and any successors thereto) with any powers of attorney and other documents necessary or appropriate to enable the Servicer to carry out its servicing and administrative duties hereunder, and shall cooperate with the Servicer to the fullest extent in order to ensure the collectibility of the Transferred Loans. In no event shall the Servicer be entitled to make the Borrower, any Lender, any Managing Agent, any Hedge Counterparty, the

Collateral Custodian or the Administrative Agent a party to any litigation without such party's express prior written consent, or to make the Borrower a party to any litigation (other than any routine foreclosure or similar collection procedure) without the Administrative Agent's consent.

(b) After an Early Termination Event has occurred and is continuing, at the Administrative Agent's direction, the Servicer shall take such action as the Administrative Agent may deem necessary or advisable to enforce collection of the Transferred Loans; provided, however, that the Administrative Agent may, at any time that an Early Termination Event has occurred and is continuing, notify any Obligor with respect to any Transferred Loans of the assignment of such Transferred Loans to the Administrative Agent and direct that payments of all amounts due or to become due to the Borrower thereunder be made directly to the Administrative Agent or any servicer, collection agent or lock-box or other account designated by the Administrative Agent and, upon such notification and at the expense of the Borrower, the Administrative Agent may enforce collection of any such Transferred Loans and adjust, settle or compromise the amount or payment thereof. The Administrative Agent shall give written notice to any Successor Servicer of the Administrative Agent's actions or directions pursuant to this Section 7.3(b), and no Successor Servicer shall take any actions pursuant to this Section 7.3(b) that are outside of its Credit and Collection Policy.

Section 7.4 Collection of Payments.

(a) Collection Efforts, Modification of Loans. The Servicer will make reasonable efforts to collect all payments called for under the terms and provisions of the Transferred Loans as and when the same become due, and will follow those collection procedures which it follows with respect to all comparable Loans that it services for itself or others. The Servicer may not waive, modify or otherwise vary any provision of a Transferred Loan, except as may be in accordance with the provisions of the Credit and Collection Policy, including the waiver of any late payment charge or any other fees that may be collected in the ordinary course of servicing any Loan included in the Collateral.

(b) Acceleration. The Servicer shall accelerate the maturity of all or any Scheduled Payments under any Transferred Loan under which a default under the terms thereof has occurred and is continuing (after the lapse of any applicable grace period) promptly after such Loan becomes a Defaulted Loan or such earlier or later time as is consistent with the Credit and Collection Policy.

(c) Taxes and other Amounts. To the extent provided for in any Transferred Loan, the Servicer will use its best efforts to collect all payments with respect to amounts due for taxes, assessments and insurance premiums relating to such Transferred Loans or the Related Property and remit such amounts to the appropriate Governmental Authority or insurer on or prior to the date such payments are due.

(d) Payments to Lock-Box Account: On or before the Closing Date, the Servicer shall have instructed all Obligors to make all payments in respect of Loans included in the Collateral to a Lock-Box or directly to a Lock-Box Account or the Collection Account.

(e) Establishment of the Collection Account. The Borrower or the Servicer on its behalf shall cause to be established, on or before the Closing Date, and maintained in the name of the Borrower and assigned to the Administrative Agent as agent for the Secured Parties, with an office or branch of a depository institution or trust company organized under the laws of the United States or any one of the States thereof or the District of Columbia (or any domestic branch of a foreign bank) a segregated corporate trust account (the "Collection Account") for the purpose of receiving Collections from the Collateral; provided, however, that at all times such depository institution or trust company shall be a depository institution organized under the laws of the United States or any one of the States thereof or the District of Columbia (or any domestic branch of a foreign bank), (i) (A) that has either (1) a long-term unsecured debt rating of A- or better by S&P and A-3 or better by Moody's or (2) a short-term unsecured debt rating or certificate of deposit rating of A-1 or better by S&P or P-1 or better by Moody's, (B) the parent corporation of which has either (1) a long-term unsecured debt rating of A- or better by S&P and A-3 or better by Moody's or (2) a short-term unsecured debt rating or certificate of deposit rating of A-1 or better by S&P and P-1 or better by Moody's or (C) is otherwise acceptable to the Administrative Agent and (ii) whose deposits are insured by the Federal Deposit Insurance Corporation (any such depository institution or trust company, a "Qualified Institution").

(f) Adjustments. If (i) the Servicer makes a deposit into the Collection Account in respect of a Collection of a Loan in the Collateral and such Collection was received by the Servicer in the form of a check that is not honored for any reason or (ii) the Servicer makes a mistake with respect to the amount of any Collection and deposits an amount that is less than or more than the actual amount of such Collection, the Servicer shall appropriately adjust the amount subsequently deposited into the Collection Account to reflect such dishonored check or mistake. Any Scheduled Payment in respect of which a dishonored check is received shall be deemed not to have been paid.

Section 7.5 Servicer Advances.

For each Settlement Period, if the Servicer determines that any Scheduled Payment (or portion thereof) that was due and payable pursuant to a Loan included in the Collateral during such Settlement Period was not received prior to the end of such Settlement Period, the Servicer may, but shall not be obligated to, make an advance in an amount up to the amount of such delinquent Scheduled Payment (or portion thereof) to the extent that the Servicer reasonably expects to be reimbursed for such advance; in addition, if on any day there are not sufficient funds on deposit in the Collection Account to pay accrued Interest on any Advance the Settlement Period of which ends on such day, the Servicer may make an advance in the amount necessary to pay such Interest (in either case, any such advance, a "Servicer Advance"). Notwithstanding the preceding sentence, any Successor Servicer will not be obligated to make any Servicer Advances. The Servicer will deposit any Servicer Advances into the Collection Account on or prior to 11:00 a.m. (New York City time) on the related Payment Date, in immediately available funds.

Section 7.6 Realization Upon Defaulted Loans or Charged-Off Loans.

The Servicer will use reasonable efforts to repossess or otherwise comparably convert the ownership of any Related Property with respect to a Defaulted Loan or Charged-Off Loan and

will act as sales and processing agent for Related Property that it repossesses. The Servicer will follow the practices and procedures set forth in the Credit and Collection Policy in order to realize upon such Related Property. Without limiting the foregoing, the Servicer may sell any such Related Property with respect to any Defaulted Loan or Charged-Off Loan to the Servicer or its Affiliates for a purchase price equal to the then fair market value thereof; any such sale to be evidenced by a certificate of a Responsible Officer of the Servicer delivered to the Administrative Agent identifying the Defaulted Loan or Charged-Off Loan and the Related Property, setting forth the sale price of the Related Property and certifying that such sale price is the fair market value of such Related Property. In any case in which any such Related Property has suffered damage, the Servicer will not expend funds in connection with any repair or toward the repossession of such Related Property unless it reasonably determines that such repair and/or repossession will increase the Recoveries by an amount greater than the amount of such expenses. The Servicer will remit to the Collection Account the Recoveries received in connection with the sale or disposition of Related Property with respect to a Defaulted Loan or Charged-Off Loan.

Section 7.7 Optional Repurchase of Transferred Loans.

(a) The Servicer may, at any time, notify the Borrower and the Administrative Agent that it (or its assignee) is requesting to purchase any Transferred Loan with respect to which the Borrower or any Affiliate of the Borrower has received notice of the related Obligor's intention to prepay such Transferred Loan in full within a period of not more than sixty (60) days from the date of such notification.

(b) Either of the Originator or the Servicer (or its assignee) may, at its sole option, with respect to any Transferred Loan that it determines, in the exercise of its reasonable discretion, will likely become a Defaulted Loan or a Charged-Off Loan, or that has become a Defaulted Loan or a Charged-Off Loan, notify the Borrower and the Administrative Agent that it is requesting to purchase each such Transferred Loan.

(c) The Servicer (or its assignee) may request purchase of a Transferred Loan pursuant to paragraph (a) or (b) above, and the Originator may request purchase of a Transferred Loan pursuant to paragraph (b) above, by providing five (5) Business Days' prior written notice to Borrower and the Administrative Agent. The Borrower may agree to such purchase with the consent of the Administrative Agent (which consent shall not be unreasonably withheld). With respect to any such purchase of a Transferred Loan, the party providing the required written notice shall, on the date of purchase, either (i) remit to the Borrower in immediately available funds an amount equal to the Repurchase Price therefor or (ii) in the case of a purchase of a Transferred Loan by the Originator, cause an entry to be made in the books of the Borrower to show a reduction in the Originator's equity investment in the Borrower by an amount equal to the Repurchase Price for such Transferred Loan. Upon each purchase of a Transferred Loan pursuant to this Section 7.7, the Borrower shall automatically and without further action be deemed to transfer, assign and set-over to the purchaser thereof all the right, title and interest of the Borrower in, to and under such Transferred Loan and all monies due or to become due with respect thereto, all proceeds thereof and all rights to security for any such Transferred Loan, and all proceeds and products of the foregoing, free and clear of any Lien created pursuant to this Agreement, all of the Borrower's right, title and interest in such Transferred Loan, including any

related Supplemental Interests. Each Lender shall receive five (5) Business Days' notice of any repurchase that results in a prepayment of all or a portion of any Advance.

(d) The Borrower shall, at the sole expense of the party purchasing any Transferred Loan, execute such documents and instruments of transfer as may be prepared by such party and take such other actions as shall reasonably be requested by such party to effect the transfer of the related Transferred Loan pursuant to this Section 7.7.

Section 7.8 Representations and Warranties of the Servicer.

The initial Servicer, and any Successor Servicer (mutatis mutandis), hereby represents and warrants as follows:

(a) Organization and Good Standing. The Servicer is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation with all requisite corporate power and authority to own its properties and to conduct its business as presently conducted and to enter into and perform its obligations pursuant to this Agreement.

(b) Due Qualification. The Servicer is qualified to do business as a corporation, is in good standing, and has obtained all licenses and approvals as required under the laws of all jurisdictions in which the ownership or lease of its property and or the conduct of its business (other than the performance of its obligations hereunder) requires such qualification, standing, license or approval, except to the extent that the failure to so qualify, maintain such standing or be so licensed or approved would not have a material adverse effect on the interests of the Borrower or of the Lenders. The Servicer is qualified to do business as a corporation, is in good standing, and has obtained all licenses and approvals as required under the laws of all states in which the performance of its obligations pursuant to this Agreement requires such qualification, standing, license or approval and where the failure to qualify or obtain such license or approval would have a material adverse effect on its ability to perform hereunder.

(c) Power and Authority. The Servicer has the corporate power and authority to execute and deliver this Agreement and to carry out its terms. The Servicer has duly authorized the execution, delivery and performance of this Agreement by all requisite corporate action.

(d) No Violation. The consummation of the transactions contemplated by, and the fulfillment of the terms of, this Agreement by the Servicer (with or without notice or lapse of time) will not (i) conflict with, result in any breach of any of the terms or provisions of, or constitute a default under, the articles of incorporation or by-laws of the Servicer, or any Contractual Obligation to which the Servicer is a party or by which it or any of its property is bound, (ii) result in the creation or imposition of any Adverse Claim upon any of its properties pursuant to the terms of any such Contractual Obligation (other than this Agreement), or (iii) violate any Applicable Law.

(e) No Consent. No consent, approval, authorization, order, registration, filing, qualification, license or permit of or with any Governmental Authority having jurisdiction over the Servicer or any of its properties is required to be obtained by or with respect to the Servicer in order for the Servicer to enter into this Agreement or perform its obligations hereunder.

(f) Binding Obligation. This Agreement constitutes a legal, valid and binding obligation of the Servicer, enforceable against the Servicer in accordance with its terms, except as such enforceability may be limited by (i) applicable Insolvency Laws and (ii) general principles of equity (whether considered in a suit at law or in equity).

(g) No Proceeding. There are no proceedings or investigations pending or threatened against the Servicer, before any Governmental Authority (i) asserting the invalidity of this Agreement, (ii) seeking to prevent the consummation of any of the transactions contemplated by this Agreement or (iii) seeking any determination or ruling that might (in the reasonable judgment of the Servicer) have a Material Adverse Effect.

(h) Reports Accurate. All Servicer Certificates, Monthly Reports, information, exhibits, financial statements, documents, books, Servicer Records or other reports furnished or to be furnished by the Servicer to the Administrative Agent or a Lender in connection with this Agreement are and will be accurate, true and correct in all material respects.

Section 7.9 Covenants of the Servicer.

The Servicer hereby covenants that:

(a) Compliance with Law. The Servicer will comply in all material respects with all Applicable Laws, including those with respect to the Transferred Loans and Related Property and Loan Documents or any part thereof.

(b) Preservation of Corporate Existence. The Servicer will preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its formation, and qualify and remain qualified in good standing as a foreign corporation in each jurisdiction where the failure to maintain such existence, rights, franchises, privileges and qualification has had, or could reasonably be expected to have, a Material Adverse Effect.

(c) Obligations with Respect to Loans. The Servicer will duly fulfill and comply with all material obligations on the part of the Borrower to be fulfilled or complied with under or in connection with each Loan and will do nothing to impair the rights of the Borrower or the Administrative Agent as agent for the Secured Parties or of the Secured Parties in, to and under the Collateral.

(d) Preservation of Security Interest. The Servicer on behalf of the Borrower will execute and file (or cause the execution and filing of) such financing and continuation statements and any other documents that may be required by any law or regulation of any Governmental Authority to preserve and protect fully the interest of the Administrative Agent as agent for the Secured Parties in, to and under the Collateral.

(e) Enforcement of Rights. The Servicer shall not permit any Person appointed by it to a position of control with respect to the Obligor of a Transferred Loan to take or permit to be taken (to the extent within his or her control) any action which shall have (a) caused an equitable subordination of such Transferred Loan to another allowed claim under Section 510(c) of the Bankruptcy Code and (b) resulted in a loss to the Lenders that is not fully satisfied by or through the assertion of all available claims against the Borrower and through the liquidation of all

the assertion of all available claims against the Borrower and through the liquidation of all

available Collateral. Each of the parties agrees that under no circumstance shall a violation of this covenant give rise to a recourse obligation of the Servicer.

(f) Change of Name or Jurisdiction; Records. The Servicer (i) shall not change its name or jurisdiction of incorporation, without thirty (30) days' prior written notice to the Borrower and the Administrative Agent, and (ii) shall not move, or consent to the Collateral Custodian moving, the Loan Documents relating to the Transferred Loans without thirty (30) days' prior written notice to the Borrower and the Administrative Agent and, in either case, will promptly take all actions required of each relevant jurisdiction in order to continue the first priority perfected security interest of the Administrative Agent as agent for the Secured Parties on all collateral, and such other actions as the Administrative Agent may reasonably request, including but not limited to delivery of an Opinion of Counsel.

(g) Credit and Collection Policy. The Servicer will (i) comply in all material respects with the Credit and Collection Policy in regard to each Transferred Loan and the Related Property included in the Collateral, and in regard to compliance with the Loan Documents, including determinations with respect to the enforcement of the Borrower's rights thereunder and (ii) furnish to each Managing Agent and the Administrative Agent, at least twenty (20) days prior to its proposed effective date, prompt notice of any material change in the Credit and Collection Policy. The Servicer will not agree or otherwise permit to occur any material change in the Credit and Collection Policy, which change would impair the collectibility of any Transferred Loan or otherwise adversely affect the interests or remedies of the Administrative Agent or the Secured Parties under this Agreement or any other Transaction Document, without the prior written consent of the Required Lenders (in their sole discretion).

(h) Early Termination Events. The Servicer will furnish to each Managing Agent and the Administrative Agent, as soon as possible and in any event within three (3) Business Days after the occurrence of each Early Termination Event or Unmatured Termination Event, a written statement setting forth the details of such event and the action that the Servicer proposes to take with respect thereto.

(i) Extension or Amendment of Loans. The Servicer will not, except as otherwise permitted in Section 7.4(a), extend, amend or otherwise modify the terms of any Transferred Loan.

(j) Other. The Servicer will furnish to the Borrower, any Managing Agent and the Administrative Agent such other information, documents records or reports respecting the Transferred Loans or the condition or operations, financial or otherwise of the Servicer as the Borrower, such Managing Agent or the Administrative Agent may from time to time reasonably request in order to protect the respective interests of the Borrower, such Managing Agent, the Administrative Agent or the Secured Parties under or as contemplated by this Agreement.

Section 7.10 Payment of Certain Expenses by Servicer.

The Servicer, so long as it is an Affiliate of the Borrower, will be required to pay all expenses incurred by it in connection with its activities under this Agreement, including fees and disbursements of legal counsel and independent accountants, Taxes imposed on the Servicer,

expenses incurred in connection with payments and reports pursuant to this Agreement, and all other fees and expenses not expressly stated under this Agreement for the account of the Borrower. In consideration for the payment by the Borrower of the Servicing Fee, the Servicer will be required to pay all reasonable fees and expenses owing to any bank or trust company in connection with the maintenance of the Collection Account and the Backup Servicer Fee pursuant to the Backup Servicing Agreement and the Collateral Custodian Fee pursuant to the Custody Agreement. The Servicer shall be required to pay such expenses for its own account and shall not be entitled to any payment therefor other than the Servicing Fee.

Section 7.11 Reports.

(a) Monthly Report. With respect to each Determination Date and the related Settlement Period, the Servicer will provide to the Borrower, the Backup Servicer, each Managing Agent and the Administrative Agent, on the related Reporting Date, a monthly statement (a "Monthly Report") signed by a Responsible Officer of the Servicer and substantially in the form of Exhibit E. Except as otherwise set forth in the Backup Servicing Agreement, the Backup Servicer shall have no obligation to review any information in the Monthly Report.

(b) Servicer Certificate. Together with each Monthly Report, the Servicer shall submit to the Borrower, the Backup Servicer, each Managing Agent and the Administrative Agent a certificate (a "Servicer's Certificate"), signed by a Responsible Officer of the Servicer and substantially in the form of Exhibit F, which may be incorporated in the Monthly Report. Except as otherwise set forth in the Backup Servicing Agreement, the Backup Servicer shall have no obligation to review any information in the Servicer Certificate.

(c) Annual Reporting. The Servicer shall deliver, within 180 days after the close of each of its respective fiscal years, audited, unqualified, consolidated financial statements of The Gladstone Companies, Ltd. (which shall include balance sheets, statements of income and retained earnings and statements of cash flows) and supplementary information to include consolidating balance sheets and income statements, for such fiscal year certified in a manner acceptable to the Administrative Agent by independent public accountants acceptable to the Administrative Agent. The provisions of this paragraph (c) shall not apply to any Successor Servicer, including the Backup Servicer.

(d) Quarterly Reporting. The Servicer shall deliver, within forty-five (45) days after the close of each quarterly period of each of its respective fiscal years, balance sheets as at the close of each such period and statements of income and retained earnings and a statement of cash flow for the period from the beginning of such fiscal year to the end of such quarter, all certified by its respective chief financial officer. The provisions of this paragraph (d) shall not apply to any Successor Servicer, including the Backup Servicer.

(e) [Reserved].

(f) Quarterly Valuation Reports. The Borrower will, at least once per calendar quarter and within thirty (30) Business Days after the date the Servicer provides the quarterly valuations for its serviced portfolio received from the Originator pursuant to Section 5.1(l) of the Purchase Agreement, submit to the Backup Servicer, each Managing Agent and the

Administrative Agent a report showing the calculation of the quarterly valuations for the Transferred Loans. Except as otherwise set forth in the Backup Servicing Agreement, the Backup Servicer shall have no duty to review any of the financial information set forth in such valuation reports.

(g) Financial Statements of the Originator and Borrower. The Borrower and Originator will submit to the Backup Servicer, each Managing Agent and the Administrative Agent, (i) within forty-five (45) days after the close of each quarterly period of each respective fiscal year, unaudited consolidating financial statements for such quarterly period, and (ii) within ninety (90) days after the close of each respective fiscal year, unaudited consolidating financial statements for such fiscal year.

Section 7.12 Annual Statement as to Compliance.

The Servicer will provide to the Borrower, each Managing Agent, the Administrative Agent, and the Backup Servicer, within ninety (90) days following the end of each fiscal year of the Servicer, an annual report signed by a Responsible Officer of the Servicer certifying that (a) a review of the activities of the Servicer, and the Servicer's performance pursuant to this Agreement, for the period ending on the last day of such fiscal year has been made under such Person's supervision and (b) the Servicer has performed or has caused to be performed in all material respects all of its obligations under this Agreement throughout such year and no Servicer Termination Event has occurred and is continuing (or if a Servicer Termination Event has so occurred and is continuing, specifying each such event, the nature and status thereof and the steps necessary to remedy such event, and, if a Servicer Termination Event occurred during such year and no notice thereof has been given to the Administrative Agent, specifying such Servicer Termination Event and the steps taken to remedy such event).

Section 7.13 Limitation on Liability of the Servicer and Others.

Except as provided herein, neither the Servicer (including any Successor Servicer) nor any of the directors or officers or employees or agents of the Servicer shall be under any liability to the Borrower, the Administrative Agent, the Lenders or any other Person for any action taken or for refraining from the taking of any action expressly provided for in this Agreement; provided, however, that this provision shall not protect the Servicer or any such Person against any liability that would otherwise be imposed by reason of its willful misfeasance, bad faith or gross negligence in the performance of duties or by reason of its willful misconduct hereunder.

The Servicer shall not be under any obligation to appear in, prosecute or defend any legal action that is not incidental to its duties to service the Transferred Loans in accordance with this Agreement that in its reasonable opinion may involve it in any expense or liability. The Servicer may, in its sole discretion, undertake any legal action relating to the servicing, collection or administration of Transferred Loans and the Related Property that it may reasonably deem necessary or appropriate for the benefit of the Borrower and the Secured Parties with respect to this Agreement and the rights and duties of the parties hereto and the respective interests of the Borrower and the Secured Parties hereunder.

Section 7.14 The Servicer Not to Resign.

The Servicer shall not resign from the obligations and duties hereby imposed on it except upon its determination that (i) the performance of its duties hereunder is or becomes impermissible under Applicable Law and (ii) there is no reasonable action that it could take to make the performance of its duties hereunder permissible under Applicable Law. Any such determination permitting the resignation of the Servicer shall be evidenced as to clause (i) above by an Opinion of Counsel to such effect delivered to the Borrower and the Administrative Agent. No such resignation shall become effective until a Successor Servicer shall have assumed the responsibilities and obligations of the Servicer in according with the terms of this Agreement.

Section 7.15 Access to Certain Documentation and Information Regarding the Loans.

The Borrower or the Servicer, as applicable, shall provide to the Administrative Agent and each Managing Agent access to the Loan Documents and all other documentation regarding the Loans included as part of the Collateral and the Related Property, such access being afforded without charge but only (i) upon reasonable prior notice, (ii) during normal business hours and (iii) subject to the Servicer's normal security and confidentiality procedures. From and after (x) the Restatement Date and periodically thereafter at the discretion of the Administrative Agent (but in no event limited to fewer than twice per calendar year), the Administrative Agent, on behalf of and with the input of each Managing Agent, may review the Borrower's and the Servicer's collection and administration of the Loans in order to assess compliance by the Servicer with the Servicer's written policies and procedures, as well as with this Agreement and may conduct an audit of the Transferred Loans, Loan Documents and Records in conjunction with such a review, which audit shall be reasonable in scope and shall be completed in a reasonable period of time and (y) the occurrence, and during the continuation of an Early Termination Event, the Administrative Agent and each Managing Agent may review the Borrower's and the Servicer's collection and administration of the Transferred Loans in order to assess compliance by the Servicer with the Servicer's written policies and procedures, as well as with this Agreement, which review shall not be limited in scope or frequency, nor restricted in period. The Administrative Agent may also conduct an audit (as such term is used in clause (x) of this Section 7.15) of the Transferred Loans, Loan Documents and Records in conjunction with such a review. The Borrower shall bear the cost of such reviews and audits.

Section 7.16 Merger or Consolidation of the Servicer.

The Servicer shall not consolidate with or merge into any other Person or convey or transfer its properties and assets substantially as an entirety to any Person unless:

(i) the Person formed by such consolidation or into which the Servicer is merged or the Person that acquires by conveyance or transfer the properties and assets of the Servicer substantially as an entirety shall be, if the Servicer is not the surviving entity, organized and existing under the laws of the United States or any State or the District of Columbia and shall expressly assume, by an agreement supplemental hereto, executed and delivered to the Borrower and the Administrative Agent in form satisfactory to the Borrower and the Administrative Agent, the performance of every covenant and

obligation of the Servicer hereunder (to the extent that any right, covenant or obligation of the Servicer, as applicable hereunder, is inapplicable to the successor entity, such successor entity shall be subject to such covenant or obligation, or benefit from such right, as would apply, to the extent practicable, to such successor entity);

(ii) the Servicer shall have delivered to the Borrower and the Administrative Agent an Officer's Certificate that such consolidation, merger, conveyance or transfer and such supplemental agreement comply with this Section 7.16 and that all conditions precedent herein provided for relating to such transaction have been complied with and an Opinion of Counsel that such supplemental agreement is legal, valid and binding with respect to the successor entity and that the entity surviving such consolidation, conveyance or transfer is organized and existing under the laws of the United States or any State or the District of Columbia. The Borrower and the Administrative Agent shall receive prompt written notice of such merger or consolidation of the Servicer; and

(iii) after giving effect thereto, no Early Termination Event, Unmatured Termination Event or Servicer Termination Event shall have occurred.

Section 7.17 Identification of Records.

The Servicer shall clearly and unambiguously identify each Loan that is part of the Collateral and the Related Property in its computer or other records to reflect that the interest in such Loans and Related Property have been transferred to and are owned by the Borrower and that the Administrative Agent has the interest therein granted by Borrower pursuant to this Agreement.

Section 7.18 Servicer Termination Events.

(a) If any one of the following events (a "Servicer Termination Event") shall occur and be continuing on any day:

(i) any failure by the Servicer to make any payment, transfer or deposit as required by this Agreement and such failure shall continue for two (2) Business Days;

(ii) any failure by the Servicer to give instructions or notice to the Borrower, any Managing Agent and/or the Administrative Agent as required by this Agreement or to deliver any Required Reports hereunder on or before the date occurring two (2) Business Days after the date such instructions, notice or report is required to be made or given, as the case may be, under the terms of this Agreement;

(iii) any failure on the part of the Servicer duly to observe or perform in any material respect any other covenants or agreements of the Servicer set forth in this Agreement or any other Transaction Document to which it is a party as Servicer that continues unremedied for a period of fifteen (15) days after the first to occur of (i) the date on which written notice of such failure requiring the same to be remedied shall have been given to the Servicer by the Administrative Agent, any Managing Agent or the

Borrower and (ii) the date on which the Servicer becomes or reasonably should have become aware thereof;

(iv) any representation, warranty or certification made by the Servicer in this Agreement or in any certificate delivered pursuant to this Agreement shall prove to have been false or incorrect in any material respect when made and such failure, if susceptible to a cure, shall continue unremedied for a period of fifteen (15) days after the first to occur of (i) the date on which written notice of such failure requiring the same to be remedied shall have been given to the Servicer by the Administrative Agent, any Managing Agent or the Borrower and (ii) the date on which the Servicer becomes or reasonably should have become aware thereof;

(v) the Servicer shall fail to service the Transferred Loans in accordance with the Credit and Collection Policy;

(vi) an Insolvency Event shall occur with respect to the Servicer;

(vii) the Servicer agrees to materially alter the Credit and Collection Policy without the prior written consent of the Required Lenders;

(viii) any financial or asset information reasonably requested by the Administrative Agent or any Managing Agent as provided herein is not provided as requested within five (5) Business Days (or such longer period as the Administrative Agent or such Managing Agent may consent to) of the receipt by the Servicer of such request;

(ix) the rendering against the Servicer of a final judgment, decree or order for the payment of money in excess of U.S. $5,000,000 (individually or in the aggregate) and the continuance of such judgment, decree or order unsatisfied and in effect for any period of thirty (30) consecutive days without a stay of execution;

(x) the failure of the Performance Guarantor to make any payment due with respect to aggregate recourse debt or other obligations with an aggregate principal amount exceeding U.S. $1,000,000 or the occurrence of any event or condition that would permit acceleration of such recourse debt or other obligations if such event or condition has not been waived;

(xi) any Guarantor Event of Default shall occur;

(xii) any Material Adverse Change occurs in the financial condition of the Servicer or a material adverse change occurs with regard to the collectibility of the Transferred Loans, taken as a whole;

(xiii) any Change-in-Control of the Servicer is made without the prior written consent of the Borrower and the Administrative Agent;

(xiv) the Performance Guarantor shall fail to maintain a minimum Net Worth equal to the sum of (i) of $325,000,000 plus (ii) 50% of any equity and Subordinated

equal to the sum of (i) [illegible] plus (ii) [illegible] of any equity and Subordinated

Debt issued by the Performance Guarantor after the Restatement Date minus (iii) 50% of any equity and Subordinated Debt retired or redeemed by the Performance Guarantor after the Restatement Date; provided that, in no event shall the minimum Net Worth be less than $325,000,000;

(xv) the Performance Guarantor shall fail to satisfy the RIC/BDC Requirements;

(xvi) the Performance Guarantor shall fail to maintain "asset coverage" (as defined in and determined pursuant to Section 18 of the 1940 Act, as modified by Section 61 of the 1940 Act) of at least 150% (or such percentage as may be set forth in Section 18 of the 1940 Act, as modified by Section 61 of the 1940 Act); provided, that for purposes of testing compliance with this Section 7.18(a)(xvi) the impact of the election of ASC 825 or similar accounting guideline with respect to determining the fair value of the debt of the Performance Guarantor on a consolidated basis shall be excluded (for avoidance of doubt, the intent of this language is to cause the debt of the Performance Guarantor to be valued at par value rather than fair value)); or

(xvii) the Performance Guarantor shall pay any cash dividends; provided that the Performance Guarantor shall be permitted to pay cash dividends if the Servicer shall have caused the Performance Guarantor to have delivered a certificate to the Administrative Agent, substantially in the form of Exhibit G hereto, at least ten (10) Business Days prior to the making of any such cash dividend to the effect that:

(A) the amount of the declared dividend has been determined in good faith by the Board of Directors of the Performance Guarantor on the basis of the most current financial projections of the Performance Guarantor then available for the Related Period (as defined in Exhibit G hereof);

(B) the amount of the declared dividend does not exceed the sum of (i) the net investment income and the net capital gain projected to be realized by the Performance Guarantor for the Related Period based on the financial projections referred to in clause (A) above, and (ii) the amounts deemed by the Performance Guarantor to be considered as having been paid during the prior year in accordance with Section 855(a) of the Code (together clauses (i) and (ii) comprising the "Projected Available Amount"); and

(C) to the extent the declared dividend referred to in clause (B) above exceeds the sum of (i) the net investment income and the net capital gain actually realized by the Performance Guarantor for the Related Period, plus (ii) the amounts deemed by Performance Guarantor to be considered as having been paid during the prior year in accordance with Section 855(a) of the Code (the "Excess Payment"); then the proposed dividend to be declared by the Performance Guarantor for the immediately ensuing Related Period shall be reduced by any positive amount resulting from the following calculation: (x) the ensuing Related

Period's proposed declared dividend plus the Excess Payment minus (y) the ensuing Related Period's Projected Available Amount.

then, notwithstanding anything herein to the contrary, so long as any such Servicer Termination Events shall not have been remedied at the expiration of any applicable cure period, the Administrative Agent may, or at the direction of the Required Lenders shall, by written notice to the Servicer and the Backup Servicer (a "Termination Notice"), subject to the provisions of Section 7.19, either (i) terminate all of the rights and obligations of the Servicer as Servicer under this Agreement or (ii) terminate all of the rights and obligations of the Servicer as Servicer under this Agreement and simultaneously reappoint the Servicer for a period not to exceed one month (subject to renewal at the sole discretion of the Administrative Agent, acting at the direction of the Required Lenders), at the expiration of which appointment the Servicer's rights and obligations hereunder shall automatically terminate without further action on the part of any party hereto. The Borrower shall pay all reasonable set-up and conversion costs associated with the transfer of servicing rights to the Successor Servicer.

Section 7.19 Appointment of Successor Servicer.

(a) On and after the receipt by the Servicer of a Termination Notice pursuant to Section 7.18, the Servicer shall continue to perform all servicing functions under this Agreement until the date specified in the Termination Notice or otherwise specified by the Administrative Agent, to the Servicer and the Backup Servicer in writing. The Administrative Agent may at the time described in the immediately preceding sentence in its sole discretion, appoint the Backup Servicer as the Servicer hereunder, and the Backup Servicer shall within seven (7) days assume all obligations of the Servicer hereunder, and all authority and power of the Servicer under this Agreement shall pass to and be vested in the Backup Servicer; provided, however, that any Successor Servicer (including, without limitation, the Backup Servicer) shall not (i) be responsible or liable for any past actions or omissions of the outgoing Servicer or (ii) be obligated to make Servicer Advances. The Administrative Agent may appoint (i) the Backup Servicer as successor servicer, or (ii) if the Administrative Agent does not so appoint the Backup Servicer, there is no Backup Servicer or the Backup Servicer is unwilling or unable to assume such obligations on such date, the Administrative Agent shall as promptly as possible appoint an alternate successor servicer to act as Servicer (in each such case, the "Successor Servicer"), and such Successor Servicer shall accept its appointment by a written assumption in a form acceptable to the Administrative Agent.

(b) Upon its appointment as Successor Servicer, the Backup Servicer (subject to Section 7.19(a)) or the alternate successor servicer, as applicable, shall be the successor in all respects to the Servicer with respect to servicing functions under this Agreement, shall assume all Servicing Duties hereunder and shall be subject to all the responsibilities, duties and liabilities relating thereto placed on the Servicer by the terms and provisions hereof, and all references in this Agreement to the Servicer shall be deemed to refer to the Backup Servicer or the Successor Servicer, as applicable. Any Successor Servicer shall be entitled, with the prior consent of the Administrative Agent, to appoint agents to provide some or all of its duties hereunder, provided that no such appointment shall relieve such Successor Servicer of the duties and obligations of

the Successor Servicer pursuant to the terms hereof and that any such subcontract may be terminated upon the occurrence of a Servicer Termination Event.

(c) All authority and power granted to the Servicer under this Agreement shall automatically cease and terminate upon termination of the Servicer under this Agreement and shall pass to and be vested in the Successor Servicer, and, without limitation, the Successor Servicer is hereby authorized and empowered to execute and deliver, on behalf of the Servicer, as attorney-in-fact or otherwise, all documents and other instruments, and to do and accomplish all other acts or things necessary or appropriate to effect the purposes of such transfer of servicing rights. The Servicer agrees to cooperate with the Successor Servicer in effecting the termination of the responsibilities and rights of the Servicer to conduct servicing on the Collateral.

(d) Upon the Backup Servicer receiving notice that it is required to serve as the Successor Servicer hereunder pursuant to the foregoing provisions of this Section 7.19, the Backup Servicer will promptly begin the transition to its role as Successor Servicer.

(e) The Backup Servicer shall be entitled to receive its Transition Costs incurred in transitioning to Servicer.

Section 7.20 Market Servicing Fee.

Notwithstanding anything to the contrary herein, in the event that a Successor Servicer is appointed Servicer, the Servicing Fee shall equal the market rate for comparable servicing duties to be fixed upon the date of such appointment by such Successor Servicer with the consent of the Administrative Agent (the "Market Servicing Fee").

## ARTICLE VIII

## EARLY TERMINATION EVENTS

Section 8.1 Early Termination Events.

If any of the following events (each, an "Early Termination Event") shall occur and be continuing:

(a) the Borrower shall fail to (i) make payment of any amount required to be made under the terms of this Agreement and such failure shall continue for more than two (2) Business Days; or (ii) repay all Advances Outstanding on or prior to the Maturity Date; or

(b) the Borrowing Base Test shall not be met, and such failure shall continue for more than two (2) Business Days; or

(c) (i) the Borrower shall fail to perform or observe in any material respect any other covenant or other agreement of the Borrower set forth in this Agreement and any other Transaction Document to which it is a party, or (ii) the Originator shall fail to perform or observe in any material respect any term, covenant or agreement of such Originator set forth in any other Transaction Document to which it is a party, in each case when such failure continues

Transaction Document to which it is a party, in each case which such failure continues

unremedied for more than fifteen (15) days after the first to occur of (i) the date on which written notice of such failure requiring the same to be remedied shall have been given to such Person by the Administrative Agent, any Managing Agent or the Collateral Custodian and (ii) the date on which such Person becomes or should have become aware thereof; or

(d) any representation or warranty made or deemed made hereunder shall prove to be incorrect in any material respect as of the time when the same shall have been made; or

(e) an Insolvency Event shall occur with respect to the Borrower or the Originator; or

(f) a Servicer Termination Event occurs; or

(g) any Change-in-Control of the Borrower or Originator occurs; or

(h) the Borrower or the Servicer defaults in making any payment required to be made under any material agreement for borrowed money to which either is a party and such default is not cured within the relevant cure period; or

(i) the Administrative Agent, as agent for the Secured Parties, shall fail for any reason to have a valid and perfected first priority security interest in any of the Collateral; or

(j) (i) a final judgment for the payment of money in excess of (A) $10,000,000 shall have been rendered against the Originator or (B) $250,000 against the Borrower by a court of competent jurisdiction and, if such judgment relates to the Originator, such judgment, decree or order shall continue unsatisfied and in effect for any period of thirty (30) consecutive days without a stay of execution, or (ii) the Originator or the Borrower, as the case may be, shall have made payments of amounts in excess of $10,000,000 or $250,000, respectively, in settlement of any litigation; or

(k) the Borrower or the Servicer agrees or consents to, or otherwise permits to occur, any amendment, modification, change, supplement or recession of or to the Credit and Collection Policy in whole or in part that could have a material adverse effect upon the Transferred Loans or interest of any Lender, without the prior written consent of the Required Lenders; or

(l) any Material Adverse Change occurs with respect to the Borrower, the Originator or the Servicer; or

(m) the Rolling Three-Month Default Ratio shall exceed 7.5%; or

(n) the Rolling Three-Month Charged-Off Ratio shall exceed 5.0%; or

(o) the Borrower shall become an "investment company" subject to registration under the 1940 Act; or

(p) the business and other activities of the Borrower or the Originator, including but not limited to, the acceptance of the Advances by the Borrower made by the Lenders, the application and use of the proceeds thereof by the Borrower and the consummation and conduct

of the transactions contemplated by the Transaction Documents to which the Borrower or the Originator is a party result in a violation by the Originator, the Borrower, or any other person or entity of the 1940 Act or the rules and regulations promulgated thereunder; or

(q) on the Determination Dates falling in August, November, February and May, the Interest Coverage Ratio does not equal or exceed 200% and such failure continues on the next succeeding Determination Date; or

(r) the Required Equity Investment shall not be maintained, and such failure shall continue unremedied for a period of five (5) Business Days; or

(s) a Key Man Event occurs; or

(t) during the Revolving Period, the Required Diversity Test shall not be satisfied;

then, and in any such event, the Administrative Agent shall, at the request, or may with the consent, of the Required Lenders, by notice to the Borrower declare the Termination Date to have occurred, without demand, protest or future notice of any kind, all of which are hereby expressly waived by the Borrower, and all Advances Outstanding and all other amounts owing by the Borrower under this Agreement shall be accelerated and become immediately due and payable, provided, that in the event that the Early Termination Event described in subsection (e) herein has occurred, the Termination Date shall automatically occur, without demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower. Upon its receipt of written notice thereof, the Administrative Agent shall promptly notify each Lender of the occurrence of any Early Termination Event.

Section 8.2 Remedies.

(a) Upon any such declaration or automatic occurrence of the Termination Date as specified under Section 8.1, no further Advances will be made, and the Administrative Agent and the other Secured Parties shall have, in addition to all other rights and remedies under this Agreement or otherwise, all rights and remedies provided under the UCC of each applicable jurisdiction and other Applicable Laws, including the right to sell the Collateral, which rights and remedies shall be cumulative. The Administrative Agent and the other Secured Parties agree that the sale of the Collateral shall be conducted in good faith and in accordance with commercially reasonable practices.

(b) Upon any such declaration or automatic occurrence of the Termination Date as specified under Section 8.1, the Borrower and the Servicer hereby agree that they will, at the expense of Borrower or, if such Termination Date occurred as a result of a Servicer Termination Event, at the expense of the initial Servicer or any Affiliate of the initial Servicer if appointed as Successor Servicer hereunder, and upon request of the Administrative Agent, forthwith, (i) assemble all or any part of the Collateral as directed by the Administrative Agent, and make the same available to the Administrative Agent, at a place to be designated by the Administrative Agent, and (ii) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at a public sale in accordance with commercially reasonable practices. If there is no recognizable public market for sale of any portion of Collateral, then a private sale of

that Collateral may be conducted only on an arm's length basis and in accordance with commercially reasonable practices. The Borrower agrees that, to the extent notice of sale shall be required by law, at least ten (10) days' notice to the Borrower of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Administrative Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Administrative Agent, may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. All cash Proceeds received by the Administrative Agent in respect of any sale of, collection from, or other realization upon, all or any part of the Collateral (after payment of any amounts incurred by the Administrative Agent or any of the Secured Parties in connection with such sale) shall be deposited into the Collection Account and applied against all or any part of the Obligations pursuant to Section 2.8.

(c) If the Administrative Agent proposes to sell the Collateral or any part thereof in one or more parcels at a public or private sale, the Borrower shall have the right of first refusal to repurchase the Collateral, in whole but not in part, prior to such sale at a price not less than the Obligations as of the date of such proposed repurchase. The aforementioned rights and remedies shall be without limitation, and shall be in addition to all other rights and remedies of the Administrative Agent and the Secured Parties otherwise available under any provision of this Agreement by operation of law, at equity or otherwise, each of which are expressly preserved.

## ARTICLE IX

## INDEMNIFICATION

Section 9.1 Indemnities by the Borrower.

(a) Without limiting any other rights that any such Person may have hereunder or under Applicable Law, the Borrower hereby agrees to indemnify the Administrative Agent, the Managing Agents, the Backup Servicer, any Successor Servicer, the Collateral Custodian, any Secured Party or its assignee and each of their respective Affiliates and officers, directors, employees, members and agents thereof (collectively, the "Indemnified Parties"), forthwith on demand, from and against any and all damages, losses, claims, liabilities and related costs and expenses, including reasonable attorneys' fees and disbursements (all of the foregoing being collectively referred to as "Indemnified Amounts") awarded against or incurred by, any such Indemnified Party or other non-monetary damages of any such Indemnified Party any of them arising out of or as a result of this Agreement, excluding, however, Indemnified Amounts to the extent finally judicially determined by a court of competent jurisdiction to have been resulting from the gross negligence or willful misconduct on the part of any Indemnified Party. Without limiting the foregoing, the Borrower shall indemnify the Indemnified Parties for Indemnified Amounts relating to or resulting from:

(i) any Loan treated as or represented by the Borrower to be an Eligible Loan that is not at the applicable time an Eligible Loan;

(ii) reliance on any representation or warranty made or deemed made by the Borrower, the Servicer (or one of its Affiliates) or any of their respective officers under or in connection with this Agreement, which shall have been false or incorrect in any material respect when made or deemed made or delivered;

(iii) the failure by the Borrower or the Servicer (or one of its Affiliates) to comply with any term, provision or covenant contained in this Agreement or any agreement executed in connection with this Agreement, or with any Applicable Law with respect to any Loan comprising a portion of the Collateral, or the nonconformity of any Loan, the Related Property with any such Applicable Law or any failure by the Originator, the Borrower or any Affiliate thereof to perform its respective duties under the Loans included as a part of the Collateral;

(iv) the failure to vest and maintain vested in the Administrative Agent a first priority perfected security interest in the Collateral;

(v) the failure to file, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other Applicable Laws with respect to any Collateral whether at the time of any Advance or at any subsequent time and as required by the Transaction Documents;

(vi) any dispute, claim, offset or defense (other than the discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Loan included as part of the Collateral that is, or is purported to be, an Eligible Loan (including, without limitation, (A) a defense based on the Loan not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms or (B) the equitable subordination of such Loan);

(vii) any failure of the Borrower or the Servicer (if the Originator or one of its Affiliates) to perform its duties or obligations in accordance with the provisions of this Agreement or any failure by the Originator, the Borrower or any Affiliate thereof to perform its respective duties under the Transferred Loans;

(viii) any products liability claim or personal injury or property damage suit or other similar or related claim or action of whatever sort arising out of or in connection with merchandise or services that are the subject of any Loan included as part of the Collateral or the Related Property included as part of the Collateral;

(ix) the failure by Borrower to pay when due any Taxes for which the Borrower is liable, including without limitation, sales, excise or personal property taxes payable in connection with the Collateral;

(x) any repayment by the Administrative Agent, any Managing Agent or a Secured Party of any amount previously distributed in reduction of Advances Outstanding or payment of Interest or any other amount due hereunder or under any Hedging Agreement, in each case which amount the Administrative Agent, such Managing Agent or a Secured Party believes in good faith is required to be repaid;

(xi) any investigation, litigation or proceeding related to this Agreement or the use of proceeds of Advances or in respect of any Loan included as part of the Collateral or the Related Property included as part of the Collateral;

(xii) any failure by the Borrower to give reasonably equivalent value to the Originator in consideration for the transfer by the Originator to the Borrower of any Transferred Loan or the Related Property or any attempt by any Person to void or otherwise avoid any such transfer under any statutory provision or common law or equitable action, including, without limitation, any provision of the Bankruptcy Code, or

(xiii) the failure of the Borrower, the Originator or any of their respective agents or representatives to remit to the Servicer or the Administrative Agent, Collections on the Collateral remitted to the Borrower or any such agent or representative in accordance with the terms hereof or the commingling by the Borrower or any Affiliate of any collections.

(b) Any amounts subject to the indemnification provisions of this Section 9.1 shall be paid by the Borrower to the applicable Indemnified Party within two (2) Business Days following the Administrative Agent's demand therefor.

(c) If for any reason the indemnification provided above in this Section 9.1 is unavailable to the Indemnified Party or is insufficient to hold an Indemnified Party harmless, then the Borrower, shall contribute to the amount paid or payable by such Indemnified Party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect not only the relative benefits received by such Indemnified Party on the one hand and the Borrower, on the other hand but also the relative fault of such Indemnified Party as well as any other relevant equitable considerations.

(d) The obligations of the Borrower under this Section 9.1 shall survive the removal of the Administrative Agent or any Managing Agent and the termination of this Agreement.

(e) The parties hereto agree that the provisions of Section 9.1 shall not be interpreted to provide recourse to the Borrower against loss by reason of the bankruptcy or insolvency (or other credit condition) of, or default by, an Obligor on, any Transferred Loan.

Section 9.2 Indemnities by the Servicer.

(a) Without limiting any other rights that any such Person may have hereunder or under Applicable Law, the Servicer hereby agrees to indemnify each Indemnified Party, forthwith on demand, from and against any and all Indemnified Amounts (calculated without duplication of Indemnified Amounts paid by the Borrower pursuant to Section 9.1 above) awarded against or incurred by any such Indemnified Party by reason of any acts, omissions or alleged acts or omissions of the Servicer, including, but not limited to (i) any representation or warranty made by the Servicer under or in connection with any Transaction Documents to which it is a party, any Monthly Report, Servicer's Certificate or any other information or report delivered by or on behalf of the Servicer pursuant hereto, which shall have been false, incorrect or misleading in any material respect when made or deemed made, (ii) the failure by the Servicer

to comply with any Applicable Law, (iii) the failure of the Servicer to comply with its duties or obligations in accordance with the Agreement or (iv) any litigation, proceedings or investigation against the Servicer, excluding, however, (a) Indemnified Amounts to the extent resulting from gross negligence or willful misconduct on the part of such Indemnified Party, and (b) under any Federal, state or local income or franchise taxes or any other Tax imposed on or measured by income (or any interest or penalties with respect thereto or arising from a failure to comply therewith) required to be paid by such Indemnified Party in connection herewith to any taxing authority. The provisions of this indemnity shall run directly to and be enforceable by an injured party subject to the limitations hereof. If the Servicer has made any indemnity payment pursuant to this Section 9.2 and such payment fully indemnified the recipient thereof and the recipient thereafter collects any payments from others in respect of such Indemnified Amounts, the recipient shall repay to the Servicer an amount equal to the amount it has collected from others in respect of such indemnified amounts.

(b) If for any reason the indemnification provided above in this Section 9.2 is unavailable to the Indemnified Party or is insufficient to hold an Indemnified Party harmless, then Servicer shall contribute to the amount paid or payable to such Indemnified Party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect not only the relative benefits received by such Indemnified Party on the one hand and Servicer on the other hand but also the relative fault of such Indemnified Party as well as any other relevant equitable considerations.

(c) The obligations of the Servicer under this Section 9.2 shall survive the resignation or removal of the Administrative Agent or any Managing Agents and the termination of this Agreement.

(d) The parties hereto agree that the provisions of this Section 9.2 shall not be interpreted to provide recourse to the Servicer against loss by reason of the bankruptcy or insolvency (or other credit condition) of, or default by, the related Obligor, on any Transferred Loan.

(e) The Servicer shall not be permitted to liquidate any of the Collateral to pay any indemnification payable by the Servicer pursuant to this Section 9.2.

## ARTICLE X

## THE ADMINISTRATIVE AGENT AND THE MANAGING AGENTS

Section 10.1 Authorization and Action.

(a) Each Secured Party hereby designates and appoints KeyBank as Administrative Agent hereunder, and authorizes KeyBank to take such actions as agent on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms of this Agreement together with such powers as are reasonably incidental thereto. The Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Secured Party, and no implied covenants, functions, responsibilities, duties, obligations or liabilities on the part of the Administrative Agent shall be

read into this Agreement or otherwise exist for the Administrative Agent. In performing its functions and duties hereunder, the Administrative Agent shall act solely as agent for the Secured Parties and does not assume nor shall be deemed to have assumed any obligation or relationship of trust or agency with or for the Borrower or any of its successors or assigns. The Administrative Agent shall not be required to take any action that exposes the Administrative Agent to personal liability or that is contrary to this Agreement or Applicable Law. The appointment and authority of the Administrative Agent hereunder shall terminate at the indefeasible payment in full of the Obligations.

(b) Each Lender hereby designates and appoints the Managing Agent for such Lender's Lender Group as its Managing Agent hereunder, and authorizes such Managing Agent to take such actions as agent on its behalf and to exercise such powers as are delegated to the Managing Agents by the terms of this Agreement together with such powers as are reasonably incidental thereto. No Managing Agent shall have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities on the part of the applicable Managing Agent shall be read into this Agreement or otherwise exist for the applicable Managing Agent. In performing its functions and duties hereunder, each Managing Agent shall act solely as agent for the Lenders in the related Lender Group and does not assume nor shall be deemed to have assumed any obligation or relationship of trust or agency with or for the Borrower or any of its successors or assigns. No Managing Agent shall be required to take any action that exposes it to personal liability or that is contrary to this Agreement or Applicable Law. The appointment and authority of each Managing Agent hereunder shall terminate at the indefeasible payment in full of the Obligations.

Section 10.2 Delegation of Duties.

(a) The Administrative Agent may execute any of its duties under this Agreement by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

(b) Each Managing Agent may execute any of its duties under this Agreement by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. No Managing Agent shall be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

Section 10.3 Exculpatory Provisions.

(a) Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be (i) liable for any action lawfully taken or omitted to be taken by it or them under or in connection with this Agreement (except for its, their or such Person's own gross negligence or willful misconduct or, in the case of the Administrative Agent, the breach of its obligations expressly set forth in this Agreement), or (ii) responsible in any manner to any of the Secured Parties for any recitals, statements, representations or warranties made by the Borrower contained in this Agreement or in any certificate, report, statement or other document referred to or provided for in, or received under or in connection with, this Agreement for the value,

validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other document furnished in connection herewith, or for any failure of the Borrower to perform its obligations hereunder, or for the satisfaction of any condition specified in Article III. The Administrative Agent shall not be under any obligation to any Secured Party to ascertain or to inquire as to the observance or performance of any of the agreements or covenants contained in, or conditions of, this Agreement, or to inspect the properties, books or records of the Borrower. The Administrative Agent shall not be deemed to have knowledge of any Early Termination Event unless the Administrative Agent has received notice of such Early Termination Event, in a document or other written communication titled "Notice of Early Termination Event" from the Borrower or a Secured Party.

(b) Neither any Managing Agent nor any of its respective directors, officers, agents or employees shall be (i) liable for any action lawfully taken or omitted to be taken by it or them under or in connection with this Agreement (except for its, their or such Person's own gross negligence or willful misconduct or, in the case of a Managing Agent, the breach of its obligations expressly set forth in this Agreement), or (ii) responsible in any manner to the Administrative Agent or any of the Secured Parties for any recitals, statements, representations or warranties made by the Borrower contained in this Agreement or in any certificate, report, statement or other document referred to or provided for in, or received under or in connection with, this Agreement or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other document furnished in connection herewith, or for any failure of the Borrower to perform its obligations hereunder, or for the satisfaction of any condition specified in Article III. No Managing Agent shall be under any obligation to the Administrative Agent or any Secured Party to ascertain or to inquire as to the observance or performance of any of the agreements or covenants contained in, or conditions of, this Agreement, or to inspect the properties, books or records of the Borrower. No Managing Agent shall be deemed to have knowledge of any Early Termination Event unless such Managing Agent has received notice of such Early Termination Event, in a document or other written communication titled "Notice of Early Termination Event" from the Borrower, the Administrative Agent or a Secured Party.

(c) None of the Administrative Agent, any Managing Agent or any Lender shall be deemed to have any fiduciary relationship with the Borrower or the Servicer under this Agreement, and no implied covenants, functions, responsibilities, duties, obligations or liabilities creating any such fiduciary relationship shall be inferred from or in connection with this Agreement except as otherwise provided herein or under Applicable Law.

Section 10.4 Reliance.

(a) The Administrative Agent shall in all cases be entitled to rely, and shall be fully protected in relying, upon any document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall in all cases be fully justified in failing or refusing to take any action under this Agreement or any other document furnished in connection herewith unless it shall first receive such advice or concurrence of the Required Lenders or all of the Secured Parties, as applicable, as it deems

appropriate or it shall first be indemnified to its satisfaction by the Lenders, provided, that, unless and until the Administrative Agent shall have received such advice, the Administrative Agent may take or refrain from taking any action, as the Administrative Agent shall deem advisable and in the best interests of the Secured Parties, The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, in accordance with a request of the Required Lenders or all of the Secured Parties, as applicable, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Secured Parties.

(b) Each Managing Agent shall in all cases be entitled to rely, and shall be fully protected in relying, upon any document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by such Managing Agent. Each Managing Agent shall in all cases be fully justified in failing or refusing to take any action under this Agreement or any other document furnished in connection herewith unless it shall first receive such advice or concurrence of the Lenders in its related Lender Group as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders in its related Lender Group, provided that unless and until such Managing Agent shall have received such advice, the Managing Agent may take or refrain from taking any action, as the Managing Agent shall deem advisable and in the best interests of the Lenders in its Lender Group. Each Managing Agent shall in all cases be fully protected in acting, or in refraining from acting, in accordance with a request of the Lenders in such Managing Agent's Lender Group and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders in such Managing Agent's Lender Group.

Section 10.5 Non-Reliance on Administrative Agent, Managing Agents and Other Lenders.

Each Secured Party expressly acknowledges that neither the Administrative Agent, any other Secured Party nor any of their respective officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representations or warranties to it and that no act by the Administrative Agent or any other Secured Party hereafter taken, including, without limitation, any review of the affairs of the Borrower, shall be deemed to constitute any representation or warranty by the Administrative Agent or any other Secured Party. Each Secured Party represents and warrants to the Administrative Agent and to each other Secured Party that it has and will, independently and without reliance upon the Administrative Agent or any other Secured Party and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, prospects, financial and other conditions and creditworthiness of the Borrower and made its own decision to enter into this Agreement.

Section 10.6 Reimbursement and Indemnification.

The Lenders agree to reimburse and indemnify the Administrative Agent, and the Lenders in each Lender Group agree to reimburse the Managing Agent for such Lender Group, and their respective officers, directors, employees, representatives and agents ratably according to their Commitments, as applicable, to the extent not paid or reimbursed by the Borrower (i) for any amounts for which the Administrative Agent, acting in its capacity as Administrative Agent,

or any Managing Agent, acting in its capacity as a Managing Agent, is entitled to reimbursement by the Borrower hereunder and (ii) for any other expenses incurred by the Administrative Agent, in its capacity as Administrative Agent, or any Managing Agent, acting in its capacity as a Managing Agent, and acting on behalf of the related Lenders, in connection with the administration and enforcement of this Agreement and the other Transaction Documents.

Section 10.7 Administrative Agent and Managing Agents in their Individual Capacities.

The Administrative Agent, each Managing Agent and each of their respective Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower or any Affiliate of the Borrower as though the Administrative Agent or such Managing Agent, as the case may be, were not the Administrative Agent or a Managing Agent, as the case may be, hereunder. With respect to the acquisition of Advances pursuant to this Agreement, the Administrative Agent, each Managing Agent and each of their respective Affiliates shall have the same rights and powers under this Agreement as any Lender and may exercise the same as though it were not the Administrative Agent or a Managing Agent, as the case may be, and the terms "Lender" "Lender" "Lenders" and "Lenders" shall include the Administrative Agent or a Managing Agent, as the case may be, in its individual capacity.

Section 10.8 Successor Administrative Agent or Managing Agent.

(a) The Administrative Agent may, upon five (5) days' notice to the Borrower and the Secured Parties, and the Administrative Agent will, upon the direction of all of the Lenders resign as Administrative Agent. If the Administrative Agent shall resign, then the Required Lenders during such five-day period shall appoint from among the Secured Parties a successor agent. If for any reason no successor Administrative Agent is appointed by the Required Lenders during such five-day period, then effective upon the expiration of such five-day period, the Secured Parties shall perform all of the duties of the Administrative Agent hereunder and the Borrower shall make all payments in respect of the Obligations or under any Fee Letter delivered by the Borrower to the Administrative Agent and the Secured Parties directly to the applicable Managing Agents, on behalf of the Lenders in the applicable Lender Group and for all purposes shall deal directly with the Secured Parties. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of Article IX and Article X shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

(b) Any Managing Agent may, upon five (5) days' notice to the Borrower, the Administrative Agent and the related Lenders, and any Managing Agent will, upon the direction of all of the related Lenders resign as a Managing Agent. If a Managing Agent shall resign, then the related Lenders during such five-day period shall appoint from among the related Lenders a successor Managing Agent. If for any reason no successor Managing Agent is appointed by such Lenders during such five-day period, then effective upon the expiration of such five-day period, such Lenders shall perform all of the duties of the related Managing Agent hereunder. After any retiring Managing Agent's resignation hereunder as a Managing Agent, the provisions of Article

IX and Article X shall inure to its benefit as to any actions taken or omitted to be taken by it while it was a Managing Agent under this Agreement.

Section 10.9 Erroneous Payment.

(a) Each Lender hereby agrees that (i) if the Administrative Agent notifies such Lender that the Administrative Agent has determined in its sole discretion that any funds received by such Lender from the Administrative Agent or any of its Affiliates were erroneously transmitted to, or otherwise erroneously or mistakenly received by, such Lender (whether or not known to such Lender) (whether as a payment, prepayment or repayment of principal, interest, fees or otherwise; individually and collectively, a "Erroneous Payment") and demands the return of such Erroneous Payment (or a portion thereof), such Lender shall promptly, but in no event later than one (1) Business Day thereafter, return to the Administrative Agent the amount of any such Erroneous Payment (or portion thereof) as to which such a demand was made, in same day funds (in the currency so received), together with interest thereon in respect of each day from and including the date such Erroneous Payment (or portion thereof) was received by such Lender to the date such amount is repaid to the Administrative Agent in same day funds at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation from time to time in effect and (ii) to the extent permitted by applicable law, such Lender shall not assert any right or claim to the Erroneous Payment, and hereby waives, any claim, counterclaim, defense or right of set-off or recoupment with respect to any demand, claim or counterclaim by the Administrative Agent for the return of any Erroneous Payments received, including without limitation waiver of any defense based on "discharge for value" or any similar doctrine. A notice of the Administrative Agent to any Lender under this clause (a) shall be conclusive, absent manifest error.

(b) Without limiting immediately preceding clause (a), each Lender hereby further agrees that if it receives an Erroneous Payment from the Administrative Agent (or any of its Affiliates) (x) that is in a different amount than, or on a different date from, that specified in a notice of payment sent by the Administrative Agent (or any of its Affiliates) with respect to such Erroneous Payment (an "Erroneous Payment Notice"), (y) that was not preceded or accompanied by an Erroneous Payment Notice, or (z) that such Lender otherwise becomes aware was transmitted, or received, in error or by mistake (in whole or in part), in each case, an error has been made (and that it is deemed to have knowledge of such error at the time of receipt of such Erroneous Payment) with respect to such Erroneous Payment, and to the extent permitted by applicable law, such Lender shall not assert any right or claim to the Erroneous Payment, and hereby waives, any claim, counterclaim, defense or right of set-off or recoupment with respect to any demand, claim or counterclaim by the Administrative Agent for the return of any Erroneous Payments received, including without limitation waiver of any defense based on "discharge for value" or any similar doctrine. Each Lender agrees that, in each such case, it shall promptly (and, in all events, within one (1) Business Day of its knowledge (or deemed knowledge) of such error) notify the Administrative Agent of such occurrence and, upon demand from the Administrative Agent, it shall promptly, but in all events no later than one (1) Business Day thereafter, return to the Administrative Agent the amount of any such Erroneous Payment (or portion thereof) as to which such a demand was made in same day funds (in the currency so received), together with interest thereon in respect of each day from and including the date such Erroneous Payment (or portion thereof) was received by such Lender to the date such amount is

Erroneous Payment (or portion thereof) was received by such Lender to the date such amount is

repaid to the Administrative Agent in same day funds at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation from time to time in effect.

(c) The Borrower and the Servicer hereby agree that (x) in the event an Erroneous Payment (or portion thereof) is not recovered from any Lender that has received such Erroneous Payment (or portion thereof) for any reason, the Administrative Agent shall be subrogated to all the rights of such Lender with respect to such amount and (y) an Erroneous Payment shall not pay, prepay, repay, discharge or otherwise satisfy any Obligations owed by the Borrower, the Servicer or any of their respective Affiliates.

Each party's obligations under this Section 10.9 shall survive the resignation or replacement of the Administrative Agent, the termination of the Commitments or the repayment, satisfaction or discharge of all Obligations (or any portion thereof) under any Transaction Document.

## ARTICLE XI

## ASSIGNMENTS; PARTICIPATIONS

Section 11.1 Assignments and Participations.

(a) Neither Borrower nor the Servicer shall have the right to assign its rights or obligations under this Agreement.

(b) Any Lender may at any time and from time to time assign to one or more Persons ("Purchasing Lenders") all or any part of its rights and obligations under this Agreement pursuant to an assignment agreement, substantially in the form set forth in Exhibit C hereto (the "Assignment and Acceptance") executed by such Purchasing Lender and such selling Lender with the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed). In addition, except with respect to an assignment to an Affiliate of such Lender, so long as no Early Termination Event or Unmatured Termination Event has occurred and is continuing at such time, the consent of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required prior to the effectiveness of any such assignment; provided, that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent and the assigning Lender within ten (10) Business Days after having received written notice thereof. Each assignee of a Lender must be an Eligible Assignee and must agree to deliver to the Administrative Agent, promptly following any request therefor by the Managing Agent for its Lender Group, an enforceability opinion in form and substance satisfactory to such Managing Agent. Upon delivery of the executed Assignment and Acceptance to the Administrative Agent, such selling Lender shall be released from its obligations hereunder to the extent of such assignment. Thereafter the Purchasing Lender shall for all purposes be a Lender party to this Agreement and shall have all the rights and obligations of a Lender under this Agreement to the same extent as if it were an original party hereto and no further consent or action by Borrower, the Lenders or the Administrative Agent shall be required. The Lenders agree that any assignments arranged by the Borrower or any of its Affiliates, unless the Lenders shall otherwise agree, shall be offered to the Lenders ratably, and if accepted by each Lender in its sole discretion, shall be made by the

Lenders ratably. Notwithstanding the foregoing, no assignment shall be made to (A) the Borrower or any of the Borrower's Affiliates, (B) to any Defaulting Lender or (C) a natural person.

(c) By executing and delivering an Assignment and Acceptance, the Purchasing Lender thereunder and the selling Lender thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such selling Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such Purchasing Lender confirms that it has received a copy of this Agreement, together with copies of such financial statements and other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iii) such Purchasing Lender will, independently and without reliance upon the Administrative Agent or any Managing Agent, the selling Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (iv) such Purchasing Lender and such selling Lender confirm that such Purchasing Lender is an Eligible Assignee; (v) such Purchasing Lender appoints and authorizes each of the Administrative Agent and the applicable Managing Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to such agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vi) such Purchasing Lender agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) The Administrative Agent shall maintain at its address referred to herein a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of, each Advance owned by each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Lenders, the Borrower and the Managing Agents may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Lenders, any Managing Agent or the Borrower at any reasonable time and from time to time upon reasonable prior notice.

(e) Subject to the provisions of this Section 11.1, upon their receipt of an Assignment and Acceptance executed by a selling Lender and a Purchasing Lender, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C hereto, accept such Assignment and Acceptance, and the Administrative Agent shall then (i) record the information contained therein in the Register and (ii) give prompt notice thereof to each Managing Agent.

(f) Any Lender may, in the ordinary course of its business at any time sell to one or more Persons (each a "Participant") participating interests in its Pro-Rata Share of the Advances of the Lenders or any other interest of such Lender hereunder. Notwithstanding any such sale by a Lender of a participating interest to a Participant, such Lender's rights and obligations under

this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance of its obligations hereunder, and the Borrower, the other Lenders, the Managing Agents and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Each Lender agrees that any agreement between such Lender and any such Participant in respect of such participating interest shall not restrict such Lender's right to agree to any amendment, supplement, waiver or modification to this Agreement, except for any amendment, supplement, waiver or modification set forth in Section 12.1(iii) of this Agreement.

(g) Each Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 11.1, disclose to the assignee or participant or proposed assignee or participant any information relating to the Borrower or Servicer furnished to such Lender by or on behalf of the Borrower or the Servicer.

(h) Nothing herein shall prohibit any Lender from pledging or assigning as collateral any of its rights under this Agreement to any Federal Reserve Bank or other central bank having jurisdiction over such Lender in accordance with Applicable Law and any such pledge or collateral assignment may be made without compliance with Section 11.1(b) or Section 11.1(c).

(i) In the event any Lender causes increased costs, expenses or taxes to be incurred by the Administrative Agent or Managing Agents in connection with the assignment or participation of such Lender's rights and obligations under this Agreement to an Eligible Assignee then such Lender agrees that it will make reasonable efforts to assign such increased costs, expenses or taxes to such Eligible Assignee in accordance with the provisions of this Agreement.

## ARTICLE XII

## MISCELLANEOUS

Section 12.1 Amendments and Waivers.

Except as provided in this Section 12.1, no amendment, waiver or other modification of any provision of this Agreement shall be effective without the written agreement of the Borrower, the Administrative Agent, the Swingline Lender, the Managing Agents and the Required Lenders; provided, however, that (i) without the consent of the Lenders in any Lender Group (other than the Lender Group to which such Lenders are being added), the Administrative Agent, the Swingline Lender and the applicable Managing Agent may, with the consent of Borrower, amend this Agreement solely to add additional Persons as Lenders hereunder, (ii) any amendment of this Agreement that is solely for the purpose of increasing the Commitment of a specific Lender or increase the Group Advance Limit of the related Lender Group may be effected with the written consent of the Borrower, the Administrative Agent and the affected Lender, and (iii) the consent of each Lender shall be required to: (A) extend the Commitment Termination Date for such Lender, or the date of any payment or deposit of Collections by the Borrower or the Servicer, (B) reduce the amount (other than by reason of the repayment thereof) or extend the time of payment of Advances Outstanding or reduce the rate or extend the time of payment of Interest (or any component thereof), (C) reduce any fee payable to the Administrative

Agent, the Swingline Lender or any Managing Agent for the benefit of the Lenders, (D) amend, modify or waive any provision of the definition of Required Lenders or Sections 2.11, 11.1(b), 12.1, 12.9, or 12.10, (E) consent to or permit the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement, (F) amend or waive any Servicer Termination Event or Early Termination Event, (G) change the definition of "Borrowing Base," "Charged-Off Ratio," "Default Ratio," "Eligible Loan" or "Settlement Date," or (H) amend or modify any defined term (or any defined term used directly or indirectly in such defined term) used in clauses (A) through (G) above in a manner that would circumvent the intention of the restrictions set forth in such clauses. Any waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver, or consent hereunder (and any amendment, waiver, or consent which by its terms requires the consent of all Lenders may be effected with the consent of all Lenders other than Defaulting Lenders) provided that, without in any way limiting Section 12.17, any such amendment, waiver, or consent that would increase or extend the term of the Commitment or Advances of such Defaulting Lender, extend the date fixed for the payment of principal or interest owing to such Defaulting Lender hereunder, reduce the principal amount of any obligation owing to such Defaulting Lender, reduce the amount of or the rate or amount of interest on any amount owing to such Defaulting Lender or of any fee payable to such Defaulting Lender hereunder, or alter the terms of this proviso, shall require the consent of such Defaulting Lender.

Notwithstanding anything to the contrary, unless signed by the Administrative Agent and the Swingline Lender, no amendment, waiver or consent shall affect the rights or duties of the Administrative Agent or the Swingline Lender, as applicable, under this Agreement or any other Loan Document.

No amendment, waiver or other modification (i) affecting the rights or obligations of any Hedge Counterparty or (ii) having a material effect on the rights or obligations of the Collateral Custodian or the Backup Servicer (including any duties of the Servicer that the Backup Servicer would have to assume as Successor Servicer) shall be effective against such Person without the written agreement of such Person. The Borrower or the Servicer on its behalf will deliver a copy of all waivers and amendments to the Collateral Custodian and the Backup Servicer.

Section 12.2 Notices, Etc.

All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing (including communication by electronic mail or facsimile copy) and mailed, sent by overnight courier, transmitted or hand delivered, as to each party hereto, at its address set forth under its name on the signature pages hereof or specified in such party's Assignment and Acceptance or Joinder Agreement or at such other address as shall be designated by such party in a written notice to the other parties hereto. All such notices and communications shall be effective, upon receipt, or in the case of (a) notice by mail, five (5) days after being deposited in the United States mail, first class postage prepaid, (b) notice by courier mail, when it is officially recorded as being delivered to the intended recipient by return receipt, proof of delivery or equivalent, or (c) notice by facsimile copy, when verbal communication of

receipt is obtained, except that notices and communications pursuant to this Article XII shall not be effective until received with respect to any notice sent by mail.

Section 12.3 No Waiver, Rights and Remedies.

No failure on the part of the Administrative Agent or any Secured Party or any assignee of any Secured Party to exercise, and no delay in exercising, any right or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right. The rights and remedies herein provided are cumulative and not exclusive of any rights and remedies provided by law.

Section 12.4 Binding Effect.

This Agreement shall be binding upon and inure to the benefit of the Borrower, the Administrative Agent, the Secured Parties and their respective successors and permitted assigns and, in addition, the provisions of Section 2.8 shall inure to the benefit of each Hedge Counterparty, whether or not that Hedge Counterparty is a Secured Party, and the provisions relating to the Backup Servicer, including Sections 2.8, 7.18, 9.1 and 9.2 shall inure to the benefit of the Backup Servicer.

Section 12.5 Term of this Agreement.

This Agreement, including, without limitation, the Borrower's obligation to observe its covenants set forth in Article V, and the Servicer's obligation to observe its covenants set forth in Article VII, shall remain in full force and effect until the Collection Date; provided, however, that the rights and remedies with respect to any breach of any representation and warranty made or deemed made by the Borrower pursuant to Articles III and IV and the indemnification and payment provisions of Article IX and Article X and the provisions of Section 12.9 and Section 12.10 shall be continuing and shall survive any termination of this Agreement.

Section 12.6 GOVERNING LAW; CONSENT TO JURISDICTION; WAIVER OF OBJECTION TO VENUE.

THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. EACH OF THE SECURED PARTIES, THE BORROWER AND THE ADMINISTRATIVE AGENT HEREBY AGREES TO THE NON-EXCLUSIVE JURISDICTION OF ANY FEDERAL COURT LOCATED WITHIN THE STATE OF NEW YORK. EACH OF THE PARTIES HERETO AND EACH SECURED PARTY HEREBY WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS, AND ANY OBJECTION TO VENUE OF ANY ACTION INSTITUTED HEREUNDER IN ANY OF THE AFOREMENTIONED COURTS AND CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT.

Section 12.7 WAIVER OF JURY TRIAL.

TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE SECURED PARTIES, THE BORROWER AND THE ADMINISTRATIVE AGENT WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE BETWEEN THE PARTIES HERETO ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP BETWEEN ANY OF THEM IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. INSTEAD, ANY SUCH DISPUTE RESOLVED IN COURT WILL BE RESOLVED IN A BENCH TRIAL WITHOUT A JURY.

Section 12.8 Costs, Expenses and Taxes.

(a) In addition to the rights of indemnification granted to the Administrative Agent, the Managing Agents, the other Secured Parties and its or their Affiliates and officers, directors, employees and agents thereof under Article IX hereof, the Borrower agrees to pay on demand all reasonable costs and expenses of the Administrative Agent, the Managing Agents and the other Secured Parties incurred in connection with the preparation, execution, delivery, administration (including periodic auditing), amendment or modification of, or any waiver or consent issued in connection with, this Agreement and the other documents to be delivered hereunder or in connection herewith, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Administrative Agent, the Managing Agents and the other Secured Parties with respect thereto and with respect to advising the Administrative Agent, the Managing Agents and the other Secured Parties as to their respective rights and remedies under this Agreement and the other documents to be delivered hereunder or in connection herewith, and all costs and expenses, if any (including reasonable counsel fees and expenses), incurred by the Administrative Agent, the Managing Agents or the other Secured Parties in connection with the enforcement of this Agreement and the other documents to be delivered hereunder or in connection herewith (including any Hedge Agreement).

(b) The Borrower shall pay on demand any and all stamp, sales, excise and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement, the other documents to be delivered hereunder or any agreement or other document providing liquidity support, credit enhancement or other similar support to the Lender in connection with this Agreement or the funding or maintenance of Advances hereunder.

(c) The Borrower shall pay on demand all other costs, expenses and taxes (excluding income taxes) ("Other Costs"), including, without limitation, all reasonable costs and expenses incurred by the Administrative Agent or any Managing Agent in connection with periodic audits of the Borrower's or the Servicer's books and records, which are incurred as a result of the execution of this Agreement.

Section 12.9 No Proceedings.

Each of the parties hereto (other than the Administrative Agent and the Secured Parties) hereby agrees that it will not institute against, or join any other Person in instituting against the

Borrower any Insolvency Proceeding so long as there shall not have elapsed one year and one day since the Collection Date.

Section 12.10 Recourse Against Certain Parties.

(a) No recourse under or with respect to any obligation, covenant or agreement (including, without limitation, the payment of any fees or any other obligations) of the Administrative Agent or any Secured Party as contained in this Agreement or any other agreement, instrument or document entered into by it pursuant hereto or in connection herewith shall be had against any manager or administrator of such Person or any incorporator, affiliate, stockholder, officer, employee or director of such Person or of the Borrower or of any such manager or administrator, as such, by the enforcement of any assessment or by any legal or equitable proceeding, by virtue of any statute or otherwise.

(b) The provisions of this Section 12.10 shall survive the termination of this Agreement.

Section 12.11 Protection of Security Interest; Appointment of Administrative Agent as Attorney-in-Fact.

(a) The Borrower shall, or shall cause the Servicer to, cause this Agreement, all amendments hereto and/or all financing statements and continuation statements and any other necessary documents covering the right, title and interest of the Administrative Agent as agent for the Secured Parties and of the Secured Parties to the Collateral to be promptly recorded, registered and filed, and at all time to be kept recorded, registered and filed, all in such manner and in such places as may be required by law fully to preserve and protect the right, title and interest of the Administrative Agent as agent for the Secured Parties hereunder to all property comprising the Collateral. The Borrower shall deliver or, shall cause the Servicer to deliver, to the Administrative Agent file-stamped copies of, or filing receipts for, any document recorded, registered or filed as provided above, as soon as available following such recording, registration or filing. The Borrower and the Servicer shall cooperate fully in connection with the obligations set forth above and will execute any and all documents reasonably required to fulfill the intent of this Section 12.11.

(b) The Borrower agrees that from time to time, at its expense, it will promptly execute and deliver all instruments and documents, and take all actions, that may reasonably be necessary or desirable, or that the Administrative Agent may reasonably request, to perfect, protect or more fully evidence the security interest granted to the Administrative Agent, as agent for the Secured Parties, in the Collateral, or to enable the Administrative Agent or the Secured Parties to exercise and enforce their rights and remedies hereunder.

(c) If the Borrower or the Servicer fails to perform any of its obligations hereunder after five (5) Business Days' notice from the Administrative Agent, the Administrative Agent or any Lender may (but shall not be required to) perform, or cause performance of, such obligation; and the Administrative Agent's or such Lender's reasonable costs and expenses incurred in connection therewith shall be payable by the Borrower (if the Servicer that fails to so perform is the Borrower or an Affiliate thereof) as provided in Article IX, as applicable. The Borrower

irrevocably authorizes the Administrative Agent and appoints the Administrative Agent as its attorney-in-fact to act on behalf of the Borrower, (i) to execute on behalf of the Borrower as debtor and to file financing statements necessary or desirable in the Administrative Agent's sole discretion to perfect and to maintain the perfection and priority of the interest of the Secured Parties in the Collateral and (ii) to file a carbon, photographic or other reproduction of this Agreement or any financing statement with respect to the Collateral as a financing statement in such offices as the Administrative Agent in its sole discretion deems necessary or desirable to perfect and to maintain the perfection and priority of the interests of the Lenders in the Collateral. This appointment is coupled with an interest and is irrevocable.

(d) Without limiting the generality of the foregoing, Borrower will, not earlier than six (6) months and not later than three (3) months prior to the fifth anniversary of the date of filing of the financing statement referred to in Section 3.1 or any other financing statement filed pursuant to this Agreement or in connection with any Advance hereunder, unless the Collection Date shall have occurred:

(i) execute and deliver and file or cause to be filed an appropriate continuation statement with respect to such financing statement; and

(ii) deliver or cause to be delivered to the Administrative Agent an opinion of the counsel for Borrower, in form and substance reasonably satisfactory to the Administrative Agent, confirming and updating the opinion delivered pursuant to Section 3.1 with respect to perfection and otherwise to the effect that the Collateral hereunder continues to be subject to a perfected security interest in favor of the Administrative Agent, as agent for the Secured Parties, subject to no other Liens of record except as provided herein or otherwise permitted hereunder, which opinion may contain usual and customary assumptions, limitations and exceptions.

Section 12.12 Confidentiality.

(a) Each of the Administrative Agent, the Managing Agents, the other Secured Parties and the Borrower shall maintain and shall cause each of its employees and officers to maintain the confidentiality of the Agreement and the other confidential proprietary information with respect to the other parties hereto and their respective businesses obtained by it or them in connection with the structuring, negotiating and execution of the transactions contemplated herein, except that each such party and its officers and employees may (i) disclose such information to its external accountants and attorneys and as required by an Applicable Law, as required to be publicly filed with SEC, or as required by an order of any judicial or administrative proceeding, (ii) disclose the existence of this Agreement, but not the financial terms thereof, (iii) disclose the Agreement and such information in any suit, action, proceeding or investigation (whether in law or in equity or pursuant to arbitration) involving any of the Transaction Documents, Loan Documents or any Hedging Agreement for the purpose of defending itself, reducing its liability, or protecting or exercising any of its claims, rights, remedies, or interests under or in connection with any of the Transaction Documents, Loan Documents or any Hedging Agreement and (iv) disclose such information to its Affiliates to the

extent necessary in connection with the administration or enforcement of this Agreement or the other Transaction Documents.

(b) Anything herein to the contrary notwithstanding, the Borrower hereby consents to the disclosure of any nonpublic information with respect to it for use in connection with the transactions contemplated herein and in the Transaction Documents (i) to the Administrative Agent or the Secured Parties by each other, (ii) by the Administrative Agent or the Secured Parties to any prospective or actual Eligible Assignee or participant of any of them or in connection with a pledge or assignment to be made pursuant to Section 11.1(h) or (iii) by the Administrative Agent or the Secured Parties to any provider of a surety, guaranty or credit or liquidity enhancement to a Secured Party and to any officers, directors, members, employees, outside accountants and attorneys of any of the foregoing, provided each such Person is informed of the confidential nature of such information and agrees to be bound hereby. In addition, the Secured Parties and the Administrative Agent may disclose any such nonpublic information pursuant to any law, rule, regulation, direction, request or order of any judicial, administrative or regulatory authority or proceedings, including, without limitation, at the request of any self-regulatory authority having jurisdiction over a Lender.

(c) The Borrower and the Servicer each agrees that it shall not (and shall not permit any of its Affiliates to) issue any news release or make any public announcement pertaining to the transactions contemplated by this Agreement and the Transaction Documents without the prior written consent of the Administrative Agent (which consent shall not be unreasonably withheld) unless such news release or public announcement is required by law, in which case the Borrower or the Servicer shall consult with the Administrative Agent and each Managing Agent prior to the issuance of such news release or public announcement. The Borrower and the Servicer each may, however, disclose the general terms of the transactions contemplated by this Agreement and the Transaction Documents to trade creditors, suppliers and other similarly-situated Persons so long as such disclosure is not in the form of a news release or public announcement.

Section 12.13 Execution in Counterparts; Severability; Integration.

This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby. This Agreement contains the final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement among the parties hereto with respect to the subject matter hereof, superseding all prior oral or written understandings other than any Fee Letter.

Section 12.14 Amendment and Restatement.

This Agreement amends and restates in its entirety that certain Fifth Amended and Restated Credit Agreement dated as of May 15, 2015 (the "Original Credit Agreement"), among

the Borrower, the Servicer, the lenders party thereto, the managing agents named therein, and KeyBank National Association, as administrative agent. Anything contained herein to the contrary notwithstanding, this Agreement is not intended to and shall not serve to effect a novation of the "Obligations" (as defined in the Original Credit Agreement). From and after the effectiveness of this Agreement, the rights and obligations of the parties under the Original Credit Agreement shall be subsumed and governed by this Agreement. Without limiting the generality of the foregoing, the Collateral described in the Original Credit Agreement does and shall continue to secure the payment of all Obligations of the Borrower under the Transaction Documents, in each case, as amended by this Agreement. The Transaction Documents and all agreements, instruments and documents executed or delivered in connection with any of the foregoing shall each be deemed to be amended to the extent necessary to give effect to the provisions of this Agreement. Each reference to the "Credit Agreement" in any Transaction Document shall mean and be a reference to this Agreement (as further amended, restated, supplemented or otherwise modified from time to time). Cross-references in the Transaction Documents to particular section numbers or defined terms in the Original Credit Agreement shall be deemed to be cross-references to the corresponding sections or defined terms, as applicable, of this Agreement.

Section 12.15 Future Amendment Contemplated.

The parties to this Agreement hereby acknowledge that the Borrower intends to request a further amendment of this Agreement permitting non-revolving lenders to execute Joinder Agreements and to make advances hereunder. Any such amendment shall be in form and substance satisfactory to the Borrower, the Servicer, the Lenders, the Administrative Agent and any non-revolving lenders becoming parties hereto, and shall be subject to the requirements of Section 12.1 hereof, including, without limitation, the consent of the existing Lenders.

Section 12.16 Patriot Act.

Each Lender that is subject to the USA PATRIOT Act and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower and the Servicer that pursuant to the requirements of the USA PATRIOT Act, it is required to obtain, verify and record information that identifies the Borrower and the Servicer, which information includes the name and address of the Borrower and the Servicer and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower and the Servicer in accordance with the USA PATRIOT Act.

Section 12.17 Defaulting Lenders. Notwithstanding anything contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by Applicable Law:

(a) Waivers and Amendments. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in Section 12.1.

(b) Defaulting Lender Waterfall. Until such time as the Default Excess with respect to such Defaulting Lender shall have been reduced to zero, except as otherwise provided in this

Section 12.17, any payment of principal, interest, fees, or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article VIII or otherwise, and including any amounts made available to the Administrative Agent by such Defaulting Lender pursuant to Section 12.17), shall be deemed paid to and redirected by such Defaulting Lender to be applied at such time or times as may be determined by the Administrative Agent as follows:

first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder;

second, to the payment on a pro rata basis of any amounts owing by such Defaulting Lender to the Swingline Lender hereunder;

third, as the Borrower may request (so long as no Early Termination Event exists), to the funding of any Advance in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent;

fourth, if so determined by the Administrative Agent and the Borrower, to be held in a deposit account and released pro rata in order to satisfy such Defaulting Lender's potential future funding obligations with respect to Advances under this Agreement;

fifth, to the payment of any amounts owing to the Lenders or the Swingline Lender as a result of any judgment of a court of competent jurisdiction obtained by any Lender or the Swingline Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement;

sixth, so long as no Early Termination Event exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and

seventh, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Advances in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Advances were made at a time when the conditions set forth in Section 3.2 were satisfied or waived, such payment shall be applied solely to pay the Advances of all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Advances of such Defaulting Lender until such time as all Advances and funded and unfunded participations in Swing Advances are held by the Lenders pro rata in accordance with the Commitments without giving effect to Section 12.17(d).

(c) Unused Fee. No Defaulting Lender shall be entitled to receive any Unused Fee for any period during which that Lender is a Defaulting Lender (and the Borrower shall not be required to pay any such fee that otherwise would have been required to have been paid to that Defaulting Lender).

(d) Reallocation of Participations to Reduce Fronting Exposure. All or any part of such Defaulting Lender's participation in Swing Advances shall be reallocated among the Non-Defaulting Lenders in accordance with their respective Applicable Percentages (calculated without regard to such Defaulting Lender's Commitment) but only to the extent that (x) the conditions set forth in Section 3.2 are satisfied at the time of such reallocation (and, unless the Borrower shall have otherwise notified the Administrative Agent at such time, the Borrower shall be deemed to have represented and warranted that such conditions are satisfied at such time), and (y) such reallocation does not cause the aggregate Credit Exposure of any Non-Defaulting Lender to exceed such Non-Defaulting Lender's Commitment. Subject to Section 2.17, no reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Lender arising from that Lender having become a Defaulting Lender, including any claim of a Non-Defaulting Lender as a result of such Non-Defaulting Lender's increased exposure following such reallocation.

(e) Repayment of Swing Advances. If the reallocation described in Section 12.17(d) above cannot, or can only partially, be effected, the Borrower shall, without prejudice to any right or remedy available to it hereunder or under law, prepay Swing Advances in an amount equal to the Swingline Lender's Fronting Exposure (the "Swing Prepayment Amount"). Borrower shall pay the Swing Prepayment Amount within forty-five (45) days of written demand from the Administrative Agent; provided, however, upon the occurrence of an Early Termination Event, the Swing Prepayment Amount, if any, shall be immediately due and payable by Borrower.

(f) Defaulting Lender Cure. If the Borrower, the Administrative Agent and the Swingline Lender agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, that Lender will, to the extent applicable, purchase at par that portion of outstanding Advances of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Advances and funded and unfunded participations in Swing Advances to be held pro rata by the Lenders in accordance with the Commitments (without giving effect to Section 12.17(d)), whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

(g) New Swing Advances. So long as any Lender is a Defaulting Lender, the Swingline Lender shall not fund Swing Advances unless (i) each Non-Defaulting Lender shall have consented thereto, and (ii) the Swingline Lender is satisfied that it will have no Fronting Exposure after giving effect to such Swing Advance and any reallocation to other Lenders.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

BORROWER:

GLADSTONE BUSINESS LOAN, LLC

By _____
Title: President

Gladstone Business Loan, LLC
1521 Westbranch Drive, Suite 100
McLean, Virginia 22102
Attention: President
Facsimile No.: (703) 287-5801
Phone No.: (703) 287-5800

SERVICER:

GLADSTONE MANAGEMENT CORPORATION

By _____
Title: Chairman

Gladstone Management Corporation
1521 Westbranch Drive, Suite 100
McLean, Virginia 22102
Attention: Chairman
Facsimile No.: (703) 287-5801
Phone No.: (703) 287-5800

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

LENDER, SWINGLINE LENDER, MANAGING AGENT and LEAD ARRANGER:

KEYBANK NATIONAL ASSOCIATION

By _____
Title

Specialty Finance and Syndications
1000 South McCaslin Blvd.
Superior, CO 80027
Attention: Richard Andersen
Facsimile No.: (216) 370-9166
Telephone No.: (720) 304-1247
E-mail: LAS.Operations.KEF@key.com

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

LENDER and MANAGING AGENT: CHEMICAL BANK

By _____
Title

17900 Haggerty Road
Livonia, MI 48152
Attention: Robert Rosati
Phone: (734) 805-4601
Facsimile: (248) 649-2305

With a copy to:

17900 Haggerty Road
Livonia, MI 48152
Attention: Howard Ellerbe
Phone: (248) 244-6967
Facsimile: (734) 805-4615

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

LENDER and MANAGING AGENT: ING CAPITAL LLC

By _____
Title

1325 Avenue of the Americas
New York, NY 10019
Attention: Patrick Frisch
Phone: (646) 424-6912
Facsimile: (646) 424-6919

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

LENDER and MANAGING AGENT: FIRST NATIONAL BANK OF PENNSYLVANIA

By _____
Title

[FNBP to provide notice information]

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

LENDER and MANAGING AGENT: STERLING BANK

By _____
Title

21 Scarsdale Road
Yonkers, NY 10707
Attention: Beena Jacob, Senior Commercial Loan Servicer, AVP
Telephone: 914-768-6970
Facsimile: 914-961-0874
Electronic Mail Address: bjacob@snb.com
With a copy to: loanservices@snb.com

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

LENDER and MANAGING AGENT: CUSTOMERS BANK

By _____
Title

Customers Bank
99 Bridge Street
Phoenixville, PA 19460
Attn: Scott Gates
Fax: 610-482-9483
Email: sgates@customersbank.com

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

ADMINISTRATIVE AGENT

KEYBANK NATIONAL ASSOCIATION

By _____
Title

KEYBANK NATIONAL ASSOCIATION
Specialty Finance and Syndications
1000 South McCaslin Blvd.
Superior, CO 80027
Attention: Richard Andersen
Facsimile No.: (216) 370-9166
Telephone No.: (720) 304-1247
E-mail: LAS.Operations.KEF@key.com

[Exhibits and Schedules under separate cover]

**EXHIBIT B**

**SOFR-Based Credit Facilities**

1. Waste Management, Inc.:
https://www.sec.gov/Archives/edgar/data/823768/000110465922067600/tm2217217d1_ex10-1.htm

2. Franklin Street Properties Corp.:
https://www.sec.gov/Archives/edgar/data/1031316/000155837022000225/fsp-20220110xex10d1.htm

3. FedEx Corporation:
https://www.sec.gov/Archives/edgar/data/1048911/000095017022012762/fdx-ex10_81.htm

4. Vistra Corp.:
https://www.sec.gov/Archives/edgar/data/1692819/000169281922000005/vistra-20211231xex1063.htm

5. Peloton Interactive, Inc.:
https://www.sec.gov/Archives/edgar/data/1639825/000163982522000117/creditagreement-fullex10.htm

AMENDMENT NO. 2

THIS AMENDMENT NO. 2, (this "Amendment") dated as of September 20, 2022, is entered into among GLADSTONE BUSINESS LOAN, LLC, as Borrower (the "Borrower"), GLADSTONE MANAGEMENT CORPORATION, as Servicer (the "Servicer"), KEYBANK NATIONAL ASSOCIATION (" KeyBank"), as Swingline Lender (in such capacity, the "Swingline Lender"), KeyBank, as Administrative Agent (in such capacity, the "Administrative Agent"), KeyBank, as a Lender, WEBSTER BANK, N.A. ("Webster Bank"), as a Lender, and FIRST FOUNDATION BANK, as a new Managing Agent (in such capacity, the " New Managing Agent"). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the "Credit Agreement" referred to below.

RECITALS

WHEREAS, the Borrower, the Servicer, the Lenders party thereto, the Managing Agents party thereto and the Administrative Agent are party to that certain Sixth Amended and Restated Credit Agreement dated as of May 13, 2021 by and among the Borrower, the Servicer, the Lenders, the Managing Agents and the Administrative Agent (as amended, modified, supplemented or otherwise modified prior to the date hereof, the "Credit Agreement").

WHEREAS, the Borrower has requested that First Foundation Bank be permitted to become a "Lender", a "Lender Group" and a "Managing Agent" under and for purposes of the Credit Agreement, as set forth herein subject to the terms and conditions set forth herein.

WHEREAS, the Borrower has requested that KeyBank and Webster Bank (together, the "Increasing Lenders") increase their respective Commitments.

WHEREAS, pursuant to Section 12.1(i) of the Credit Agreement, the Administrative Agent, the Swingline Lender and the applicable Managing Agent may, without the consent of the Lenders in any Lender Group (other than a Lender Group to which such Lenders are being added), amend the Credit Agreement solely to add additional Persons as Lenders under the Credit Agreement.

WHEREAS, pursuant to Section 12.1(ii) of the Credit Agreement, the Borrower, the Administrative Agent and the affected Lender may amend the Credit Agreement solely for the purpose of increasing the Commitment of such Lender.

NOW, THEREFORE, in consideration of the premises set forth above, and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Amendments to the Credit Agreement. Upon satisfaction of the conditions precedent set forth in Section 3 hereof:

(a) the definition of "Commitments" set forth in Section 1.1 the Credit Agreement is hereby deleted in its entirety and the following substituted therefor:

> " "Commitment" means (a) for KeyBank, the commitment of such Lender to fund Advances to the Borrower in an amount not to exceed $70,365,853.66, (b) for ING, the commitment of such Lender to fund Advances to the Borrower in an amount not to exceed $38,414,634.15, (c) for Chemical Bank, the commitment of such Lender to fund Advances to the Borrower in an amount not to exceed $21,341,463.41, (d) for FNBP, the commitment of such

Lender to fund Advances to the Borrower in an amount not to exceed $8,536,585.37, (e) for Webster Bank, the commitment of such Lender to fund Advances to the Borrower in an amount not to exceed $40,000,000, (f) for Customers, the commitment of such Lender to fund Advances to the Borrower in an amount not to exceed $21,341,463.41, (g) for First Foundation, the commitment of such Lender to fund Advances to the Borrower in an amount not to exceed $25,000,000 and (h) with respect to any Person who becomes a Lender pursuant to an Assignment and Acceptance or a Joinder Agreement, the commitment of such Person to fund Advances to the Borrower in an amount not to exceed the amount set forth in such Assignment and Acceptance or Joinder Agreement, in each case as such amount may be modified in accordance with the terms hereof."

(b) the defined term "First Foundation" is inserted in alphabetical order in Section 1.1 of the Credit Agreement as follows:

" "First Foundation" means First Foundation Bank, in its capacity either as a Lender or in its individual capacity, as applicable, and its successors or assigns."

(c) the defined term "Webster Bank" is inserted in alphabetical order in Section 1.1 of the Credit Agreement as follows:

" "Webster Bank" means Webster Bank, N.A., in its capacity either as a Lender or in its individual capacity, as applicable, and its successors or assigns."

(d) each reference to the terms "Lender", "Lender Group", "Lenders" and "Managing Agent" shall include First Foundation Bank, as the case may be, in its respective capacities as a Lender, as a Managing Agent and as a Lender Group.

SECTION 1. Representations and Warranties. The Borrower and the Servicer each hereby represents and warrants to each of the other parties hereto, that:

(e) this Amendment constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms; and

(f) on the date hereof, before and after giving effect to this Amendment, other than as waived pursuant to this Amendment, no Early Termination Event or Unmatured Termination Event has occurred and is continuing.

SECTION 2. Conditions Precedent. This Amendment shall become effective on the first Business Day (the "Effective Date") on which:

(g) the Administrative Agent or its counsel has received:

(i) counterpart signature pages of this Amendment, executed by each of the Borrower, the Servicer, the New Managing Agent, the Increasing Lenders, the Swingline Lender, and the Administrative Agent;

(ii) a Joinder Agreement, executed by each of First Foundation Bank as the "New Lender" named therein, the New Managing Agent, the Borrower, the Servicer and the Administrative Agent;

(iii) a new Note, executed by the Borrower in favor of First Foundation Bank, in an aggregate amount equal to the "Commitment" of the "New Lender" set forth in the Joinder Agreement described in clause (b) above;

(i) an amended and restated Note for each Increasing Lender, executed by Borrower in favor of such Increasing Lender, in an aggregate amount equal to the "Commitment" of such Increasing Lender; and

(a) New Managing Agent, KeyBank and Webster Bank shall have received any fees payable under and pursuant to the applicable Fee Letter executed on even date herewith.

SECTION 2. Reference to and Effect on the Transaction Documents.

(a) Upon the effectiveness of this Amendment, (i) each reference in the Credit Agreement to "this Credit Agreement", "this Agreement", "hereunder", "hereof", "herein" or words of like import shall mean and be a reference to the Credit Agreement as amended or otherwise modified hereby, and (ii) each reference to the Credit Agreement in any other Transaction Document or any other document, instrument or agreement executed and/or delivered in connection therewith, shall mean and be a reference to the Credit Agreement as amended or otherwise modified hereby.

(b) Except as specifically amended, terminated or otherwise modified above, the terms and conditions of the Credit Agreement, of all other Transaction Documents and any other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent, any Managing Agent or any Lender under the Credit Agreement or any other Transaction Document or any other document, instrument or agreement executed in connection therewith, nor constitute a waiver of any provision contained therein, in each case except as specifically set forth herein.

SECTION 3. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by facsimile or by other electronic transmission shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 4. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 5. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

SECTION 6. Fees and Expenses. The Borrower hereby confirms its agreement to pay on demand all reasonable costs and expenses of the Administrative Agent, Managing Agents or Lenders in connection with the preparation, execution and delivery of this Amendment and any of the other instruments, documents and agreements to be executed and/or delivered in connection herewith, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel to the Administrative Agent, Managing Agents or Lenders with respect thereto.

[Signature Pages Follow]

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

GLADSTONE BUSINESS LOAN, LLC

By: /s/ Nicole Schaltenbrand
Name: Nicole Schaltenbrand
Title: CFO

GLADSTONE MANAGEMENT CORPORATION

By: /s/ David Gladstone
Name: David Gladstone
Title: CEO

KEYBANK NATIONAL ASSOCIATION, as Administrative Agent

By: /s/ Richard Andersen
Name: Richard Andersen
Title: Senior Vice President

KEYBANK NATIONAL ASSOCIATION, as the Swingline Lender

By: /s/ Richard Andersen
Name: Richard Andersen
Title: Senior Vice President

KEYBANK NATIONAL ASSOCIATION, as a Lender

By: /s/ Richard Andersen
Name: Richard Andersen
Title: Senior Vice President

WEBSTER BANK, N.A., as a Lender

By: /s/ Andrew Shuster
Name: Andrew Shuster
Title: Managing Director

FIRST FOUNDATION BANK, as New Managing Agent

By: /s/ Joe Kucik
Name: Joe Kucik
Title: Senior Vice President

4880-2745-4266v.2

AMENDMENT NO. 3

THIS AMENDMENT NO. 3, (this "Amendment") dated as of October 27, 2022, is entered into among GLADSTONE BUSINESS LOAN, LLC, as Borrower (the "Borrower"), GLADSTONE MANAGEMENT CORPORATION, as Servicer (the "Servicer"), KEYBANK NATIONAL ASSOCIATION (" KeyBank"), as Swingline Lender (in such capacity, the "Swingline Lender"), KeyBank, as Administrative Agent (in such capacity, the "Administrative Agent") and FIRST FINANCIAL BANK, as a new Managing Agent (in such capacity, the "New Managing Agent"). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the "Credit Agreement" referred to below.

RECITALS

WHEREAS, the Borrower, the Servicer, the Lenders party thereto, the Managing Agents party thereto and the Administrative Agent are party to that certain Sixth Amended and Restated Credit Agreement dated as of May 13, 2021 by and among the Borrower, the Servicer, the Lenders, the Managing Agents and the Administrative Agent (as amended, modified, supplemented or otherwise modified prior to the date hereof, the "Credit Agreement").

WHEREAS, the Borrower has requested that First Financial Bank be permitted to become a "Lender", a "Lender Group" and a "Managing Agent" under and for purposes of the Credit Agreement, as set forth herein subject to the terms and conditions set forth herein.

WHEREAS, pursuant to Section 12.1(i) of the Credit Agreement, the Administrative Agent, the Swingline Lender and the applicable Managing Agent may, without the consent of the Lenders in any Lender Group (other than a Lender Group to which such Lenders are being added), amend the Credit Agreement solely to add additional Persons as Lenders under the Credit Agreement.

NOW, THEREFORE, in consideration of the premises set forth above, and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Amendments to the Credit Agreement. Upon satisfaction of the conditions precedent set forth in Section 3 hereof:

(a) the definition of "Commitments" set forth in Section 1.1 the Credit Agreement is hereby deleted in its entirety and the following substituted therefor:

> " "Commitment" means (a) for KeyBank, the commitment of such Lender to fund Advances to the Borrower in an amount not to exceed $70,365,853.66, (b) for ING, the commitment of such Lender to fund Advances to the Borrower in an amount not to exceed $38,414,634.15, (c) for Chemical Bank, the commitment of such Lender to fund Advances to the Borrower in an amount not to exceed $21,341,463.41, (d) for FNBP, the commitment of such Lender to fund Advances to the Borrower in an amount not to exceed $8,536,585.37, (e) for Webster Bank, the commitment of such Lender to fund Advances to the Borrower in an amount not to exceed $40,000,000, (f) for Customers, the commitment of such Lender to fund Advances to the Borrower in an amount not to

exceed $21,341,463.41, (g) for First Foundation, the commitment of such Lender to fund Advances to the Borrower in an amount not to exceed $25,000,000, (h) for First Financial, the commitment of such Lender to fund Advances to the Borrower in an amount not to exceed $20,000,000 and (i) with respect to any Person who becomes a Lender pursuant to an Assignment and Acceptance or a Joinder Agreement, the commitment of such Person to fund Advances to the Borrower in an amount not to exceed the amount set forth in such Assignment and Acceptance or Joinder Agreement, in each case as such amount may be modified in accordance with the terms hereof."

(b) the defined term "First Financial" is inserted in alphabetical order in Section 1.1 of the Credit Agreement as follows:

" "First Financial" means First Financial Bank, in its capacity either as a Lender or in its individual capacity, as applicable, and its successors or assigns."

(c) each reference to the terms "Lender", "Lender Group", "Lenders" and "Managing Agent" shall include First Financial Bank, as the case may be, in its respective capacities as a Lender, as a Managing Agent and as a Lender Group.

SECTION 1. Representations and Warranties. The Borrower and the Servicer each hereby represents and warrants to each of the other parties hereto, that:

(d) this Amendment constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms; and

(e) on the date hereof, before and after giving effect to this Amendment, other than as waived pursuant to this Amendment, no Early Termination Event or Unmatured Termination Event has occurred and is continuing.

SECTION 2. Conditions Precedent. This Amendment shall become effective on the first Business Day (the "Effective Date") on which:

(f) the Administrative Agent or its counsel has received:

(i) counterpart signature pages of this Amendment, executed by each of the Borrower, the Servicer, the New Managing Agent, the Swingline Lender, and the Administrative Agent;

(ii) a Joinder Agreement, executed by each of First Financial Bank as the "New Lender" named therein, the New Managing Agent, the Borrower, the Servicer and the Administrative Agent;

(iii) a new Note, executed by the Borrower in favor of First Financial Bank, in an aggregate amount equal to the "Commitment" of the "New Lender" set forth in the Joinder Agreement described in clause (b) above; and

(g) New Managing Agent and KeyBank shall have received any fees payable under and pursuant to the applicable Fee Letter executed on even date herewith.

SECTION 3. Reference to and Effect on the Transaction Documents.

(h) Upon the effectiveness of this Amendment, (i) each reference in the Credit Agreement to "this Credit Agreement", "this Agreement", "hereunder", "hereof", "herein" or words of like import shall mean and be a reference to the Credit Agreement as amended or otherwise modified hereby, and (ii) each reference to the Credit Agreement in any other Transaction Document or any other document, instrument or agreement executed and/or delivered in connection therewith, shall mean and be a reference to the Credit Agreement as amended or otherwise modified hereby.

(i) Except as specifically amended, terminated or otherwise modified above, the terms and conditions of the Credit Agreement, of all other Transaction Documents and any other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect and are hereby ratified and confirmed.

(j) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent, any Managing Agent or any Lender under the Credit Agreement or any other Transaction Document or any other document, instrument or agreement executed in connection therewith, nor constitute a waiver of any provision contained therein, in each case except as specifically set forth herein.

SECTION 1. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by facsimile or by other electronic transmission shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 2. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 3. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

SECTION 4. Fees and Expenses. The Borrower hereby confirms its agreement to pay on demand all reasonable costs and expenses of the Administrative Agent, Managing Agents or Lenders in connection with the preparation, execution and delivery of this Amendment and any of the other instruments, documents and agreements to be executed and/or delivered in connection herewith, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel to the Administrative Agent, Managing Agents or Lenders with respect thereto.

[Signature Pages Follow]

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

GLADSTONE BUSINESS LOAN, LLC

By: /s/ Nicole Schaltenbrand
Name: Nicole Schaltenbrand
Title: CFO

GLADSTONE MANAGEMENT CORPORATION

By: /s/ David Gladstone
Name: David Gladstone
Title: CEO

KEYBANK NATIONAL ASSOCIATION, as Administrative Agent

By: /s/ Richard Andersen
Name: Richard Andersen
Title: Senior Vice President

KEYBANK NATIONAL ASSOCIATION, as the Swingline Lender

By: /s/ Richard Andersen
Name: Richard Andersen
Title: Senior Vice President

FIRST FINANCIAL BANK, as New Managing Agent

By: /s/ Taylor Materna
Name: Taylor Materna
Title: Managing Director

**Exhibit 21**

**SUBSIDIARIES OF THE REGISTRANT**

Gladstone Business Loan, LLC (organized in Delaware)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form N-2 (No. 333-261398) of Gladstone Capital Corporation of our report dated November 14, 2022 relating to the financial statements, financial statement schedule, and senior securities table, which appears in this Form 10-K. We also consent to the reference to us under the heading “Senior Securities” in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Washington, DC
November 14, 2022

**Exhibit 31.1**

**CERTIFICATION**
**Pursuant to Section 302 of The Sarbanes-Oxley Act of 2002**

I, David Gladstone, certify that:

1. I have reviewed this annual report on Form 10-K of Gladstone Capital Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

1) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

2) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

3) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

4) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

1) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

2) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2022

/s/ DAVID GLADSTONE

David Gladstone
Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATION**
**Pursuant to Section 302 of The Sarbanes-Oxley Act of 2002**

I, Nicole Schaltenbrand, certify that:

1. I have reviewed this annual report on Form 10-K of Gladstone Capital Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

1) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

2) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

3) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

4) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

1) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

2) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2022

/s/ NICOLE SCHALTENBRAND

Nicole Schaltenbrand
Chief Financial Officer

**Exhibit 32.1**

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

The undersigned, the Chief Executive Officer and Chairman of the Board of Gladstone Capital Corporation (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K for the fiscal year ended September 30, 2022 (the "Form 10-K"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 14, 2022

/s/ DAVID GLADSTONE

David Gladstone
Chief Executive Officer

**Exhibit 32.2**

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

The undersigned, the Chief Financial Officer of Gladstone Capital Corporation (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K for the fiscal year ended September 30, 2022 (the "Form 10-K"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 14, 2022

/s/ NICOLE SCHALTENBRAND

Nicole Schaltenbrand

Chief Financial Officer