

PART II – INFORMATION REQUIRED IN OFFERING CIRCULAR

An offering statement pursuant to Regulation A relating to these securities has been filed with the Securities and Exchange Commission. Information contained in this Preliminary Offering Circular is subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted before the offering statement filed with the Commission is qualified. This Preliminary Offering Circular shall not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sales of these securities in any state in which such offer, solicitation or sale would be unlawful before registration or qualification under the laws of any such state. We may elect to satisfy our obligation to deliver a Final Offering Circular by sending you a notice within two business days after the completion of our sale to you that contains the URL where the Final Offering Circular or the offering statement in which the Final Offering Circular was filed may be obtained.

**SUBJECT TO COMPLETION, DATED AUGUST 28, 2020
PRELIMINARY OFFERING CIRCULAR**



THE GLADSTONE COMPANIES

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McLean, Virginia 22102
(703) 287-5800
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7.0% Senior Secured Bonds

The Gladstone Companies, Inc. is offering a maximum of \$50,000,000 in the aggregate of its 7.0% senior secured bonds, or the “Bonds,” pursuant to this offering circular. No public market currently exists for our Bonds and we do not expect a public market to develop. The purchase price per Bond is \$25, with a minimum purchase amount of \$5,000. The Bonds will bear interest at a rate equal to 7.0% per year payable to the record holders of the Bonds monthly in arrears on the first day of each month, beginning on the first such date that follows the first full calendar month after the initial closing in the offering. The Bonds will mature on September 30, 2025. We may redeem the Bonds in whole or in part at any time or from time to time on or after September 30, 2023 (or at any time, if our Board of Directors determines, in its sole discretion, that the proceeds of this offering are insufficient for the intended use of proceeds) at the redemption price discussed under the caption “*Description of Bonds—Optional Redemption*”. Bondholders will have no right to put (that is, require us to redeem) any of the Bonds prior to their maturity date except in the case of a holder’s death, subject to notice, and other provisions contained in this offering circular. See “*Description of Bonds—Redemption Upon Death*”.

The Bonds will be secured by a senior blanket lien on the equity interest we hold in the Future Gladstone Funds which are raised with the proceeds of this offering, or the “collateral.” We expect to use a portion of the proceeds from this offering to launch one or more of the Future Gladstone Funds. The Bonds will rank pari passu, or equal, in right of payment with all of our other senior secured indebtedness from time to time outstanding (to the extent such future senior secured indebtedness is secured by our equity interest in the Future Gladstone Funds) and senior in right of payment to our future indebtedness from time to time outstanding that is expressly subordinated to the Bonds, senior to all of our unsecured indebtedness to the extent of the value of the Bonds’ security interest in our equity interest of the Future Gladstone Funds, and structurally junior to all existing and future indebtedness and other obligations of our subsidiaries.

The Bonds will be offered to prospective investors on a “reasonable best efforts” basis through Timbrel Capital, LLC, or our “managing broker-dealer.” Our managing broker-dealer may engage additional broker-dealers, or “selling group members,” who are members of the Financial Industry Regulatory Authority, Inc., or “FINRA,” to assist in the sale of the Bonds. At each closing date, the proceeds for such closing will be disbursed to us and Bonds relating to such proceeds will be issued to their respective purchasers. We expect to commence the sale of the Bonds as of the date on which the offering statement is declared qualified by the U.S. Securities and Exchange Commission, or the “SEC,” and will terminate on the date, or the “Termination Date,” that is the earlier of (1) September 30, 2023 (unless earlier terminated or extended by our Board of Directors) and (2) the date on which all \$50,000,000 of our Bonds offered pursuant to this offering circular are sold.

Investing in our Bonds involves risks. Please read “[Risk Factors](#)” beginning on page 10 of this offering circular.

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The SEC does not pass upon the merits of or give its approval to any securities offered or the terms of the offering, nor does it pass upon the accuracy or completeness of any offering circular or other solicitation materials. These securities are offered pursuant to an exemption from registration with the SEC; however, the SEC has not made an independent determination that the securities offered are exempt from registration.

	Per Bond	Maximum Offering ⁽¹⁾
Offering price	\$ 25.00	\$ 50,000,000
Selling commissions ⁽²⁾⁽³⁾	\$ 1.50	\$ 3,000,000
Dealer manager fee ⁽²⁾⁽³⁾	\$ 0.75	\$ 1,500,000
Proceeds, before expenses, to us ⁽⁴⁾	\$ 22.75	\$ 45,500,000

- (1) Assumes that all Bonds offered are sold.
- (2) The maximum selling commissions and the dealer manager fee will equal 6.0% and 3.0%, respectively, of aggregate gross proceeds in the offering. Each is payable to our managing broker-dealer. Notwithstanding anything herein to the contrary, in no event shall the combined selling commission and dealer manager fee exceed 7.75% of the aggregate proceeds of this offering. Our managing broker-dealer will repay any excess payments made to our managing broker-dealer over 7.75% of aggregate offering proceeds if the offering is terminated prior to obtaining the maximum offering proceeds. The selling commissions and the dealer manager fee may be reduced or eliminated with regard to Bonds sold to or for the account of certain categories of purchasers. See “*Plan of Distribution*” in this offering circular.
- (3) Our managing broker-dealer may reallocate all or a portion of its selling commissions attributable to registered representatives of our managing broker-dealer and to broker-dealers that are members of the FINRA and authorized by our managing broker-dealer to sell the Bonds, which we refer to as participating broker-dealers. In addition, our managing broker-dealer also may reallocate a portion of its dealer manager fee earned on the proceeds raised by a participating broker-dealer, to such participating broker-dealer as a non-accountable marketing or due diligence allowance. The amount of the reallocation to any participating broker-dealer will be determined by the managing broker-dealer in its sole discretion. Further, we may pay due diligence review expenses of participating broker-dealers up to an aggregate maximum amount of \$75,000 and diligence meeting expenses of participating broker-dealers up to an aggregate maximum amount of \$50,000. See “*Plan of Distribution*” in this offering circular.
- (4) Before deducting estimated offering expenses of \$400,000 payable by us in connection with this offering.

The managing broker-dealer is not required to sell any specific number of Bonds or dollar amount of the Bonds, but will use its “reasonable best efforts” to sell the Bonds offered. There will be a minimum permitted purchase of \$5,000, or 200 Bonds, but purchases of less than \$5,000 may be made in our discretion in consultation with our managing broker-dealer. Should the offering continue beyond _____, 2021 (which is the one-year anniversary of the qualification date of the offering statement of which this offering circular forms a part), we will further supplement the offering circular accordingly, if required. We may terminate this offering at any time, or may offer pursuant to a new offering statement, including a follow-on offering statement.

The account of our Broker-Dealer Subsidiary at RBC Capital Markets will be used to enter orders on behalf of the managing broker-dealer, and as such, our Broker-Dealer Subsidiary may be viewed as participating in the distribution of the securities offered hereby and is therefore deemed to have a “conflict of interest” within the meaning of FINRA Rule 5121, as more fully described in the “*Plan of Distribution*” section of this offering circular.

We will sell the Bonds through Depository Trust Company, or “DTC,” settlement, or “DTC Settlement,” or, under special circumstances, through Direct Registration System settlement, or “DRS Settlement.” See “*Plan of Distribution*.”

Generally, no sale may be made to you in this offering if the aggregate purchase price you pay is more than 10% of the greater of your annual income or net worth. Different rules apply to accredited investors and non-natural persons. Before making any representation that your investment does not exceed applicable thresholds, we encourage you to review Rule 251(d)(2)(i)(C) of Regulation A. For general information on investing, we encourage you to refer to www.investor.gov.

OFFERING CIRCULAR FORMAT IS BEING FOLLOWED.

Timbrel Capital, LLC

as Dealer Manager

The date of this offering circular is September [], 2020

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This offering circular is solely an offer with respect to our Bonds and is not an offer, directly or indirectly, of any securities of any of the Existing Gladstone Funds (as defined below) we advise, manage or sponsor or any funds we may advise, manage or sponsor in the future. **An investment in our Bonds is not an investment in any of our funds, and the assets and revenues of the Existing Gladstone Funds are not directly available to us, our bondholders or our stockholders.** In addition, interests in certain of our funds only may be offered privately to certain sophisticated and accredited investors on the basis of exemptions from the registration requirements of the federal securities laws.

This offering circular does not constitute an offer of, or an invitation to purchase, any of our Bonds in any jurisdiction in which such offer or invitation would be unlawful. We and the managing broker-dealer are offering to sell, and seeking offers to buy, our Bonds only in jurisdictions where such offers and sales are permitted.

You should rely only on the information contained in this offering circular. Neither we nor the managing broker-dealer have authorized anyone to provide any information or to make any representations other than those contained in this offering circular. Neither we nor the managing broker-dealer take any responsibility for, or can provide any assurance as to the reliability of, any other information that others may give you. The information in this offering circular is current only as of the date of this offering circular, regardless of the time of delivery of this offering circular or any sale of our Bonds.

Defined Terms

Except where the context requires otherwise, in this offering circular:

- “Company,” “we,” “us” and “our” refer to The Gladstone Companies, Inc., formerly known as Gladstone Holding Corporation until a name change effective September 14, 2018, and its consolidated subsidiaries, including the Administrator Subsidiary, the Adviser Subsidiary and the Broker-Dealer Subsidiary;
- “1940 Act” refers to the Investment Company Act of 1940, as amended;
- “Administrator Subsidiary” refers to Gladstone Administration, LLC, a wholly-owned subsidiary of the Company that currently provides administrative services to the Existing Gladstone Funds;
- “Adviser Subsidiary” refers to Gladstone Management Corporation, a wholly-owned subsidiary of the Company and a registered investment adviser that currently advises the Existing Gladstone Funds;
- “BDC” refers to a business development company regulated under the 1940 Act;
- “Broker-Dealer Subsidiary” refers to Gladstone Securities LLC, a wholly-owned subsidiary of the Company that is registered as a broker dealer with the SEC and is a member of FINRA and insured by the SIPC and provides certain investment banking, mortgage placement and dealer manager services to the Existing Gladstone Funds;
- “Code” refers to the Internal Revenue Code of 1986, as amended;
- “Existing Gladstone Funds” refers to GAIN, GLAD, GOOD and LAND, each of which is managed by the Adviser Subsidiary;
- “Future Gladstone Funds” refers to the three new funds that we expect to launch and manage through the Adviser Subsidiary: Gladstone Retail, Gladstone Farming and Gladstone Partners;
- “GAIN” refers to Gladstone Investment Corporation and its consolidated subsidiaries (Nasdaq: GAIN);
- “GLAD” refers to Gladstone Capital Corporation and its consolidated subsidiaries (Nasdaq: GLAD);
- “Gladstone BDCs” and “our BDCs” refers collectively to GAIN and GLAD;
- “Gladstone Farming” refers to Gladstone Farming L.P., a limited partnership to be formed in Delaware that is expected to be a privately offered fund that invests in agricultural operations in the United States;
- “Gladstone Partners” refers to Gladstone Partners L.P., a Delaware limited partnership that is expected to be a privately offered fund that will invest alone or co-invest in new portfolio companies with the Gladstone BDCs;
- “Gladstone REITs” refers collectively to LAND and GOOD;
- “Gladstone Retail” refers to Gladstone Retail Corporation, a corporation to be formed in Maryland that is expected to be a REIT that invests in retail properties;
- “GOOD” refers to Gladstone Commercial Corporation and its consolidated subsidiaries (Nasdaq: GOOD);

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- “LAND” refers to Gladstone Land Corporation and its consolidated subsidiaries (Nasdaq: LAND);
- “lower middle market” generally refers to companies with annual EBITDA of \$3 million to \$20 million;
- “our funds” refers to the Existing Gladstone Funds and/or the Future Gladstone Funds, as the context may require;
- “REIT” refers to a real estate investment trust under Section 856 of the Code;
- “SEC” refers to the U.S. Securities and Exchange Commission;
- “senior executives” refers to our founders (David Gladstone and Terry Lee Brubaker), the presidents of the Existing Gladstone Funds (David A.R. Dullum, Robert (Bob) G. Cutlip and Robert (Bob) L. Marcotte), who are also our Executive Vice Presidents, the president of the Administrator Subsidiary (Michael LiCalsi), who is also our Executive Vice President of Administration, General Counsel and Secretary, and other key executive officers;
- “SIPC” refers to the Securities Investor Protection Corporation; and
- “TGC LTD” refers to The Gladstone Companies, Ltd., a Cayman Islands exempted company, controlled by our Chairman, President and Chief Executive Officer, David Gladstone, which currently owns all of our outstanding shares of common stock.

Performance Information Used In this Offering Circular

Except where the context requires otherwise, in this offering circular:

- “assets under management” is defined as the sum of the total assets of the Existing Gladstone Funds;
- “incentive fees” refers to performance-based fees that the Adviser Subsidiary earns for advisory services provided to our funds, and for the Existing Gladstone Funds, generally consist of two parts: an income-based incentive fee and a capital gains-based incentive fee;
- “investment advisory fees” (also referred to throughout this offering circular as “base management fees”) refer to fees that the Adviser Subsidiary earns for advisory services provided to the Existing Gladstone Funds, which are generally based on a measure of adjusted gross assets for the Gladstone BDCs and LAND and a measure of adjusted stockholders’ equity for GOOD;
- “EBITDA” refers to earnings before interest, taxes, depreciation and amortization;
- “FFO” refers to funds from operations; and
- “hurdle rate” refers to a specified minimum rate of return on investments that a fund must exceed in order for the Adviser Subsidiary to receive certain incentive fees.

Many of the terms used in this offering circular, including assets under management, may differ from the calculations of other asset managers and as a result this measure may not be comparable to similar measures presented by other asset managers. In addition, our definition of assets under management is not based on any definition of assets under management that is set forth in the agreements governing the funds that we manage.

OFFERING CIRCULAR SUMMARY

This summary highlights information contained elsewhere in this offering circular and does not contain all the information you should consider before investing in our Bonds. You should read this entire offering circular carefully, especially the sections entitled "Risk Factors," "Special Note Regarding Forward-Looking Statements," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" and the historical consolidated financial statements and the related notes thereto, before you decide to invest in our Bonds.

The Gladstone Companies, Inc.

Founded in 2001, we are a leading alternative asset manager with assets under management of approximately \$2.9 billion as of December 31, 2019. Our assets under management are invested across a diverse range of alternative strategies, including private debt, private equity, real estate and real assets. We seek to deliver superior returns to stockholders through a careful, disciplined, value-oriented investment approach across multiple alternative asset classes, which we believe will generate diversified fee income. We believe that this investment approach across the Existing Gladstone Funds and Future Gladstone Funds has and will continue to provide long-term stability and predictability to our business, thereby mitigating the risks arising out of different economic cycles. Over the 19 years since the inception of GLAD, we have continued to cultivate strong relationships with investors in the Existing Gladstone Funds through our asset management business by providing objective and insightful solutions and practical advice to such funds. We believe our diversified businesses, coupled with our track record of investment performance, investment approach and investor relationships, position us to continue to perform well in a variety of market conditions, while growing our assets under management and developing complementary businesses.

As of December 31, 2019, we had 29 executive officers, managing directors and directors and also employed 41 other investment and administrative professionals through our Adviser Subsidiary and Administrator Subsidiary at our headquarters in McLean, Virginia (a suburb of Washington, D.C.) and our offices in New York, New York, Chicago, Illinois, Seattle, Washington, Dallas, Texas and Salinas, California. Our business is intellectual capital intensive, and we believe that the depth and breadth of the experience of our professionals is a key reason for our success.

The Existing Gladstone Funds, which we currently advise through the Adviser Subsidiary, specialize in investments in alternative asset classes:

- GAIN is a BDC that primarily invests in debt and equity securities of lower middle market private businesses operating in the United States (including in connection with management buyouts, recapitalization or, to a lesser extent, refinancing of existing debt facilities);
- GLAD is a BDC that primarily invests in debt securities of established private lower middle market companies in the United States;
- GOOD is a REIT that focuses on acquiring, owning and managing primarily office and industrial properties in the United States; and
- LAND is a REIT that focuses on acquiring, owning and leasing farmland in the United States.

We have grown assets under management through the Adviser Subsidiary from approximately \$132.2 million as of September 30, 2001 to approximately \$2.9 billion as of December 31, 2019, representing a compound annual growth rate, or CAGR, of 19%. Assets under management have doubled over the past five years primarily as a result of the ability of the Existing Gladstone Funds to raise additional capital and effectively deploy such capital in new investments. The growth of our assets under management is also partially due to the appreciation of certain investments over time and, to a limited extent, interest earned on certain investments and the redeployment of gains received upon the exit of investments.

In addition to the asset management services provided by the Adviser Subsidiary, our Broker-Dealer Subsidiary earns fees by generally providing investment banking, due diligence, dealer manager, mortgage placement, and other financial services to the Existing Gladstone Funds and certain portfolio companies of the Gladstone BDCs.

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Each of the Existing Gladstone Funds is a permanent capital vehicle, which means that a significant portion of our revenue base is recurring. The long-term nature of our capital has enabled and continues to enable us to invest assets with a long-term focus over different points in a market cycle, which we believe is an important component in generating attractive returns. For the fiscal year ended June 30, 2019, approximately 37.1% of our total fee revenue was comprised of investment advisory and loan servicing fees. Investment advisory fees, which are generally based on the amount of invested capital in funds we manage, are generally more predictable and less volatile than incentive fees.

We primarily generate revenue from fees earned pursuant to advisory agreements, or, in each case, an Advisory Agreement, our Adviser Subsidiary has with each of the Existing Gladstone Funds. Each Existing Gladstone Fund pays a base management fee (which is based on a measure of adjusted gross assets in the case of the Gladstone BDCs and LAND and on a measure of stockholders' equity in the case of GOOD) and performance-based incentive fees. The current base management fees paid to the Adviser Subsidiary by each of the Existing Gladstone Funds are summarized in the following table:

Investment Advisory Fees

GAIN	Annual fee of 2% of average gross assets ⁽¹⁾
GLAD	Annual fee of 1.75% of average gross assets ⁽¹⁾
GOOD	Annual fee of 0.425% of Gross Tangible Real Estate ⁽¹⁾⁽²⁾
LAND	Annual fee of 0.50% of Gross Tangible Real Estate ⁽¹⁾⁽³⁾

- (1) As defined in the applicable Advisory Agreement.
- (2) Calculation will begin with the fee calculation for the quarter ending September 30, 2020, previous base management fee calculation was 1.5% of total adjusted stockholders' equity.
- (3) Prior to the quarter ended March 31, 2020, LAND's base management fee was 2% of total adjusted common equity.

Incentive fees are earned by the Adviser Subsidiary pursuant to a given Advisory Agreement when an Existing Gladstone Fund meets certain income or realized capital gains thresholds. Incentive fees are recognized as income when all contingencies, including realization of specified minimum hurdle rates, have been exceeded. By their nature incentive fees are more variable in amount and the timing of their recognition than are investment advisory fees. Through December 31, 2019, the Adviser Subsidiary has earned both income-based incentive fees as well as capital gains-based incentive fees. The following tables summarize the basis for the incentive fee arrangements payable to the Adviser Subsidiary by each of the Existing Gladstone Funds as of the date of this offering circular:

	Income-Based Incentive Fee	Capital Gains-Based Incentive Fee
GAIN	All of the pre-incentive fee net investment income generated quarterly in excess of a hurdle rate of 1.75% of net assets up to threshold of 2.1875% of net assets (7% to 8.75% annualized) and 20% of the pre-incentive fee net investment income generated quarterly in excess of such 2.1875% threshold (8.75% annualized)	20% of certain net realized capital gains.
GLAD	Prior to April 1, 2020, and beginning again April 1, 2021, all of the pre-incentive fee net investment income generated quarterly in excess of a hurdle rate of 1.75% of net assets up to a threshold of 2.1875% of net assets (7% to 8.75% annualized) and 20% of the pre-incentive fee net investment income in excess of such 2.1875% threshold (8.75% annualized). For the period from April 1, 2020 through March 31, 2021, all of the pre-incentive fee net investment income generated quarterly in excess of a hurdle rate of 2.00% of net assets up to a threshold of 2.4375% of net assets (8% to 9.75% annualized) and 20% of the pre-incentive fee net investment income in excess of such 2.4375% threshold (9.75% annualized)	20% of certain net realized capital gains.
GOOD	15% of Core FFO (as defined in the applicable Advisory Agreement) generated quarterly in excess of a hurdle rate of 2% of adjusted stockholders' equity (8% annualized)	15% of certain net realized capital gains.
LAND	All of FFO generated quarterly in excess of a hurdle rate of 1.75% of total adjusted common equity up to a threshold of 2.1875% of total adjusted common equity (7% to 8.75% annualized), plus 20% of FFO in excess of such 2.1875% threshold (8.75% annualized)	15% of certain net realized capital gains.

In addition to fees received by our Adviser Subsidiary pursuant to the Advisory Agreements, our Adviser Subsidiary and our Broker-Dealer Subsidiary earn fees for providing investment banking, due diligence, dealer manager, mortgage placement, and other financial services. All fees received by our Administrator Subsidiary are reimbursement for the allocable portion of each Existing Gladstone Fund's corporate overhead which primarily includes rent and the salaries and benefits expenses of the Administrator's employees that serve the respective Existing Gladstone Fund; therefore, ultimately, we do not generate net income from the fees generated by the Administrator Subsidiary.

Our Business Model

We, through our subsidiaries, provide the following services: asset management, financial services, and administrative services.

Asset Management

Our Adviser Subsidiary is a leading alternative asset manager, currently managing the Existing Gladstone Funds, which are four publicly-traded, Nasdaq-listed companies that invest in alternative asset classes.

- **GLAD (BDC – Debt Securities of Private Companies):** We are the adviser to GLAD, a BDC that primarily invests in debt securities of established private lower middle market companies in the U.S. GLAD was established in 2001 and is 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, it has elected to be treated as a regulated investment company, or RIC, for federal tax purposes under the Code. Pursuant to its Advisory Agreement, since GLAD's inception through December 31, 2019, the Adviser Subsidiary earned an aggregate of approximately \$128.1 million in investment advisory and loan servicing fees, or \$75.3 million net of credits to our Adviser Subsidiary, and approximately \$58.9 million in incentive fees, or \$34.6 million net of credits to our Adviser Subsidiary. As of March 31, 2020, GLAD's investment portfolio consisted of investments in 48 portfolio companies located in 24 states in 18 different industries, with an aggregate fair value of \$398.3 million. The five largest investments at fair value as of March 31, 2020 totaled \$130.6 million, or 32.8%, of its total investment portfolio.
- **GAIN (BDC – Debt and Equity Securities (including Buyouts) of Private Companies):** We are the adviser to GAIN, a BDC that invests in debt and equity securities of lower middle market private businesses operating in the U.S. (including in connection with management buyouts, recapitalization or, to a lesser extent, refinancing of existing debt facilities). GAIN was established in 2005 and, like GLAD, is 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, it has elected to be treated as a RIC for federal tax purposes under the Code. Pursuant to its Advisory Agreement, since GAIN's inception through December 31, 2019, the Adviser Subsidiary earned an aggregate of approximately \$147.9 million in investment advisory and loan servicing fees, or \$69.2 million net of credits to our Adviser Subsidiary, approximately \$40.0 million in income-based incentive fees, or \$39.7 million net of credits to our Adviser Subsidiary, and approximately \$8.1 million in capital gains-based incentive fees. As of March 31, 2020, GAIN's investment portfolio consisted of investments in 28 portfolio companies located in 17 states across 14 different industries with an aggregate fair value of \$565.9 million. The five largest investments at fair value as of March 31, 2020 totaled \$206.9 million, or 36.5%, of its total investment portfolio.
- **GOOD (REIT – Office and Industrial Properties):** We are the adviser to GOOD, a diversified, national operation, with investments in a variety of sectors and geographic locations. GOOD was established in 2003 and is an externally-managed REIT focused on acquiring, owning, and managing primarily office and industrial properties. Pursuant to its Advisory Agreement, since GOOD's inception through December 31, 2019, the Adviser Subsidiary earned an aggregate of approximately \$42.8 million in investment advisory fees, or \$42.4 million net of credits to our Adviser Subsidiary, and approximately \$43.8 million in incentive fees, or \$25.1 million net of credits to our Adviser Subsidiary. As of April 28, 2020, GOOD owned 122 properties totaling 15.1 million square feet in 28 states. As of March 31, 2020, GOOD's investments in real estate, net, totaled \$907.1 million.
- **LAND (REIT – Farmland):** We are the adviser to LAND, a diversified, national operation, with investments in a variety of sectors and geographic locations. LAND was established in 2013 and is an externally-managed, natural resource REIT focused on acquiring, owning and leasing farmland. Pursuant to its Advisory Agreement, since LAND's inception through December 31, 2019, the Adviser Subsidiary earned an aggregate of approximately \$11.3 million in investment advisory fees, or \$9.2 million net of credits to our Adviser Subsidiary, and approximately \$1.7 million in incentive fees, or \$0.8 million net of credits to our Adviser Subsidiary. As of March 31, 2020, LAND owned 113 farms comprised of 87,860 acres located across 10 states in the United States. LAND also owns several farm-related facilities, such as cooling facilities, packinghouses, processing facilities, and various storage facilities. As of March 31, 2020, LAND's investments in real estate, net, totaled \$799.5 million.

See “*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Financial Measures and Indicators*” for additional information regarding the investment advisory and incentive fees for each Existing Gladstone Fund. For a more detailed review of each fund's performance, see “*Business—The Historical Investment Performance of Our Funds*”

Financial Services

Financial services generally include receiving transaction-based compensation or other compensation for providing advice on a variety of strategic and financial matters, such as mergers, acquisitions and divestitures, restructurings and reorganizations and capital raising and capital structure. We provide financial services through our Adviser Subsidiary and through our Broker-Dealer Subsidiary. The Broker-Dealer Subsidiary earns fees generated from providing dealer manager, investment banking, mortgage placement, and other services to us, the Existing Gladstone Funds and certain portfolio companies of GLAD and GAIN. We incur third-party securities trade costs associated with the Broker-Dealer Subsidiary that largely offset the associated securities trade commission revenue we earn.

Administrative Services

Our Administrator Subsidiary provides administrative services to the Existing Gladstone Funds as well as our Adviser Subsidiary and Broker-Dealer Subsidiary. Pursuant to administration agreements with the Existing Gladstone Funds, or the Administration Agreements, the Administrator Subsidiary allocates the costs of administrative services and overhead and receives administrative fee payments from the Existing Gladstone Funds. Additionally, the Administrator Subsidiary is responsible for producing the financial statements and asset valuations, and handling compliance, legal, and other duties for the Company, the Existing Gladstone Funds, and our subsidiaries.

Competitive Strengths

Diversified, National Alternative Asset Manager Delivering Significant Growth. Alternative asset management is the fastest growing segment of the asset management industry, and we are one of the leading mid-sized independent alternative asset managers in the U.S. Our asset management business is diversified across a broad variety of alternative asset classes and investment strategies and have national reach and scale. From the time our Adviser Subsidiary entered the asset management business in 2001 through December 31, 2019, the Existing Gladstone Funds have raised approximately \$2.4 billion of capital. Our assets under management have grown from approximately \$132.2 million as of September 30, 2001 to approximately \$2.9 billion as of December 31, 2019, representing a CAGR of approximately 19%. We believe that the strength and breadth of our franchise, supported by our people, investment approach and track record of success, provide a distinct advantage when raising capital, evaluating opportunities, making investments, building value and realizing returns.

Stable Earnings Model. We believe we have a stable earnings model based on:

We manage permanent capital. As of December 31, 2019, 100% of our assets under management were in permanent capital vehicles with no fund termination or maturity. None of the Existing Gladstone Funds has a requirement to return capital to investors. This has enabled and continues to enable us to invest assets with a long-term focus over different points in a market cycle, which we believe is an important component in generating attractive returns. We believe our management of long-term capital also leaves us well-positioned during economic downturns, when the fundraising environment for alternative assets may be more challenging.

We have a diverse capital base. We have a well-balanced and diverse capital base, which we believe is the result of our demonstrated expertise across alternative capital vehicles. For our fiscal year ended June 30, 2019, approximately 24.5%, 39.0%, 20.1%, and 5.5% of our total fee revenue was generated from GLAD, GAIN, GOOD and LAND, respectively.

A significant portion of our revenue is generated from management fees. Management fees, which are generally based on the amount of invested capital in funds we manage, are generally more predictable and less volatile than performance-based fees. For our fiscal year ended June 30, 2019, approximately 37.1% of our total fee revenue was comprised of base management fees. For the fiscal years ended June 30, 2017, 2018 and 2019, base management fees averaged 41.4% of our total fee revenue.

Strong Middle Market Presence. Our core business of investing in alternative assets includes substantial exposure to the U.S. middle market, defined as U.S. businesses with \$10 million to \$1 billion in annual revenue. According to the National Center for The Middle Market, middle market businesses generated \$6 trillion in accrued revenue which is 33% of the private sector GDP and employed 48 million people in the United States. In addition, according the National Center for the Middle Market's fourth quarter 2019 report, the year-over-year revenue growth rate of middle market companies was 7.5% as compared to 4.3% for companies comprising the S&P 500. In addition, the projected revenue growth rate of middle market companies for the 12-month period ending December 31, 2020 is projected to be at 4.9% with an estimated 73% of middle market companies projecting increased revenue over the same period.

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Strong Industry and Corporate Relationships. We believe that the strength of our relationships with investment banking firms, other financial intermediaries and leading businesses and corporate executives provides us with a competitive advantage in identifying transactions, securing investment opportunities and generating exceptional returns. As a result of these various relationships, we believe that we are less reliant on auction processes in making investments than many of our competitors, thereby providing us with a wider array of attractive investment opportunities.

Demonstrated Investment Track Record. Over our history we have established a record of generating attractive total returns across our asset management business, as shown in the table below. We believe that the average investment returns we have generated for investors in our funds through all types of economic conditions and all cycles of the equity and debt capital markets is a primary reason why we have been able to consistently grow our assets under management across all of our funds.

	As of December 31, 2019	
	Number of Years	Total Percentage Return (1)
GLAD	1	49%
GAIN	1	56%
GOOD	1	26%
LAND	1	18%
GLAD	3	38%
GAIN	3	65%
GOOD	3	32%
LAND	3	30%
GLAD	5	95%
GAIN	5	195%
GOOD	5	85%
LAND	5	22%

- (1) The table above provides the total percentage return on a \$100 investment in common stock of the Existing Gladstone Funds, assuming a reinvestment of all dividends, for one year, three years and five years, rounded to the nearest whole percent based on reported closing stock price as of December 31 of each year.

See “Business—The Historical Investment Performance of Our Funds” for information regarding the calculation of investment returns, valuation methodology and factors affecting our investment performance. The historical information presented above and elsewhere in this offering circular with respect to the investment performance of our funds is provided for illustrative purposes only. The historical investment performance of the Existing Gladstone Funds is no guarantee of future performance of the Existing Gladstone Funds or any other fund we may manage in the future.

Diverse Base of Longstanding Investors. Over the past 19 years of our asset management activities, we have built long-term relationships with many individual retail investors and their advisers, as well as U.S. based institutional investors, many of which invest in several of the Existing Gladstone Funds. Through the Existing Gladstone Funds, our senior executives have a long history of raising significant amounts of capital on a national basis across a broad range of asset classes, and we believe that the strength and breadth of our relationships with individual and institutional investors provide us with a competitive advantage in raising additional capital for the Existing Gladstone Funds as well as the Future Gladstone Funds.

Seasoned Management Team. Our executive officers and senior management average more than 28 years of experience in the business of the fund they help manage and are key drivers in the growth of our business. Our 29 executive officers, managing directors and directors have more than 800 years of combined business experience. This team is supported by approximately 41 other professionals with a variety of backgrounds in investment banking, leveraged finance, private equity, real estate, farmland, accounting, corporate and securities law, asset valuation, taxes, and other applicable disciplines. We believe that the extensive experience and financial acumen of our management and professionals provide us with a significant competitive advantage.

Distinct Advisory Perspective. We are not engaged in activities that might conflict with our role as a trusted financial advisor. We believe that this makes us particularly well-suited to represent boards and special committees in the increasing number of situations where they are looking to retain a financial advisor who is devoid of such conflicts. In addition, we believe that our ability to view financial advisory client assignments from both the client's and an owner's perspective often provides unique insights into how best to maximize value while also achieving our clients' strategic objectives.

Demonstrated History of Legal and Regulatory Compliance. We have a proven track record of launching and managing publicly traded BDC and REIT vehicles, each of which is subject to distinctive compliance and regulatory challenges. Rigorous legal and compliance analysis of our businesses and investments is important to our culture and our history of regulatory and legal compliance across all of our vehicles is a core strength of our firm.

Growth Strategy

As we expand our business, we intend to apply the same core principles and strategies to which we have adhered since our inception:

Organically Grow Our Existing Funds. Alternative assets are experiencing increasing demand from a range of investors, which we and many industry participants believe is part of a long-term trend to enhance portfolio diversification and to meet desired return objectives. We have demonstrated our ability to deliver strong risk-adjusted investment returns in alternative assets throughout market cycles since our inception in 2001, and we believe each of our investment strategies are well positioned to benefit from long-term positive industry momentum. By continuing to deliver strong investment and operations management performance, we expect to grow the assets under management in the Existing Gladstone Funds by deepening and broadening relationships with our current high-quality investor base as well as attracting new investors.

Expand Our Product Offerings. We intend to grow our investment platform to include additional investment products that are complementary to the Existing Gladstone Funds. As we expand our product offerings, we expect to leverage the investor base of the Existing Gladstone Funds, and to attract new investors. Finally, we expect to leverage our direct origination platform, underwriting process and active credit management capabilities to grow related investment product offerings. There are a number of complementary strategies that we are currently pursuing across our investment groups. We intend to use most of the net proceeds from this offering to form one or more of the Future Gladstone Funds, which are the following three new funds that we intend to invest in and manage directly or through our subsidiaries:

- **Gladstone Retail.** We intend to invest up to \$20 million of the proceeds of this offering as seed capital in Gladstone Retail. Once launched, Gladstone Retail will seek to purchase and own retail properties, which we define as locations that are open to the public and provide a product or service.
- **Gladstone Farming.** We intend to invest up to \$20 million of the proceeds of this offering as seed capital in Gladstone Farming. Once launched, Gladstone Farming will seek to purchase agricultural operations across the United States that are focused on high-value crops such as organic vegetables, fruits and nuts and those of which may be converted to organic.
- **Gladstone Partners.** We intend to invest up to \$5 million of the proceeds of this offering as seed capital in Gladstone Partners, a Delaware limited partnership formed on February 4, 2003. Once launched, Gladstone Partners will seek to invest alone or co-invest in new portfolio companies with the Gladstone BDCs.

We intend to review other strategies in connection with establishing additional funds in the future; however, we currently have no plans for any new funds other than the Future Gladstone Funds.

Diversify and Grow Client Base. The growing demand for alternative assets provides an opportunity for us to attract new investors across a variety of channels. As we continue to expand our product offering and our geographic presence, we expect to be able to attract new investors to our funds. In addition to retail investors, which have historically comprised a significant portion of our assets under management, in recent periods we have extended our investment strategies and marketing efforts increasingly to institutional investors.

Recent Developments

We are closely monitoring and working with the portfolio companies of the Existing Gladstone Funds to navigate the significant challenges created by the COVID-19 pandemic and are focused on ensuring the safety of our personnel and of the employees of the portfolio companies of the Existing Gladstone Funds, while also managing our ongoing business activities. While we are closely monitoring all of these portfolio companies, the portfolios of the Existing Gladstone Funds continue to be diverse from a geographic and industry perspective. Through proactive measures and continued diligence, the management teams of these portfolio companies continue to demonstrate their ability to respond effectively and efficiently to the challenges posed by COVID-19 and related orders imposed by state and local governments. We believe that each of the Existing Gladstone Funds has sufficient levels of liquidity to support its existing portfolio companies, as necessary, and selectively deploy capital in new investment opportunities.

Protecting employees has been a priority since the onset of the COVID-19 pandemic. We performed stress-testing of our systems and processes, and the majority of our workforce has been operating under a remote-working model since March 2020, while maintaining consistent service levels to each of the Existing Gladstone Funds. Our business continuity plans have performed effectively and our cybersecurity policies have been applied consistently in the current environment.

As of March 31, 2020, our assets under management were approximately \$3.0 billion. However, the full impact to our business of the COVID-19 pandemic and the resulting economic downturn remains unknown. Until such impacts are fully known, our estimates and assumptions may be subject to a high degree of volatility and there may be material variances in our semi-annual operating results during this period. For example, each of GLAD and GAIN records its assets at fair value. Each of these entities had a significant reduction in its gross assets as of March 31, 2020 as compared to its gross assets as of December 31, 2019. We expect that these reductions in gross assets will negatively impact the management fees that we receive from each of GLAD and GAIN for the fiscal year ending June 30, 2020 through the conclusion of the COVID-19 pandemic and potentially beyond depending on the pace of economic recovery. In addition, the incentive fees that we are entitled to receive from each of the Existing Gladstone Funds will be adversely affected to the extent that investment income (or its equivalent) is reduced whether as a result of the COVID-19 pandemic or other economic factors. By construct, we do not expect that management fees that we receive from LAND and GOOD will be adversely affected because those entities are not required to and do not, record their assets at fair value.

Organizational Structure

We were formed as a Delaware company on December 7, 2009. We are managed by our Board of Directors who are elected by TGC LTD, which owns all of our common stock. The sole shareholder of TGC LTD is currently David Gladstone. As the sole voting stockholder of the Company, TGC LTD has the right to elect and remove members of our Board of Directors, or Directors.

We conduct substantially all of our business activities through our subsidiaries, including the Adviser Subsidiary, the Broker-Dealer Subsidiary and the Administrator Subsidiary. We expect that our fee-generating asset management business generally will be operated through the Adviser Subsidiary. The administration services will generally be provided by the Administrator Subsidiary and financial services work will be completed by our Adviser Subsidiary or Broker-Dealer Subsidiary. A portion of our business also may be conducted by us directly or indirectly through new funds or partnerships. We expect that a substantial portion of our revenues will be derived from the Existing Gladstone Funds, which are publicly-traded entities that have elected to be taxed as RICs or REITs for U.S. federal income tax purposes.

Conflicts of Interest

The account of our Broker-Dealer Subsidiary at RBC Capital Markets will be used to enter orders on behalf of the managing broker-dealer, and as such, our Broker-Dealer Subsidiary may be viewed as participating in the distribution of the securities offered hereby and is therefore deemed to have a “conflict of interest” within the meaning of FINRA Rule 5121. See “*Plan of Distribution*” in this offering circular.

Corporate Information

Our principal executive offices are located at 1521 Westbranch Drive, Suite 100, McLean, Virginia 22102, and our phone number is (703) 287-5800. Our website is www.gladstonecompanies.com. Information contained on or accessible through our website is not incorporated by reference into this offering circular and should not be considered a part of this offering circular.

THE OFFERING

Issuer	The Gladstone Companies, Inc.
Securities Offered	\$50,000,000 aggregate principal amount of the Bonds.
Offering Price	\$25 per Bond.
Minimum Investment	\$5,000, but purchases of less than \$5,000 may be accepted at our discretion in consultation with our managing broker-dealer.
Maturity Date	September 30, 2025
Interest Rate	7.0% per annum
Interest Payment Dates	The first day of each month, beginning on the first such date that follows the first full calendar month after the initial closing in the offering.
Record Dates for Interest Payments	The 23rd day of the month preceding the relevant interest payment date.
Security and Ranking	<p>The Bonds will be secured by a senior blanket lien on the equity interest we hold in the Future Gladstone Funds which are raised with the proceeds of this offering, or the “collateral.” We expect to use a portion of the proceeds from this offering to launch one or more of the Future Gladstone Funds.</p> <p>The Bonds will rank <i>pari passu</i>, or equal, in right of payment with all of our other senior secured indebtedness from time to time outstanding (to the extent such future senior secured indebtedness is secured by our equity interest in the Future Gladstone Funds) and senior in right of payment to our future indebtedness from time to time outstanding that is expressly subordinated to the Bonds, senior to all of our unsecured indebtedness to the extent of the value of the Bonds’ security interest in our equity interest of the Future Gladstone Funds, and structurally junior to all existing and future indebtedness and other obligations of our subsidiaries.</p>
Use of Proceeds	<p>We estimate that the net proceeds we will receive from this offering will be approximately \$45,500,000 if we sell the maximum offering amount, after deducting estimated the maximum selling commissions and the dealer manager fee, but before offering expenses payable by us.</p> <p>We intend to use the net proceeds for growth strategies, which are expected to include: (i) providing initial capital to launch one or more of the Future Gladstone Funds; (ii) using proceeds for working capital to supplement our existing line of credit; (iii) investing in other general partnership interests or other controlling interests in other new affiliated funds or other growth initiatives either directly or through our Adviser Subsidiary; (iv) providing additional capital to the Existing Gladstone Funds; and (v) for other general corporate purposes. See “<i>Use of Proceeds</i>.”</p>
Redemption Upon Death	<p>Within 45 days of the death of a Bondholder who is a natural person, the estate of such Bondholder, or legal representative of such Bondholder may request that we repurchase, in whole but not in part and without penalty, the Bonds held by such Bondholder by delivering to us a written notice requesting such Bonds be redeemed. In the event a Bond is held jointly by two or more natural persons, the estate or legal representative of either such Bondholder shall only have the right to request that the Company repurchase such Bond if each such Bondholder is deceased.</p> <p>Upon receipt of redemption request in the event of death, we will designate a date for the redemption of such Bonds, which date shall not be later than the 15th day of the month next following the month in which we receive facts or certifications establishing to the</p>

	<p>reasonable satisfaction of the Company supporting the right to be redeemed. On the designated date, we will redeem such Bonds at a price per Bond that is equal to all accrued and unpaid interest, to but not including the date on which the Bonds are redeemed, plus the then outstanding principal amount of such Bond.</p>
Optional Redemption	<p>We may redeem some or all of the Bonds at any time, or from time to time, on or after September 30, 2023 at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus any accrued, but unpaid interest to, but excluding, the redemption date. See “<i>Description of Bonds—Optional Redemption</i>.”</p> <p>In addition, we may redeem some or all of the Bonds at any time, or from time to time, in the event that the Board of Directors, in its sole discretion, determines that the proceeds of this offering are insufficient for the intended use of proceeds, if the intended use of proceeds is no longer viable, or such other determination that such a redemption is in our best interests. See “<i>Description of Bonds—Optional Redemption</i>.”</p>
Sinking Fund	<p>The Bonds will not be subject to any sinking fund. A sinking fund is a reserve fund accumulated over a period of time for the retirement of debt.</p>
Events of Default	<p>The indenture governing the Bonds will contain events of default, the occurrence of which may result in the acceleration of our obligations under the Bonds in certain circumstances. Events of default, other than payment defaults, will be subject to our right to cure within a certain number of days of such event of default. We will have the right to cure any payment default within 90 days before the trustee may declare a default and exercise the remedies under the indenture. See “<i>Description of Bonds – Events of Default</i>”.</p>
Subscription Procedures	<p>All investors not purchasing through DTC will be required to complete and execute a subscription agreement in the form filed as an exhibit to the offering statement of which this offering circular is a part. Purchasers acquiring Bonds to be held of record through DTC or its nominee will complete a limited order form. The subscription agreement is available from your registered representative or financial adviser and should be completed and delivered in accordance with the instructions in the subscription agreement. All subscriptions are irrevocable on the part of the investor. We anticipate we will have bi-monthly closings on the first and third Thursday of each month assuming there are funds to close. Once a subscription has been submitted and accepted by us, an investor will not have the right to request the return of its subscription payment. If subscriptions are received on a closing date and accepted by us prior to such closing, any such subscriptions will be closed on that closing date. If subscriptions are received on a closing date but not accepted by us prior to such closing, any such subscriptions will be closed on the next closing date.</p> <p>You will be required to represent and warrant in your subscription agreement or order form that you are an accredited investor as defined under Rule 501 of Regulation D of the Securities Act of 1933, as amended, or the Securities Act, that your investment in the Bonds does not exceed 10% of your net worth or annual income, whichever is greater, if you are a natural person, or 10% of your revenues or net assets, whichever is greater, calculated as of the most recent fiscal year if you are a non-natural person. By completing and executing your subscription agreement or order form you will also acknowledge and represent that you have received a copy of this offering circular, you are purchasing the Bonds for your own account and that your rights and responsibilities regarding your Bonds will be governed by the indenture filed as an exhibit to the offering statement of which this offering circular is a part.</p>
Form	<p>The Bonds will be evidenced by global bond certificates deposited with a nominee holder or directly on the books and records of UMB Bank, National Association, or UMB Bank. It is anticipated that the nominee holder will be DTC, or its nominee, Cede & Co., for those purchasers purchasing through a DTC participant subsequent to the Bonds gaining DTC eligibility.</p>
Liquidity	<p>This is a Tier 2, Regulation A offering where the offered securities will not be listed on a registered national securities exchange upon qualification. This offering is being conducted pursuant to an exemption from registration under Regulation A of the Securities Act. After qualification, we may apply for these qualified securities to be eligible for quotation on an alternative trading system or over-the-counter market, if we determine that such market is appropriate given the structure of the Bonds and our company and our business objectives. There is no guarantee that the Bonds will be publicly listed or quoted or that a market will develop for them.</p>
Governing Law	<p>The indenture and the Bonds will be governed by the laws of the State of New York.</p>
Risk Factors	<p>See “<i>Risk Factors</i>” for a discussion of some of the risks you should carefully consider before deciding to invest in our Bonds.</p>

RISK FACTORS

Investing in our Bonds involves a high degree of risk. You should consider and read carefully all of the risks and uncertainties described below, as well as other information included in this offering circular, including our consolidated financial statements and related notes, before making an investment decision. The risks described below are not the only ones facing us. The occurrence of any of the following risks or additional risks and uncertainties not presently known to us or that we currently believe to be immaterial could materially and adversely affect our business, financial condition or results of operations. In such case, the trading price of our Bonds could decline, and you may lose all or part of your original investment.

Risks Related to Our Business

Unfavorable market conditions could adversely affect our business in many ways, including by reducing the fees revenue and distributions received from our funds, if any, or reducing the ability of our funds to raise or deploy capital on favorable terms, or at all.

Our business is materially affected by conditions in the global financial markets and economic and political conditions throughout the world that are outside our control, such as interest rates, availability and cost of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation and asset managers), trade barriers, commodity prices, currency exchange rates and controls, national and international political circumstances (including wars, terrorist acts or security operations), natural disasters and/or pandemics. These factors are outside our control and may affect the level and volatility of asset prices or securities prices and the liquidity and the value of investments held by our funds, and we may not be able to or may choose not to manage our or our funds' exposure to these conditions. In the event of a market downturn, including from the impact of the COVID-19 pandemic, each of our businesses and funds will be affected in different ways.

Our Existing Gladstone Funds could be affected by the inability to find suitable investments for the funds to effectively deploy capital, which could adversely affect our ability to raise new funds and thus our assets under management, or by reduced opportunities to exit and realize value from their investments, which could adversely affect incentive fees earned by our Adviser Subsidiary. In addition, during periods of adverse economic conditions, we and our funds could have difficulty accessing financial markets, which could make it more difficult or impossible for us to obtain funding for additional investments and harm our assets under management and operating results. Our profitability could also be adversely affected if we or the funds we manage are unable to scale back our costs within a time frame or amount sufficient to match decreases in revenue relating to changes in market and economic conditions.

During periods of difficult market conditions or slowdowns in a particular sector, companies in which our funds invest could experience decreased revenues, financial losses, difficulty in obtaining access to financing and increased funding costs. During such periods, these companies could also have difficulty in expanding their businesses and operations and be unable to meet their debt service obligations or other expenses as they become due (including obligations to our funds), increasing the risk of default with respect to debt investments held by our funds (including the Gladstone BDCs). As a result, a general market downturn, or a specific market dislocation, could result in lower investment returns for our funds, which would adversely affect our revenues and results of operations. Poor performance of our funds could result in lower base management and/or incentive fees earned by our Adviser Subsidiary and/or their ability to pay distributions on any investments we may hold in such funds, each of which could materially and adversely affect our business and results of operations.

Our business and that of the Existing Gladstone Funds has been, and in the future could be further, adversely affected by the recent coronavirus outbreak.

As of the date of this offering circular, there is an outbreak of a novel and highly contagious form of coronavirus (COVID-19), which the World Health Organization has declared to constitute a Public Health Emergency of International Concern. The outbreak of COVID-19 has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The global impact of the outbreak is rapidly evolving, and many countries, including the U.S., have reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. Businesses are also implementing similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity and are having a particularly adverse impact on transportation, hospitality, tourism, entertainment and other industries. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess.

Any public health emergency, including any outbreak of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, Ebola or other existing or new epidemic diseases, or the threat thereof, could have a significant adverse impact on our businesses and the Existing Gladstone Funds and their portfolio companies and could adversely affect our results of operations.

The extent of the impact of any public health emergency, including the COVID-19 pandemic, on our and our businesses' and funds' operational and financial performance will depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented, the impact of such public health emergencies on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. For example, each of GLAD and GAIN records its assets at fair value. Each of these entities had a significant reduction in its gross assets as of March 31, 2020 as compared to its gross assets as of December 31, 2019. We expect that these reductions in gross assets will negatively impact the management fees that we receive from each of GLAD and GAIN for the fiscal year ending June 30, 2020 through the conclusion of the COVID-19 pandemic and potentially beyond. In addition, the incentive fees that we are entitled to receive from each of the Existing Gladstone Funds will be adversely affected to the extent that investment income (or its equivalent) is reduced whether as a result of the COVID-19 pandemic or otherwise. The COVID-19 pandemic has disrupted, and future public health emergencies may disrupt, the operations of the companies in which the Gladstone BDCs invest and the tenants of the Gladstone REITs. Certain of these companies and/or tenants have experienced a significant reduction of their business activities, including as a result of shutdowns requested or mandated by governmental authorities, in connection with the COVID-19 pandemic (and may experience similar outcomes in connection with future public health emergencies). We cannot estimate the impact that a public health threat could have on the companies in which the Gladstone BDCs invest or the tenants of the Gladstone REITs, but it could disrupt their businesses and their ability to make interest, lease or dividend payments and decrease the overall value of the Existing Gladstone Funds' investments and leasehold interests, which could adversely impact their business, financial condition or results of operations, which would adversely affect our revenues and results of operations.

Further, the operations of our businesses, the Existing Gladstone Funds and their portfolio companies may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of the Adviser Subsidiary's and the Administrator Subsidiary's personnel. As a result, there is a risk that this crisis could adversely impact the ability of our businesses and funds to source, manage and divest investments and to achieve their investment objectives, all of which could result in lower base management and/or incentive fees earned by our Adviser Subsidiary, which could materially and adversely affect our business and results of operations.

We depend highly on our senior executives, and the loss of their services would have a material adverse effect on our business, results

and financial condition.

We depend on the efforts, skill, reputations and business contacts of our senior executives. Accordingly, our success will depend on the continued service of these individuals, who are not party to employment agreements (other than Messrs. Gladstone and Brubaker) and are not obligated to remain employed with us. The loss of the services of any of our senior executives could have a material adverse effect on our revenues, net income and cash flows and could harm our ability to maintain or grow assets under management in the Existing Gladstone Funds or raise additional funds in the future.

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Our senior executives possess substantial experience and expertise and have strong business relationships with investors in our funds and other members of the business community. As a result, the loss of these personnel could jeopardize our relationships with investors in our funds, our clients and members of the business community and result in the reduction of assets under management or fewer investment opportunities. Further, if any of our senior executives were to join or form a competing firm, that event could have a material adverse effect on our business, results of operations and financial condition.

We derive a substantial portion of our revenues from the Advisory Agreements that may not be renewed or may be terminated on short notice or upon a change in control of the Adviser Subsidiary.

The boards of directors of the Existing Gladstone Funds annually review and approve the Advisory Agreements with our Adviser Subsidiary. With respect to the Gladstone REITs, the Advisory Agreements may be terminated without cause upon 120 days' prior written notice to our Adviser Subsidiary and after the affirmative vote of at least two-thirds of such fund's independent directors.

The Gladstone BDCs are (and any BDC or other fund regulated by the 1940 Act that we manage in the future will be) subject to certain provision of the 1940 Act. The 1940 Act requires the Advisory Agreement for each BDC must be approved annually by such funds' board of directors (including a majority of the independent directors) following an initial two-year term. The board of directors of a BDC may refuse to reapprove an Advisory Agreement or may terminate an Advisory Agreement, without penalty, at any time, upon 60 days' notice. In addition, the Advisory Agreement with each BDC can be terminated by the majority of such BDC's stockholders.

In addition, as required by the 1940 Act, the Advisory Agreement of each Gladstone BDC terminates automatically upon its "assignment," as interpreted under the 1940 Act. A change in control of the Adviser Subsidiary or a change in control of us, as the Adviser Subsidiary is wholly owned by us, could be deemed to create an assignment of such Advisory Agreements. All of our voting shares are owned by TGC LTD, which is wholly owned by Mr. Gladstone. We assume that Mr. Gladstone will continue to own more than 50% of our voting shares through his ownership of TGC LTD so long as he is employed by us. However, if Mr. Gladstone no longer holds 50% of our voting shares or of TGC LTD, or if another person were to own more than 25% of the voting shares of the Company or TGC LTD, whether due to a third-party purchase, Mr. Gladstone's death or otherwise, an "assignment" would be deemed to occur. We cannot be certain that consents required for such assignment of the Advisory Agreements with the Gladstone BDCs will be obtained in advance of such a change of control.

Termination of any of the Advisory Agreements would affect the fees we earn from the relevant funds and the underlying portfolio companies, which would have a material adverse effect on our financial condition and results of operations.

Poor performance of our funds would cause a decline in our revenue, income and cash flow and could adversely affect our ability to raise capital for future funds.

When the Existing Gladstone Funds perform poorly, our revenue, income and cash flow declines because the value of our assets under management would decrease, which would result in a reduction in management fees, and our incentive fees would decrease, resulting in a reduction in the incentive fees we earn. Moreover, we could experience losses on our investments of our own principal (as a result of any ownership from time to time of shares in our funds) as a result of poor investment performance by our funds. Poor performance of our funds could make it more difficult for us to raise new capital, as investors might decline to invest in future funds or sell the shares they already own in the Existing Gladstone Funds. Investors and potential investors in our funds continually assess our funds' performance, and our ability to raise capital for existing and future funds will depend on our funds' continued satisfactory performance.

Our use of leverage to finance our business will expose us to substantial risks, just as our funds' use of leverage to finance investments exposes them and us to substantial risks.

In the future we may use a significant amount of borrowings to finance our business operations. Our current line of credit contains, and we expect that any future credit agreements would contain, financial and operating covenants that may limit our ability to conduct our business. To the extent we service our debt from our cash flow, such cash will not be available for our operations or other purposes. The portion of our cash flow used to service those obligations could be substantial, which could make it difficult for us to meet our debt service requirements or force us to modify our operations. As such, if we do incur substantial indebtedness in the future, it may make it more difficult for us to withstand or respond to adverse or changing business, regulatory and economic conditions or to take advantage of new business opportunities or make necessary capital expenditures.

These risks are exacerbated by our funds' use of leverage to finance investments. If we were to incur substantial leverage, coupled with our reliance on funds utilizing leverage to finance investments, it could also cause us to suffer a decline in the credit ratings assigned to our debt by rating agencies, to the extent our debt is rated, which might well result in an increase in our borrowing costs and could otherwise adversely affect our business in a material way, particularly if our credit ratings were to be below investment grade.

Cybersecurity risks and cyber incidents may adversely affect our business by causing a disruption to our operations, or the operations of our funds or the businesses in which they invest, compromise or corrupt of 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, information about our funds and information about our funds' portfolio companies. Although we have implemented, and will continue to implement, security measures, our technology platform may be vulnerable to intrusion, computer viruses 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 funds or their portfolio companies. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our information systems 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, increased cybersecurity protection and insurance costs, litigation and damage to our business relationships. As our 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. 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 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 reputations, resulting in a loss of confidence in our services, which could adversely affect our business.

We are dependent on information systems, and systems failures could significantly disrupt our business.

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 our business.

Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus could result in additional burdens on our business.

Our asset management business is subject to extensive regulation. In particular, we are subject to regulation by the SEC under the federal securities laws (including the 1940 Act and the Investment Advisers Act of 1940, as amended, or the Advisers Act). In addition, many of the activities that we or our funds engage in are subject to or potentially subject to (in the absence of certain exemptions that we rely on and must comply with) the jurisdiction and regulatory oversight of various other federal regulatory agencies (including the Commodity Futures Trading Commission and the Department of Labor), various self-regulatory organizations (including FINRA and the National Futures Association) and various state regulatory authorities.

The various legal statutes and regulatory rules to which we are subject are extremely complex, and compliance with them can be a time-consuming and difficult task. For example, the Advisers Act imposes numerous obligations on investment advisers, including record keeping, advertising and operating requirements, disclosure obligations and prohibitions on misleading or fraudulent activities. The Advisers Act also imposes an overriding fiduciary duty on investment advisers. The 1940 Act imposes similar obligations on BDCs, as well as additional detailed operational requirements that must be strictly adhered to by their investment advisers and other service providers. A failure to comply with the obligations imposed by the Advisers Act, the 1940 Act or other regulatory agencies could result in investigations, sanctions and reputational damage. In addition, we may from time to time rely on exemptions from various requirements of the 1940 Act and the U.S. Employee Retirement Income Security Act of 1974, as amended, in conducting our asset management activities. These exemptions are sometimes highly complex and may in certain circumstances depend on compliance by third parties whom we do not control. If for any reason these exemptions were to become unavailable to us, we could become subject to regulatory action or third-party claims and our business could be materially and adversely affected.

Many of these regulators, including U.S. and self-regulatory organizations, as well as state securities commissions in the U.S., are empowered to conduct investigations and administrative proceedings that can result in fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer or investment adviser from registration or memberships. Even if an investigation or proceeding did not result in a sanction or the sanction imposed against us or our personnel by a regulator were small in monetary amount, the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm our reputation and cause us to lose existing clients or fail to gain new asset management or financial advisory clients. Lastly, the requirements imposed by our regulators are designed primarily to ensure the integrity of the financial markets and to protect investors in our funds and are not designed to protect holders of our Bonds. Consequently, these regulations often serve to limit our activities.

In addition, the regulatory environment in which our funds operate may affect our business. The regulatory environment in which we operate is subject to further regulation. We may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, other U.S. or non-U.S. governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. We also may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any of the proposals will become law. Compliance with any new laws or regulations could make compliance more difficult and expensive and affect the manner in which we conduct business.

Valuation methodologies for certain assets in our funds can be subject to significant subjectivity and the fair value of assets established pursuant to such methodologies may never be realized, which could result in significant losses for our funds and adversely impact our results of operations.

There are no readily ascertainable market prices for a large number of the investments held by our funds. We determine the value of each such investment based on its fair value. The fair value of investments held by a BDC or a REIT is determined using a number of methodologies described in the funds' valuation policies. While we have made valuation determinations historically with the assistance of independent valuation firms, fair value measurements involve subjective judgments and estimates. Because there is significant uncertainty in the valuation of, or in the stability of the value of, illiquid investments, the fair values of such investments as reflected in a fund's net asset value do not necessarily reflect the prices that would actually be obtained by us on behalf of the fund when such investments are realized. Realizations at values significantly lower than the values at which investments have been reflected in previously reported SEC filings would result in losses for the applicable fund, which in turn could result in a decline in base management fees and the loss of potential incentive fees earned by the Adviser Subsidiary. Also, a situation where asset values turn out to be materially different than values previously reported by the fund could cause investors to lose confidence in us, which would result in difficulty in raising additional funds or sales of stock in certain of our funds, which would adversely affect our ability to increase assets under management.

Our inability to retain and motivate our executive officers and other key personnel and to recruit, retain and motivate new executive officers and other key personnel could adversely affect our business, results and financial condition.

Our most important asset is our people, and our continued success and growth depend to a substantial degree on our ability to retain and motivate our executive officers and other key personnel and to strategically recruit, retain and motivate new talented personnel, including new executive officers. However, we may not be successful in our efforts to recruit, retain and motivate the required personnel as the market for qualified investment professionals is extremely competitive. There is no guarantee that the non-competition and non-solicitation agreements to which our executive officers are subject, together with our other arrangements with them, will prevent them from leaving us, joining our competitors or otherwise competing with us or that these agreements will be enforceable in all cases. In addition, these agreements will expire after a certain period of time, at which point each of our executive officers would be free to compete against us and solicit investors in our funds, clients and employees.

To recruit and retain existing and future executive officers and other key personnel, we may need to increase the level of compensation for certain individuals. Accordingly, as we promote or hire new executive officers and other key personnel over time, the level of compensation we pay is likely to increase, which would cause our total employee compensation and benefits expense to increase and adversely affect our profitability.

Employee misconduct could harm us by impairing our ability to attract and retain investors, portfolio companies and tenants and subjecting us to significant legal liability and reputational harm.

There is a risk that our employees could engage in misconduct that adversely affects our business and may result in litigation at the Existing Gladstone Funds. We are subject to a number of obligations and standards arising from our asset management business and our authority over the assets managed by the Existing Gladstone Funds. The violation of these obligations and standards by any of our employees would adversely affect the funds and us. Our business often requires that we deal with confidential matters of great significance to our funds and the portfolio companies or real estate properties in which our funds may invest. If our employees were improperly to use or disclose confidential information, we could suffer serious harm to our reputation, financial position and current and future business relationships. It is not always possible to detect or deter employee misconduct, and the extensive precautions we take to detect and prevent this activity may not be effective in all cases. If one of our employees were to engage in misconduct or were to be accused of such misconduct, our business and our reputation could be adversely affected. Negative impacts to our reputation could adversely affect our ability to attract investors and raise additional funds, the willingness of counterparties to do business with us or result in potential litigation against us. This could result in a loss of assets under management and related base management fees and adversely affect our business, results of operations and financial condition.

Our failure to appropriately address conflicts of interest could damage our reputation and adversely affect our businesses.

As we have expanded our business and as we continue to expand the number and scope of our businesses, we have confronted and will continue to confront potential conflicts of interest relating to such funds' investment activities. Certain of the Existing Gladstone Funds (and Future Gladstone Funds) may have overlapping investment objectives, including funds that have different fee structures, and potential conflicts may arise with respect to our decisions regarding how to allocate investment opportunities (and related fees) among those funds. We may also cause different funds to invest in a single portfolio company. Furthermore, as the fair value of the investments held by our funds affects the calculation of the base management fees earned under the Advisory Agreements, conflicts of interest may exist in the valuation of our funds' investments. In addition, our daily operations may create conflicts of interest. For example, a decision to receive material non-public information about a potential portfolio company while pursuing an investment opportunity for a particular fund gives rise to a potential conflict of interest when it results in our having to restrict the ability of other funds to take any action.

Though we believe we have appropriate means to resolve these conflicts, our judgment on any particular allocation or resolution of any other conflict could be challenged. If we fail to appropriately address any such conflicts, it could negatively impact our reputation, which could adversely affect our ability to attract investors and raise additional funds, the willingness of counterparties to do business with us or result in potential litigation against us. This could result in a loss of assets under management and related base management fees and adversely affect our business and financial condition.

Further, our management personnel serve various management roles in the respective Existing Gladstone Funds and may make decisions in favor of the Existing Gladstone Funds that are not in our interests. We expect that agreement and conflicts between us and the Existing Gladstone Funds will be subject to the review of our Board of Directors, but this mechanism may not protect us from the effects of conflicts.

The asset management business is intensely competitive.

The asset management business is intensely competitive, with competition based on a variety of factors, including investment performance, the quality of service provided to clients, brand recognition and business reputation. Our asset management business competes with a number of private equity funds, specialized investment funds, hedge fund sponsors, traditional asset

managers, commercial banks, investment banks and other financial institutions, corporate buyers and other parties, including, primarily, other BDCs and REITs. A number of factors serve to increase our competitive risks:

- many of our competitors in some of our businesses have greater financial, technical, marketing and other resources and more personnel than we do;
- several of our competitors have recently raised funds, or are expected to raise funds, with significant amounts of capital, and many of those funds have similar investment objectives to our funds, which may create additional competition for investment opportunities and may reduce the size and duration of pricing inefficiencies that many alternative investment strategies seek to exploit;
- some of these competitors may also have a lower cost of capital and access to funding sources that are not available to us or the funds that we manage, which may create competitive disadvantages for us with respect to investment opportunities;
- some of our competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments that we want to make on behalf of our funds or through proprietary accounts;
- our competitors that are corporate buyers may be able to achieve synergistic cost savings in respect of an investment, which may provide them with a competitive advantage in bidding for an investment;
- there are relatively few barriers to entry impeding new investment funds, including a relatively low cost of entering these businesses, and the successful efforts of new entrants into our various lines of business, including major commercial and investment banks and other financial institutions, have resulted in increased competition; and
- other industry participants will from time to time seek to recruit our investment professionals and other employees away from us.

We may lose investment opportunities in the future if we do not match investment prices, structures and terms offered by competitors. Alternatively, we may experience decreased rates of return and increased risks of loss if we match investment prices, structures and terms offered by competitors. In addition, if interest rates were to rise or there were to be a prolonged bull market in equities, the attractiveness of our funds relative to investments in other investment products could decrease. This competitive pressure could adversely affect our ability to make successful investments and limit our ability to raise future funds, either of which would adversely impact our ability to increase our assets under management and our business, revenue, results of operations and cash flow.

In addition, certain passive products and asset classes, such as index funds and certain types of exchange-traded funds, many of which have lower fee structures, have become increasingly popular with investors. In order to continue to grow our assets under management, we must provide investment products and services that are viewed as appropriate in relation to the fees charged, which may require us to demonstrate that our strategies can outperform such passive products. If investors view our fees as high relative to the market or the returns provided, we may choose to reduce our fee levels in order to attract additional investors and grow assets under managements. In addition, as part of their annual review of the Advisory Agreements, the board of directors of each Existing Gladstone Fund will compare our fees to those of our competitors and if such board views our fees as excessive in relation to our peers or our performance, we may choose to reduce our fee levels in order to retain the applicable Advisory Agreement. Any reduction of fees charged pursuant the Advisory Agreements could negatively impact our results of operations.

Dependence on leverage by certain of our funds and by our funds' portfolio companies subjects us to volatility and contractions in the debt financing markets and could adversely affect our business, results of operations or financial condition.

Our funds and our funds' portfolio companies rely on the use of leverage. If our funds or their portfolio companies raise capital in the structured credit, leveraged loan and high yield bond markets, the results of their operations could suffer when such markets experience dislocations, contractions or volatility. Any such events (such as the COVID-19 pandemic) could adversely impact the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Any economic downturn could adversely affect the financial resources of our funds and their investments (in particular those investments that depend on credit from third parties or that otherwise participate in the credit markets) and their ability to make principal and interest payments on, or refinance, outstanding debt when due. Moreover, these events could affect the terms of available debt financing with, for example, higher rates, higher equity requirements and/or more restrictive covenants.

The absence of available sources of sufficient debt financing for extended periods of time or an increase in either the general levels of interest rates or in the risk spread demanded by sources of indebtedness would make it more expensive for our funds to finance investments. Certain investments may also be financed through borrowings on fund-level debt facilities, which may or may not be available for a refinancing at the end of their respective terms. Finally, the interest payments on the indebtedness used to finance our funds' investments are generally deductible expenses for income tax purposes, subject to limitations under applicable tax law and policy. Any change in such tax law or policy to eliminate or substantially limit these income tax deductions, as has been discussed from time to time in various jurisdictions, would reduce the after-tax rates of return on the affected investments, which may have an adverse impact on our businesses and financial results.

Similarly, our funds' portfolio companies regularly utilize the corporate debt markets to obtain additional financing for their operations. If they have credit ratings, they are typically non-investment grade and those that do not have credit ratings would likely be non-investment grade if they were rated. If the credit markets render such financing difficult to obtain or more expensive, this may negatively impact the operating performance of those portfolio companies and, therefore, the investment returns of our funds. In addition, if the markets make it difficult or impossible to refinance debt that is maturing in the near term, some of our funds' 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. Any of the foregoing circumstances could have a material adverse effect on our business, results of operations and financial condition.

Our funds may choose to use leverage as part of their respective investment programs. The use of leverage poses a significant degree of risk and enhances the possibility of a significant loss to investors. A fund may borrow money from time to time to make investments or may enter into derivative transactions with counterparties that have embedded leverage. The interest expense and other costs incurred in connection with such borrowing may not be recovered by returns on such investments and may be lost, and the timing and magnitude of such losses may be accelerated or exacerbated, in the event of a decline in the market value of such investments. Gains realized with borrowed funds may cause the fund's net asset value to increase at a faster rate than would be the case without borrowings. However, if investment results fail to cover the cost of borrowings, the fund's net asset value could also decrease faster than if there had been no borrowings. In addition, as BDCs registered under the 1940 Act, the Gladstone BDCs are each permitted to issue senior securities in amounts such that its asset coverage ratio equals at least 150% after each issuance of senior securities. Each of GLAD's and GAIN's ability to pay dividends will be restricted if its asset coverage ratio falls below at least 150%. An increase in interest rates could also decrease the value of fixed-rate debt investments that our funds make. Any of the foregoing circumstances could have a material adverse effect on our business, results of operations and financial condition.

An investment strategy focused primarily on privately held lower middle market companies presents certain challenges, including the lack of publicly available information about these companies.

The Gladstone BDCs have historically invested primarily in privately held lower middle market companies. Investments in these companies pose certain incremental risks as compared to investments in larger and/or public companies:

- have reduced access to the capital markets, resulting in diminished capital resources and ability to withstand financial distress;
- may have limited financial resources and may be unable to meet their obligations under debt that the Gladstone BDCs hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of the Gladstone BDCs realizing any guarantees they may have obtained in connection with their investment;
- may have shorter operating histories, narrower product lines and smaller market shares and may be more dependent on a single or a few suppliers than larger businesses, which tend to render them more vulnerable to competitors' actions and changing market conditions, as well as general economic downturns and the impacts of the COVID-19 pandemic;
- are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on the private company and, in turn, on the applicable Gladstone BDC and us; and

- generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position.

In addition, our executive officers, Directors or employees may, in the ordinary course of business, be named as defendants in litigation arising from our funds' investments in portfolio companies. Finally, limited public information generally exists about private companies and these companies may not have third-party debt ratings or audited financial statements. We must therefore rely on the ability of the Adviser Subsidiary to obtain adequate information through due diligence to evaluate the creditworthiness and potential returns from investing in these companies. Additionally, these companies and their financial information will not generally be subject to the Sarbanes-Oxley Act of 2002, as amended, or the Sarbanes-Oxley Act, and other rules that govern public companies. If we are unable to uncover all material information about these companies, our funds may lose money on such investments, which could adversely affect the fees that we earn pursuant to the applicable Advisory Agreement.

Prepayments of debt investments by our funds' portfolio companies could adversely impact our results of operations.

We are subject to the risk that the investments our funds make in portfolio companies may be repaid prior to maturity. When this occurs, any future investment in a new portfolio company using the proceeds of such repayment may be at lower yields than the debt securities being repaid and the applicable fund could experience significant delays in reinvesting these amounts. As a result, the results of operations of the affected fund could be materially adversely affected if one or more portfolio companies elect to prepay amounts owed to such fund, which could in turn have a material adverse effect on the incentive fees that the Adviser Subsidiary receives and our results of operations.

Our funds' portfolio companies may incur debt that ranks equally with, or senior to, such fund's investments in such companies.

The Gladstone BDCs pursue a strategy focused on investing primarily in the debt of privately-owned U.S. companies. The portfolio companies of the Gladstone BDCs may have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt in which such funds invest. By their terms, such debt instruments may entitle the holders to receive payment of interest or principal on or before the dates on which the applicable Gladstone BDC is entitled to receive payments with respect to the debt instruments in which it has invested. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to a Gladstone BDC's investment in that portfolio company would typically be entitled to receive payment in full before the applicable BDC receives any distribution in respect of its investment.

In addition, even though the Gladstone BDCs have structured some of their investments as senior loans, if one of their respective portfolio companies were to go bankrupt, depending on the facts and circumstances, including the extent to which the applicable Gladstone BDC has actually provided managerial assistance (which it is required by the 1940 Act to offer) to that portfolio company, a bankruptcy court might recharacterize the BDC's debt investment and subordinate all or a portion of its 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 the applicable Gladstone BDC. The Gladstone BDCs may also be subject to lender liability claims for actions taken by them with respect to a borrower's business, in instances in which the BDC exercised control over the borrower or as a result of actions taken in rendering significant managerial assistance. Furthermore, in the case of debt ranking equally with debt securities in which a Gladstone BDC has invested, such BDC 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. The failure of a Gladstone BDC to recoup all of the principal amount of its investments and any interest due on such investments could negatively impact such BDC's gross assets and/or net income, which in turn could negatively impact the base management and incentive fees, respectively, that the Adviser Subsidiary earns from such BDC.

Changes in interest rates, changes in the method for determining the London Interbank Offered Rate, or LIBOR, and the potential replacement of LIBOR may affect our and our funds' cost of capital and net investment income.

General interest rate fluctuations and changes in credit spreads on floating rate loans may have a substantial negative impact on our funds and their investments and, accordingly, may have a material adverse effect on our results of operations. The majority of our funds' debt investments have, and are expected to have, variable interest rates that reset periodically based on benchmarks such as LIBOR, the federal funds rate or prime rate. An increase in interest rates may make it more difficult for a fund's portfolio companies to service their obligations under the debt investments that the fund holds and increase defaults even where the

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fund's investment income increases. 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 by a fund's portfolio companies. 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 funds' 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.

Conversely, if 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 us to incur management time and expense to re-deploy such proceeds, including on terms that may not be as favorable as the existing loans.

In addition, because each of our funds borrows to fund its investments, a portion of a fund's net investment income is dependent upon the difference between the interest rate at which it borrows funds and the interest rate at which it invests those funds. Portions of a fund's investment portfolio and borrowings may have floating rate components. As a result, a significant change in market interest rates could have a material adverse effect on a fund's net investment income and, as a result, the incentive fees earned by the Adviser Subsidiary. In periods of rising interest rates, our and our fund's cost of funds could increase, which would reduce our and their net investment income. We may hedge against interest rate fluctuations by using standard hedging instruments such as interest rate swap agreements, futures, options and forward contracts, subject to applicable legal requirements, including all necessary registrations (or exemptions from registration) with the Commodity Futures Trading Commission. These activities may limit our or our funds' ability to participate in the benefits of lower interest rates with respect to the hedged borrowings. Adverse developments resulting from changes in interest rates or hedging transactions could have a material adverse effect on our business, financial condition and results of operations.

As a result of concerns about the accuracy of the calculation of LIBOR, a number of British Bankers' Association, or 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. Potential changes, or uncertainty related to such potential changes may adversely affect the market for LIBOR-based securities, including LIBOR-indexed, floating-rate debt securities held by our funds and our and their borrowings. In addition, changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market for LIBOR-based securities or the value of LIBOR-indexed, floating-rate debt securities and borrowings.

In July 2017, the head of the United Kingdom Financial Conduct Authority announced the desire to phase out the use of LIBOR by the end of 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S.-dollar LIBOR with the Secured Overnight Financing Rate, or SOFR, a new index calculated by short-term repurchase agreements, backed by U.S. Treasury securities. Although there have been a few issuances utilizing SOFR or the Sterling Over Night Index Average, an alternative reference rate that is based on transactions, it is unknown whether these alternative reference rates will attain market acceptance as replacements for LIBOR. Any transition away from LIBOR to alternative reference rates is complex and could have a material adverse effect on our business, financial condition and results of operations, including as a result of any changes in the value of our funds' investments, changes to the documentation for certain of our funds' investments and the pace of such changes, disputes and other actions regarding the interpretation of current and prospective loan documentation or modifications to processes and systems.

If LIBOR ceases to exist, we may need to renegotiate any credit agreements extending beyond 2021 with our funds' portfolio companies that utilize LIBOR as a factor in determining the interest rate and may also need to renegotiate the terms of our funds' credit agreements. Any such renegotiations may have a material adverse effect on the business, financial condition and results of operations of our funds, which could adversely impact the fees that our Adviser Subsidiary earns and/or distributions that we receive on our investments in our funds, if any.

The Gladstone BDCs generally do not control the business operations of their portfolio companies and, due to the illiquid nature of those investments, may not be able to dispose of such investments.

Investments by the Gladstone BDCs generally consist of debt instruments and equity securities of companies that neither we nor the BDC control. Therefore, neither we nor the applicable Gladstone BDC will generally be involved in the day-to-day operations and decision-making of such portfolio companies, even though we may have board representation or board observation rights, and our debt agreements may impose certain restrictive covenants on our borrowers. As a result, the Gladstone BDCs are subject to the risk that its portfolio companies may make business decisions with which we and the Gladstone BDC disagree, and the management of such company, as representatives of the holders of their common equity, may take risks or otherwise act in ways that do not serve the interests of the Gladstone BDCs as debt investors. Due to the lack of liquidity for our funds' investments in private companies, they may not be able to dispose of their interests in their portfolio companies as readily as we would like or at an appropriate valuation. If the portfolio company makes a decision that negatively impacts the market value of the securities held by a Gladstone BDC or the portfolio company's ability to service its debt obligation, the total asset value of the applicable Gladstone BDC's investment portfolio and/or its net income could be adversely affected which in turn could negatively impact the management and incentive fees, respectively, that the Adviser Subsidiary earns from such BDC.

Our funds may face risks relating to undiversified investments.

While diversification is generally an objective of our funds, there can be no assurance as to the degree of diversification, if any, that will be achieved in any fund investments. Difficult market conditions or slowdowns affecting a particular asset class, geographic region or other category of investment, such as the COVID-19 pandemic, could have a significant adverse impact on a fund if its investments are concentrated in that area, which would result in lower investment returns. This lack of diversification may expose a fund to losses disproportionate to economic conditions or market declines in general if there are disproportionately greater adverse movements in the particular investments. If a fund holds investments concentrated in a particular issuer, security, asset class or geographic region, such fund may be more susceptible than a more widely diversified investment portfolio to the negative consequences of a single corporate, economic, political, public health or regulatory event. Accordingly, a lack of diversification on the part of a fund could adversely affect a fund's performance and, as a result, our results of operations and financial condition.

If we get commitments from third-party investors in private funds, such investors may not satisfy their contractual obligation to fund capital calls when requested, which could adversely affect a fund's operations and performance.

If we start private funds and seek investors for such funds, investors in such private funds may make capital commitments to those funds that we are entitled to call from those investors at any time during prescribed periods. In such event we will depend on investors fulfilling and honoring their commitments when we call capital from them for those funds to consummate investments and otherwise pay their obligations when due. Any investor that did not fund a capital call would be subject to several possible penalties, including having a meaningful amount of its existing investment forfeited in that fund. However, the impact of the penalty is directly correlated to the amount of capital previously invested by the investor in the fund and if an investor has invested little or no capital, for instance early in the life of the fund, then the forfeiture penalty may not be as meaningful. Investors may also negotiate for lesser or reduced penalties at the outset of the fund, thereby limiting our ability to enforce the funding of a capital call. Third-party investors in private funds often use distributions from prior investments to meet future capital calls. In cases where valuations of existing investments fall and the pace of distributions slows, investors may be unable to make new commitments to third-party managed funds such as those advised by us. A failure of investors to honor a significant amount of capital calls for any particular fund or funds could have a material adverse effect on the operation and performance of those funds and adversely affect our ability to increase assets under management.

Our business depends in large part on our funds' ability to raise capital from investors. If we were unable to raise such capital, we would be unable to grow assets under management, collect management fees or deploy such capital into investments, which would materially and adversely affect our business, results of operations and financial condition.

Our or our funds' ability to raise capital from investors depends on a number of factors, including many that are outside our control. Investors may downsize their investment allocations to private funds, REITs or BDCs or to rebalance a disproportionate weighting of their overall investment portfolio among asset classes. Poor performance of our funds could also make it more difficult for us to raise new capital. Our investors and potential investors continually assess our funds' performance independently and relative to market benchmarks and our competitors, and our ability to raise capital for existing and future funds depends on our funds' performance. When economic and market conditions deteriorate, we could be unable to raise sufficient amounts of capital to support the investment activities of future funds. If we were unable to successfully raise capital in our funds and therefore increase our assets under management, our business, results of operations and financial condition would be adversely affected.

Rapid growth of our businesses may be difficult to sustain and may place significant demands on our administrative, operational and financial resources.

Our assets under management have grown significantly in the past and we are pursuing further growth. Our rapid growth has placed, and planned growth, if successful, will continue to place, significant demands on our legal, accounting and operational infrastructure, and has increased expenses. In addition, we are required to continuously develop our systems and infrastructure in response to the increasing sophistication of the asset management market and legal, accounting, regulatory and tax developments. Our future growth will depend in part on our ability to maintain an operating platform and management system sufficient to address our growth and will require us to incur significant additional expenses and to commit additional management and operational resources. As a result, we face significant challenges:

- in maintaining adequate financial, regulatory (legal, tax and compliance) and business controls;
- in implementing new or updated information and financial systems and procedures; and
- in training, managing and appropriately sizing our work force and other components of our businesses on a timely and cost-effective basis.

Present and future BDCs for which we serve as investment adviser are subject to regulatory complexities that limit the way in which they do business and may subject them to a higher level of regulatory scrutiny.

The Gladstone BDCs, and other BDCs for which we may serve as investment adviser in the future, operate under a complex regulatory environment. Such BDCs require the application of complex tax and securities regulations and may entail a higher level of regulatory scrutiny.

In addition, the Gladstone BDCs are subject to complex rules under the 1940 Act, including rules that restrict certain of our funds from engaging in transactions with GLAD and GAIN. Under the regulatory and business environment in which they operate, the Gladstone BDCs must periodically access the capital markets to raise cash to fund new investments in excess of their repayments to grow. This results from the Gladstone BDCs each being required to generally distribute to their respective stockholders at least 90% of its investment company taxable income to maintain its RIC status, combined with regulations under the 1940 Act that, subject to certain exceptions, generally prohibit GLAD and GAIN from issuing and selling their common stock at a price below net asset value per share and from incurring indebtedness (including for this purpose, preferred stock), if their asset coverage, as calculated pursuant to the 1940 Act, equals less than 150% after such incurrence. If our BDCs are found to be in violation of the 1940 Act, they could lose their status as BDCs.

The Gladstone REITs are subject to certain risks associated with real estate ownership and lending, which could reduce the value of their investments and stockholders' equity.

The investments of the Gladstone REITs or any Future Gladstone Fund may include industrial, office, retail and agricultural property. The performance of the Gladstone REITs, and the value of their investments, are subject to risks inherent to the ownership and operation of these types of properties, including:

- changes in the general economic climate, including the credit market;
- changes in local conditions, such as an oversupply of space, reduction in demand for real estate, natural disasters or disease pandemics;
- changes in interest rates and the availability of financing;
- competition from other available space;
- changes in laws and governmental regulations, including those governing real estate usage, zoning and taxes, and the related costs of compliance with laws and regulations; and
- variations in the occupancy rate of their properties.

Adverse changes in any of the above factors could negatively impact the stockholders' equity and/or income of the Gladstone REITs, which in turn could negatively impact the fees the Adviser Subsidiary earns from such REIT and/or distributions made on any investments we may have in the REITs.

If the Gladstone REITs or Gladstone BDCs fail to qualify as REITs or RICs, respectively, their operations and distributions to their stockholders would be adversely impacted, and our revenue could therefore be materially and adversely impacted.

Each of the Gladstone REITs and Gladstone BDCs intend to continue to be organized and to operate to qualify as a REIT or a RIC, respectively, under the Code. Both REITs and RICs generally are not taxed at the corporate level on income they currently distribute to their stockholders. Qualification as a REIT or RIC involves the application of highly technical and complex rules, and for a REIT or a RIC to maintain their status as such, the entity must meet, among other things, certain source of income, asset diversification and annual distribution requirements. The determination of various factual matters and circumstances not entirely within the control of the Gladstone REITs and Gladstone BDCs may affect their ability to continue to qualify as REITs and RICs, respectively. In addition, new legislation, new regulations, administrative interpretations or court decisions could significantly change the tax laws, possibly with retroactive effect, with respect to qualification as a REIT or RIC or the federal income tax consequences of such qualification. If the Gladstone REITs or Gladstone BDCs were to fail to qualify as REITs or RICs, respectively, in any taxable year, among other adverse effects, they would become subject to corporate income tax, which would reduce their net income and their cash available for distributions to their stockholders. One of our sources of revenue may be distributions received through the ownership we may have in the Gladstone REITs and the Gladstone BDCs, and therefore our revenue could be adversely impacted. Further, a reduction in a Gladstone REIT or Gladstone BDC's net income could negatively impact the fees the Adviser Subsidiary earns from such entity.

Recent changes in U.S. Generally Accepted Accounting Principles, or GAAP, regarding operating leases may make the leasing of our properties less attractive to prospective tenants, and reduce potential lease terms.

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-02, "Leases: Amendments to the FASB Accounting Standards Codification," or ASU 2016-02. Under the new leasing standard, a lessee is required to record a right-of-use asset and a lease liability for all leases with a term greater than 12 months regardless of their classification. GOOD and LAND adopted ASU 2016-02 effective January 1, 2019. The standard affects lessee accounting for most current and prospective tenants and may encourage current and prospective tenants to enter into shorter term leases, or acquire real estate, to lessen the impact to their balance sheets, both which would negatively impact the operations of our current REITs and possibly our future REITs.

The Gladstone REITs are subject to the credit risk of their tenants, which in the event of bankruptcy, could adversely affect results of operations.

The Gladstone REITs are subject to the credit risk of their tenants. Any bankruptcy of a tenant or borrower could cause:

- the loss of lease or mortgage payments;
- an increase in the costs incurred to carry the property occupied by such tenant;
- a reduction in the value of the stock we hold in the Gladstone REITs; or
- a decrease in distributions to the Gladstone REITs stockholders.

Under bankruptcy law, a tenant who is the subject of bankruptcy proceedings has the option of continuing or terminating any unexpired lease. If a bankrupt tenant terminates a lease with the Gladstone REITs, any claim we might have for breach of the lease (excluding a claim against collateral securing the lease) will be treated as a general unsecured claim. The REIT's claim would likely be capped at the amount the tenant owed for unpaid rent prior to the bankruptcy unrelated to the termination, plus the greater of one year's lease payments or 15% of the remaining lease payments payable under the lease (but no more than three years' lease payments). In addition, due to the long-term nature of the leases of our current REITs and terms providing for the repurchase of a property by the tenant, a bankruptcy court could re-characterize a net lease transaction as a secured lending transaction. If that were to occur, the Gladstone REITs would not be treated as the owner of the property, but might have additional rights as a secured creditor.

In addition, the Gladstone REITs may enter into sale-leaseback transactions, whereby they would purchase a property and then lease the same property back to the person from whom they purchased it. In the event of the bankruptcy of a tenant, a transaction structured as a sale-leaseback may be re-characterized as either a financing or a joint venture, either of which outcomes could adversely affect the REIT's operations. Either of these outcomes could adversely affect the Gladstone REITs' cash flow and ability to pay distributions to their stockholders.

The Gladstone REITs may be unable to renew leases, lease vacant space or re-lease space as leases expire, which could adversely affect our business.

If the Gladstone REITs cannot renew leases, they may be unable to re-lease properties to other tenants at rates equal to or above the current market rate. Even if they can renew leases, tenants could be able to negotiate lower rates as a result of market conditions, including as a result of the COVID-19 pandemic. Market conditions may also hinder the ability to lease vacant space in newly developed or redeveloped properties. In addition, the Gladstone REITs may enter into or acquire leases for properties that are suited to the needs of a particular tenant. Such properties may require renovations, tenant improvements or other concessions in order to lease them to other tenants if the initial leases terminate. The REIT may be required to expend substantial funds for tenant improvements and tenant refurbishments to re-lease the vacated space and may not have sufficient sources of funding available to use in the future for such purposes and therefore may have difficulty in securing a replacement tenant. Any of these factors could adversely impact a REIT's financial condition, results of operations or cash flow, negatively impacting fees that our Adviser Subsidiary earns from the REIT, or its ability to pay dividends to its stockholders.

Net leases may not result in fair market lease rates over time, thereby failing to maximize income and distributions to stockholders.

A large portion of the rental income from our current REITs comes from net leases, which frequently provide the tenant greater discretion in using the leased property than ordinary property leases, such as the right to sublease the property, subject to our approval, to make alterations in the leased premises and to terminate the lease prior to its expiration under specified circumstances. Further, net leases are typically for longer lease terms and, thus, there is an increased risk that contractual rental increases in future years will fail to result in fair market rental rates during those years. As a result, engaging in net leases could negatively impact the REIT's income (and fees that our Adviser Subsidiary earns) and distributions to its stockholders.

The value of the real estate related securities in which we may invest could be volatile.

The value of real estate related securities, including those of REITs, fluctuates in response to issuer, political, market and economic developments (including the impact of the COVID-19 pandemic). In the short term, equity prices can fluctuate dramatically in response to these developments. Different parts of the market and different types of equity securities can react differently to these developments and they can affect a single issuer, multiple issuers within an industry or economic sector or geographic region or the market as a whole. The real estate industry is sensitive to economic downturns. The value of securities of companies engaged in real estate activities can be affected by changes in real estate values and rental income, property taxes, interest rates and tax and regulatory requirements. In times of volatility, possible future declines in rental rates and expectations of future rental concessions, including free rent to renew tenants early, to retain tenants who are up for renewal or to attract new tenants, or requests from tenants for rent abatements during periods when they are severely impacted by an economic downturn, may result in decreases in the Gladstone REITs' cash flows from investment properties. Increases in the cost of financing due to higher interest rates may cause difficulty in refinancing the Gladstone REITs' debt obligations prior to maturity at terms as favorable as the terms of existing indebtedness. In addition, the value of a REIT's equity securities can depend on the structure and amount of cash flow generated by the REIT.

The Gladstone REITs are subject to the risks inherent in the ownership and operation of real estate.

Investments in the Gladstone REITs are subject to the risks inherent in the ownership and operation of real estate and real estate-related businesses and assets. These risks include those associated with the burdens of ownership of real property, general and local economic conditions, changes in supply of and demand for competing properties in an area (as a result for instance of overbuilding), the financial resources of tenants, changes in building, environmental and other laws, energy and supply shortages, various uninsured or uninsurable risks, natural disasters, changes in government regulations, changes in real property tax rates, changes in interest rates, the reduced availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable, negative developments in the economy, environmental liabilities, contingent liabilities on disposition of assets, terrorist attacks, war, public health emergencies and other factors that are beyond our control. In addition, if the Gladstone REITs acquire direct or indirect interests in undeveloped land or underdeveloped real property, which may often be non-income producing, they will be subject to the risks normally associated with such assets and development activities, including risks relating to the availability and timely receipt of zoning and other regulatory or environmental approvals, the cost and timely completion of construction (including risks beyond the control of our fund, such as weather or labor conditions or material shortages) and the availability of both permanent financing on favorable terms.

Our asset management activities may involve investments in relatively high-risk, illiquid assets, and we may fail to realize any profits from these activities for a considerable period of time or lose some or all of our principal investments.

Our funds invest in companies and equity and debt that are not publicly traded. The ability of many of our funds, particularly those that make or will make private equity investments, to dispose of investments is heavily dependent on the private and public equity markets. For example, the ability to realize any value from an investment may depend upon the ability to find a buyer for all the equity of a company or to complete an initial public offering of the portfolio company in which such investment is held. Even if the securities are publicly traded, large holdings of securities can often be disposed of only over a substantial length of time, exposing the investment returns to risks of downward movement in market prices during the intended disposition period. Accordingly, under certain conditions, our funds may be forced to either sell securities at lower prices than they had expected to realize or defer—potentially for a considerable period of time—sales that they had planned to make. We may make significant principal investments in our current and future funds. Contributing capital to these funds is risky, and we may lose some or all of the principal amount of our investments.

To the extent that our investments in the Future Gladstone Funds are in the form of general partnership interests, such investments are subject to unlimited liability.

We expect that some portion of our investments in the Future Gladstone Funds may take the form of general partnership interests. A general partner generally has unlimited liability for the obligations of the partnership, such as debt. As such, the portion of investments that take the form of general partnership interests are subject to complete loss to satisfy the debts of the partnership and as the result of any settlement or judgment against the partnership or otherwise.

We are subject to substantial litigation risks and may face significant liabilities and damage to our professional reputation as a result of litigation allegations and negative publicity.

The investment decisions we make in our asset management business and the activities of our investment professionals on behalf of portfolio companies of our funds may subject them and us to the risk of third-party litigation arising from investor dissatisfaction with the performance of those funds, the activities of their portfolio companies and a variety of other litigation claims. In addition, to the extent investors in our funds suffer losses resulting from fraud, gross negligence, willful misconduct or other similar misconduct, investors may have remedies against us, our funds, our executive officers or our affiliates under the federal securities law and/or state law. While the executive officers are generally indemnified with respect to their conduct in connection with the management of the business and affairs of our funds, such indemnity does not extend to actions determined to have involved fraud, gross negligence, willful misconduct or other similar misconduct.

Any finding of substantial legal liability could materially adversely affect our business, financial condition or results of operations or cause significant reputational harm to us, which could seriously harm our business. We depend to a large extent on our business relationships and our reputation for integrity and high-caliber professional services to pursue investment opportunities for our funds. As a result, allegations of improper conduct by private litigants or regulators, whether the ultimate outcome is favorable or unfavorable to us, as well as negative publicity and press speculation about us, our investment activities or the private equity industry in general, whether or not valid, may harm our reputation, which may be more damaging to our business than to other types of businesses.

Potential conflicts of interest may arise between holders of our Bonds and our fund investors.

Our subsidiaries that serve as the advisors to, or the general partners of, our funds may have fiduciary duties and/or contractual obligations to those funds and their investors. As a result, we expect to take actions with respect to the purchase or sale of investments in our funds, the structuring of investment transactions for the funds or otherwise in a manner consistent with such duties and obligations. However, such actions may not be in our short-term best interest and may adversely affect our near-term results of operations or cash flows. For example, we may decline to make a particular investment for a fund because it would cause the fund to be too heavily invested in a single industry and instead make an investment with a slightly lower yield in a different industry in order to manage risk. Such an action could result in our Adviser Subsidiary earning lower incentive fees, which may in turn have an adverse effect on the price of our Bonds and/or on the interests of our holders of our Bonds. Additionally, to the extent we fail to appropriately deal with any such conflicts of interest, it could negatively impact our reputation and ability to raise additional funds.

The Existing Gladstone Funds may not be permitted to enter into certain transactions or make certain investments under their respective Conflict of Interest Policies or applicable law.

Under the current conflict of interest policies of the Existing Gladstone Funds, without the approval of a majority of their respective independent Directors, the Existing Gladstone Funds are prohibited from, among other things, purchasing any real property owned by or, with respect to the REITs, co-investing with the Adviser Subsidiary, any of its affiliates or any business in which the Adviser Subsidiary or any of its subsidiaries have invested and other entities advised by the Adviser Subsidiary, subject to certain limited exceptions, so long as that entity does not control the portfolio company and the transaction is approved by both companies' board of directors. If an Existing Gladstone Fund cannot or will not enter into a transaction with us or one of our affiliates or make an investment with us or one of our affiliates, our business, results of operations and financial condition could be adversely affected.

Generally, BDCs are prohibited under the 1940 Act from knowingly participating in certain transactions with their affiliates without prior approval of their board of directors who are not interested persons and, in some cases, prior approval by the SEC. The SEC has interpreted the prohibition on transactions with affiliates to prohibit "joint transactions" among entities that share a common investment adviser. On July 26, 2012, the SEC granted an exemptive order that permits GAIN, GLAD and any future BDC or closed-end management investment company that is advised by the Adviser Subsidiary (or sub-advised by the Adviser Subsidiary if it also controls the fund), or any combination of the foregoing, to co-invest subject to the conditions contained therein. In order for Gladstone Partners to co-invest with the Gladstone BDCs, such exemptive order may need to be amended to allow for co-investment with proprietary accounts. There is no assurance that the SEC would approve such an amendment on favorable terms or at all.

Risks Related to Our Organizational Structure

Holders of our Bonds do not elect our Board of Directors and will have no ability to influence decisions regarding our business.

Our Board of Directors, through the services of our officers, will manage all of our operations and activities. Our certificate of incorporation provides that the Board of Directors will be responsible for the oversight of our business and operations. Holders of our common stock will have the sole power to elect and remove our Directors. All of our common stock is owned by TGC LTD, which is currently wholly-owned by our Chairman, President and Chief Executive Officer, David Gladstone.

Holders of our Bonds do not elect our Board of Directors and will have no voting rights on matters affecting our business and therefore no ability to influence decisions regarding our business.

Our organizational documents do not limit our ability to enter into new lines of business, and we may, from time to time, expand into new investment strategies, geographic markets and businesses, including the Future Gladstone Funds, each of which may result in additional risks and uncertainties in our businesses.

We currently generate substantially all of our revenue from asset management and financial advisory services. We intend, to the extent that market conditions warrant, to seek to grow our businesses and expand into new investment strategies, geographic markets and businesses, including the Future Gladstone Funds. Moreover, our organizational documents do not limit us to the asset management business. To the extent that we make strategic investments or acquisitions in new geographic markets or businesses, undertake other related strategic initiatives or enter into a new line of business, we may face numerous risks and uncertainties, including risks associated with the following:

- the required investment of capital and other resources;
- the possibility that we have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk;
- the combination or integration of operational and management systems and controls;
- the loss of clients due to the perception that we are no longer focusing on our core business, including the Existing Gladstone Funds;
- new investment strategies and funds, including the Future Gladstone Funds, may provide for less profitable fee structures and arrangements than our existing investment strategies and funds, such as the Existing Gladstone Funds; and

- the broadening of our geographic footprint, including the risks associated with conducting operations in certain foreign jurisdictions where we currently have no presence.

Further, entry into certain lines of business may subject us to new laws and regulations with which we are not familiar or from which we are currently exempt, and may lead to increased litigation and regulatory risk. If a new business generates insufficient revenue or if we are unable to efficiently manage our expanded operations, our results of operations may be adversely affected.

Our strategic initiatives may include joint ventures, which may subject us to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputational damage relating to, systems, controls and personnel that are not under our control. We may elect to participate in joint venture opportunities in the future if we believe that operating in such a structure is in our best interests. There can be no assurances that we will be able to identify acceptable joint venture partners in the future or that our participation in any joint venture opportunities will be successful. In addition, we may from time to time explore opportunities to grow our business via other acquisitions, partnerships, investments or other strategic transactions. There can be no assurance that we will successfully identify, negotiate or complete such transactions, or that any completed transactions will produce favorable financial results.

If we are unable to successfully enter into new lines of business or expand into new investment strategies, geographic markets and businesses, including the Future Gladstone Funds, we may not be able to implement our growth strategy successfully.

Our growth strategy is based, in part, on the selective development or acquisition of asset management businesses, advisory businesses or other businesses complementary to our existing business where we think we can add substantial value or generate substantial returns, including the Future Gladstone Funds and other new businesses discussed under the heading “*Business—Our Growth Strategy*” in this offering circular. The success of this strategy will depend on, among other things: (a) the availability of suitable opportunities, (b) the level of competition from other companies that may have greater financial resources, (c) our ability to value potential development or acquisition opportunities accurately and negotiate acceptable terms for those opportunities, (d) our ability to obtain requisite approvals and licenses from the relevant governmental authorities and to comply with applicable laws and regulations without incurring undue costs and delays, (e) our ability to identify and enter into mutually beneficial relationships with venture partners and (f) our ability to properly manage conflicts of interest. Moreover, even if we are able to identify and successfully complete an acquisition, we may encounter unexpected difficulties or incur unexpected costs associated with integrating and overseeing the operations of the new businesses. If we are not successful in implementing our growth strategy, our business, financial results may be adversely affected.

The control of our Board of Directors will be under the complete control of our Chairman, President and Chief Executive Officer and such control may be transferred to a third party without the consent of holders of our Bonds.

TGC LTD, which is wholly owned by our Chairman, President and Chief Executive Officer (Mr. Gladstone), currently owns all of our outstanding shares of common stock. Therefore, Mr. Gladstone will control 100% of the voting shares. As such, he may transfer any or all of such voting shares to a third party in a sale transaction (which may trigger an assignment and termination of certain of the Advisory Agreements), including a merger or consolidation, without the consent of holders of our Bonds. See “*Risk Related to our Business –We derive a substantial portion of our revenues from the Advisory Agreement that may not be renewed or may be terminated on short notice or upon a change in control of the Adviser Subsidiary.*” Furthermore, at any time, Mr. Gladstone may sell or transfer all or part of his common stock without the approval of the holders of our Bonds, subject to certain restrictions as described elsewhere in this offering circular. The prospective transfer of common stock could lead to our Board of Directors being comprised of different members, and a new board of directors may form funds that have investment objectives and governing terms that differ materially from those of our current funds. Similarly, a new owner could also have a different investment philosophy, employ investment professionals who are less experienced, be unsuccessful in identifying investment opportunities or have a track record that is not as successful as Mr. Gladstone’s track record. If any of the foregoing were to occur, we could experience difficulty in making new investments, and the value of any existing investments, our business, our results of operations and our financial condition could materially suffer.

If we were deemed to be an “investment company” under the 1940 Act, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.

An entity will generally be deemed to be an “investment company” for purposes of the 1940 Act if:

- it is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities; or
- absent an applicable exemption, it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis.

We believe that we are engaged primarily in the business of providing asset management services and not in the business of investing, reinvesting or trading in securities. However, some of the securities we may own and hold from time to time in our line of business may be deemed to be “investment securities,” as contemplated by Section 3(a)(1)(C) of the 1940 Act described in the second bullet point above. Such securities may include investments in the Gladstone BDCs advised by the Adviser Subsidiary or any private investment fund. We intend to closely monitor any future investments to help ensure we remain below the 40% threshold. Accordingly, we do not believe we are, or following this offering will be, an inadvertent investment company by virtue of the 40% of asset value test in section 3(a)(1)(C) of the 1940 Act as described in the second bullet point above. In addition, we believe we are not an “investment company” under section 3(b)(1) of the 1940 Act because we are primarily engaged in a non-investment company business.

The 1940 Act and the rules thereunder contain detailed parameters for the organization and operation of investment companies. Among other things, the 1940 Act and the rules thereunder limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities, generally prohibit the issuance of options and impose certain governance requirements. We intend to conduct our operations so that we will not be deemed to be an investment company under the 1940 Act. If anything were to happen which would cause us to be deemed to be an investment company under the 1940 Act, requirements imposed by the 1940 Act, including limitations on our capital structure, ability to transact business with affiliates and ability to compensate key employees, could make it impractical for us to continue our business as currently conducted, impair the agreements and arrangements between and among us, our subsidiaries, funds and our executive officers, or any combination thereof, and materially adversely affect our business, financial condition and results of operations. In addition, we may be required to limit the amount of investments that we make as a principal or otherwise conduct our business in a manner that does not subject us to registration and other requirements of the 1940 Act; however, there is no guarantee that our efforts to avoid such status as an investment company will be successful.

We may be unable to invest the proceeds of this offering in attractive investment opportunities.

We intend to use a portion of the proceeds from this offering to launch the Future Gladstone Funds. Our management believes it is in our best interests to avoid investments that would subject us to registration and regulation under the 1940 Act. Accordingly, management intends to conduct our business in a manner that would not subject us to registration and regulation under the 1940 Act. Therefore, the investment opportunities available to us may be severely restricted and we may be unable to invest the proceeds from this offering in attractive investment opportunities.

Risks Related to the Bonds and to this Offering

The collateral securing the Bonds may be diluted under certain circumstances.

The indenture governing the Bonds permits us to incur, subject to certain limitations, additional indebtedness secured by liens on the collateral that rank *pari passu* with the liens securing the Bonds, including additional Bonds under the indenture. The rights of Bondholders would be diluted by any increase in indebtedness secured by the collateral.

The Bonds are not obligations of our subsidiaries or the Existing Gladstone Funds and will be effectively subordinated to any future obligations of our subsidiaries, if any. Structural subordination increases the risk that we will be unable to meet our obligations on the Bonds.

The Bonds are obligations exclusively of The Gladstone Companies, Inc. and not of any of our subsidiaries or the Existing Gladstone Funds. The Existing Gladstone Funds and our subsidiaries are not and any future subsidiaries are not expected to be guarantors of the Bonds and the Bonds are not required to be guaranteed by any subsidiaries we may acquire or form in the future. The

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Bonds are also effectively subordinated to all of the liabilities of our subsidiaries, to the extent of their assets, since our subsidiaries are separate and distinct legal entities with no obligation to pay any amounts due under our indebtedness, including the Bonds, or to make any funds available to make payments on the Bonds. Our right to receive any assets of any subsidiary in the event of a bankruptcy or liquidation of the subsidiary, and therefore the right of our creditors to participate in those assets, will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors, in each case to the extent that we are not recognized as a creditor of such subsidiary. In addition, even where we are recognized as a creditor of a subsidiary, our rights as a creditor with respect to certain amounts are subordinated to other indebtedness of that subsidiary, including secured indebtedness to the extent of the assets securing such indebtedness.

The Bonds will be protected by limited restrictive covenants, which in turn may allow us to engage in a variety of transactions that may impair our ability to fulfill our obligations under the Bonds.

The indenture governing the Bonds will not restrict us from paying dividends, incurring debt, directly or indirectly (including debt of our subsidiaries) or issuing other securities. Because the indenture will contain limited covenants or other provisions designed to afford the Bondholders protection in the event of a highly leveraged transaction involving us including as a result of a takeover, recapitalization, highly leveraged transaction or similar restructuring involving us, except to the extent described under "Description of Bonds – Certain Covenants," we may engage in transactions that may impair our ability to fulfill our obligations under the Bonds.

We have no minimum offering amount, and our objectives may become more difficult to reach depending on the amount of funds raised in this offering.

While we believe we will be able to reach our objectives regardless of the amount raised in this offering, if we sell fewer Bonds than we anticipate, we may not be able to launch each of the three Future Gladstone Funds in a timely manner or at all. In addition, we may have more difficulty finding a sufficient number of smaller investments such that each Future Gladstone Fund has a diverse portfolio, which in turn may adversely affect our ability to attract other investors to the Future Gladstone Funds and grow our assets under management. This would negatively impact our results of operations and our ability to make payments to Bondholders.

Our trustee shall be under no obligation to exercise any of the rights or powers vested in it by the indenture at the request, order or direction of any of the Bondholders, pursuant to the provisions of the indenture, unless such Bondholders shall have offered to the trustee reasonable security or indemnity against the costs, expenses and liabilities that may be incurred therein or thereby.

The indenture governing the Bonds provides that if an event of default occurs and is not cured, the trustee will be required, in the exercise of its power, to use the degree of care of a reasonable person in the conduct of his own affairs. Subject to such provisions, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any Bondholder, unless the Bondholder has offered to the trustee security and indemnity reasonably satisfactory to it against any loss, liability or expense.

The Bonds will have limited transferability and liquidity.

Prior to this offering, there was no active market for the Bonds. Although we will be permitted to apply for quotation of the Bonds on an alternative trading system or over-the-counter market, we may choose not to apply for such quotation and, even if we do so apply, we do not know the extent to which investor interest will lead to the development and maintenance of a liquid trading

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market. Further, the Bonds will not be quoted on an alternative trading system or over-the-counter market until after the termination of this offering, if at all. We do not currently intend to apply for quotation of the Bonds on an alternative trading system or over-the-counter market. Therefore, investors may be required to bear the financial risk of an investment in the Bonds for an indefinite period of time.

Alternative trading systems and over-the-counter markets, as with other public markets, may from time to time experience significant price and volume fluctuations. In the event that we determine to the apply for quotation of the Bonds, the market price of the Bonds may be similarly volatile, and Bondholders may from time to time experience a decrease in the value of their Bonds. The price of the Bonds could be subject to wide fluctuations in response to a number of factors, including those listed in this “*Risk Factors*” section of this offering circular.

No assurance can be given that the market price of the Bonds will not fluctuate or decline significantly in the future or that Bondholders will be able to sell their Bonds when desired on favorable terms, or at all. Further, the sale of the Bonds may have adverse federal income tax consequences.

We may make decisions about the use of the proceeds of this offering with which you disagree.

We intend to use substantially all of the offering proceeds, after the payment of commissions, fees and expenses, in the launch of the Future Gladstone Funds. While we have established the general investment objectives of each Future Gladstone Fund as described elsewhere in this offering circular, the final terms of each Future Gladstone Fund, including the terms of the investment advisory and incentive fees to be payable to us under an investment advisory agreement will be determined in connection with the launch of such fund. As such, you will be unable to evaluate the final transaction terms concerning such Future Gladstone Fund before we make our investment of seed capital. This increases the risk that we may not generate the returns that you seek by investing in the Bonds.

We rely on our managing broker-dealer to sell the Bonds pursuant to this offering. If our managing broker-dealer is not able to market the Bonds effectively, we may be unable to raise sufficient proceeds to meet our business objectives.

We have engaged Timbrel Capital, LLC to act as our managing broker-dealer for this offering, and we rely on our managing broker-dealer to use its best efforts to sell the Bonds offered hereby. It would also be challenging and disruptive to locate an alternative managing broker-dealer for this offering. Without improved capital raising, our portfolio will be smaller relative to our general and administrative costs and less diversified than it otherwise would be, which could adversely affect the value of your investment in us.

The optional redemption provision may materially adversely affect your return.

Under certain circumstances, we may redeem all or a portion of the Bonds on or after September 30, 2023 (or at any time, if our Board of Directors determines, in its sole discretion, that the proceeds are insufficient for the intended use of proceeds). See “*Description of Bonds—Optional Redemption*” for more information. If redeemed, you may be unable to reinvest the money you receive in the redemption at a rate that is equal to or higher than the rate of return on the Bonds.

We may have to liquidate some of our investments at inopportune times to redeem Bonds in the event of the death of a Bondholder.

The Bonds carry a redemption right in the event of death of the Bondholder. As a result, one or more Bondholders may elect to have their Bonds redeemed prior to maturity. In such an event, we may not have access to the necessary cash to redeem such Bonds, and we may be required to liquidate certain assets or divert funds from other productive uses in order to make such redemptions. Our investments are not intended to be liquid, and as a result any such liquidation may be at a price that represent a discount to the actual value of such investment.

We will incur significant cost as a result of being a Tier 2 Regulation A issuer.

We incur legal, accounting and other expenses, including costs associated with the periodic reporting requirements applicable to a Tier 2 Regulation A issuer. We do not anticipate that these costs or the amount of time our management will be required to spend will be significantly less if we sell substantially less than all of the Bonds we are offering.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This offering circular contains forward-looking statements. Forward-looking statements are neither historical facts nor assurances of future performance. Instead they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Forward-looking statements are typically identified by words such as “believe,” “expect,” “anticipate,” “intend,” “outlook,” “target,” “estimate,” “forecast,” “project,” by future conditional verbs such as “will,” “should,” “would,” “could” or “may,” or by variations of such words or by similar expressions. These statements are not historical facts, but instead represent our current expectations, plans or forecasts and are based on the beliefs and assumptions of management and the information available to management at the time that these disclosures were prepared.

Forward-looking statements are subject to numerous assumptions, risks (both known and unknown) and uncertainties, and other factors which change over time. Such factors include:

- reductions in assets under management by our Adviser Subsidiary based on investment performance, adverse changes in the economy and the capital markets and other factors, including the COVID-19 pandemic;
- the loss of an Advisory Agreement with an Existing Gladstone Fund;
- our ability to maintain historical returns of the Existing Gladstone Funds and sustain our historical growth;
- the impact of COVID-19 generally and on the economy, the capital markets our business and the portfolio companies of the Gladstone Funds, including the measures taken by governmental authorities to address it;
- our ability to retain key investment professionals or members of our senior management team;
- our reliance on the technology systems supporting our operations;
- availability of capital to the Existing Gladstone Funds;
- our ability to successfully launch and grow the Future Gladstone Funds and develop new strategies and funds in the future;
- the concentration of our investments in lower middle market businesses and real estate in the U.S.;
- the ability of our investment teams to identify appropriate investment opportunities;
- our exposure to potential litigation (including administrative or tax proceedings) or regulatory actions;
- our ability to implement effective information and cyber security policies, procedures and capabilities;
- our determination that we are not required to register as an “investment company” under the 1940 Act;
- the fluctuation of our expenses and results of operations;
- our ability to respond to recent trends in the asset management industry;
- changes in governmental regulation (including regulation specific to the asset management industry), tax rates and similar matters and our ability to respond to such changes;
- the degree and nature of competition in the asset management industry;
- the level of control over us retained by David Gladstone;
- our ability to deploy the proceeds of this offering and any changes to our business as a result of the proposed use of proceeds; and
- other risks and factors listed under “Risk Factors” and elsewhere in this offering circular.

These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this offering circular. New risks and uncertainties arise over time, and it is not possible for us to predict those events or how they may affect us. Therefore, you should not place undue reliance on these forward-looking statements. Forward-looking statements speak only as of the date they are made. We do not assume any duty and do not undertake to update our forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by law. Because forward-looking statements are subject to assumptions, risks, uncertainties, and other factors, actual results or future events could differ, possibly materially, from those that we anticipated in our forward-looking statements and future results could differ materially from our historical performance.

MARKET AND INDUSTRY DATA AND FORECASTS

This offering circular includes market and industry data and forecasts that we have derived from independent consultant reports, publicly available information, various industry publications, other published industry sources and our internal data, estimates and forecasts. Independent consultant reports, industry publications and other published industry sources generally indicate that the information contained therein was obtained from sources believed to be reliable.

Our internal data, estimates and forecasts are based upon information obtained from investors in our funds, partners, trade and business organizations and other contacts in the markets in which we operate and our management's understanding of industry conditions. While we are not aware of any misstatements regarding any market, industry or similar data presented herein, such data involves risks and uncertainties and is subject to change based on various factors.

USE OF PROCEEDS

We estimate that the net proceeds we will receive from this offering, will be approximately \$45,100,000 if we sell the maximum offering amount, after deducting the maximum selling commissions and the dealer manager fee and estimated offering expenses of approximately \$400,000 payable by us.

We intend to use the net proceeds for growth strategies, which are expected to include: (i) providing initial capital to launch one or more of the Future Gladstone Funds; (ii) using proceeds for working capital to supplement our existing line of credit; (iii) investing in other general partnership interests or other controlling interests in other new affiliated funds or other growth initiatives either directly or through our Adviser Subsidiary; (iv) providing additional capital to the Existing Gladstone Funds; and (v) for other general corporate purposes. No portion of the proceeds will be used to redeem or repurchase shares of our capital stock outstanding prior to this offering or to compensate our officers or directors.

The following table reflects our expected use of proceeds in connection with the Future Gladstone Funds in order of our proposed investment priority. If not all of the Bonds are sold, we expect to complete the total initial investment in each Future Gladstone Fund in the order presented before proceeds are used for the initial investment in any other Future Gladstone Fund.

<u>Future Gladstone Fund</u>	<u>Expected Initial Investment</u>
Gladstone Retail	\$20 million
Gladstone Farming	\$20 million
Gladstone Partners	\$5 million

There is no assurance that we will be able to utilize the net proceeds of this offering in the manner or amounts contemplated herein, or at all. In particular, as a result of the onset of the COVID-19 pandemic and the rapid pace of related developments, prospective opportunities for each of the Future Gladstone Funds are evolving and may result in a change in the priority in which we deploy proceeds from this offering as we continue to evaluate ways to maximize the prospects of ongoing success for our business. We may determine not to pursue one or more of the above uses of proceeds. Pending application of any portion of the net proceeds of this offering as described above, we intend to invest in government securities, certain publicly traded securities or in medium-term liquid bonds that have a first lien.

SELECTED HISTORICAL FINANCIAL DATA

The following selected historical consolidated financial data of the Company should be read together with “Organizational Structure,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the historical consolidated financial statements and related notes thereto included elsewhere in this offering circular.

We derived the selected historical consolidated statement of operations data of the Company for each of the years ended June 30, 2019 and 2018 and the selected historical consolidated balance sheet data as of June 30, 2019 from the audited consolidated financial statements of the Company, which are included elsewhere in this offering circular. We derived the selected historical consolidated statement of operations data of the Company for the six months ended December 31, 2019 and 2018 and the selected historical consolidated balance sheet data as of December 31, 2019 from the unaudited consolidated financial statements of the Company, which are included elsewhere in this offering circular. The historical results are not necessarily indicative of the results expected for any future periods.

	Year Ended June 30,		Six Months Ended December 31,	
	2019	2018	2019	2018
Consolidated Statements of Operations Data:				
Revenues (Related Party)				
Gross fees	\$ 75,854,429	\$ 64,678,069	\$47,268,069	\$ 38,113,090
Credits (1)	(23,576,967)	(18,431,351)	(9,680,813)	(12,768,644)
Revenues	<u>52,277,462</u>	<u>46,246,718</u>	<u>37,587,256</u>	<u>25,344,446</u>
Operating Expenses				
Salaries and employee benefits	37,709,688	34,702,393	27,542,938	18,139,771
Rent	709,051	661,217	406,604	322,162
Depreciation	101,527	107,562	65,248	53,323
Securities trade costs	5,529,337	151,130	4,200,284	2,302,135
Other operating expenses	<u>2,658,248</u>	<u>2,854,125</u>	<u>1,297,008</u>	<u>1,369,059</u>
Total expenses	<u>46,707,851</u>	<u>38,476,427</u>	<u>33,512,082</u>	<u>22,186,450</u>
Income from operations	<u>5,569,611</u>	<u>7,770,291</u>	<u>4,075,174</u>	<u>3,157,996</u>
Net income	<u>\$ 4,352,675</u>	<u>\$ 4,622,832</u>	<u>\$ 3,135,369</u>	<u>\$ 2,028,343</u>
Income from operations per share attributable to Common Stock—basic and diluted	<u>\$ 55,696.11</u>	<u>\$ 77,702.91</u>	<u>\$ 40,751.74</u>	<u>\$ 31,579.96</u>
Net income per share attributable to Common Stock—basic and diluted	<u>\$ 43,526.75</u>	<u>\$ 46,228.32</u>	<u>\$ 31,353.69</u>	<u>\$ 20,283.43</u>
Weighted average shares of Common Stock outstanding—basic and diluted	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

- (1) Our Adviser Subsidiary has historically, on a non-contractual, unconditional, and irrevocable basis, voluntarily credited certain fees it earns from the Existing Gladstone Funds. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Financial Measures and Indicators” and Note 2 – Summary of Significant Accounting Policies – Investment Advisory and Incentive Fee Credits in the Notes to Consolidated Financial Statements for additional information concerning such credits.

	As of	
	December 31, 2019	June 30, 2019
Balance sheet data:		
Cash	\$ 25,414,822	\$ 33,511,153
Accounts receivable, related parties	19,014,643	9,658,670
Total assets	56,698,155	55,120,653
Total liabilities	32,253,724	33,811,591
Total owner's equity	24,444,431	21,309,062
Total liabilities and owner's equity	56,698,155	55,120,653

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the historical consolidated financial statements and the related notes included elsewhere in this offering circular. The historical consolidated financial data discussed below reflect our historical results of operations and financial position.

The following discussion and analysis contains forward-looking statements that are subject to known and unknown risks and uncertainties. Actual results and the timing of events may differ significantly from those expressed or implied in such forward-looking statements due to a number of factors, including those included in the section entitled "Risk Factors" contained elsewhere in this offering circular describing key risks associated with our business, operations and industry. Amounts and percentages presented throughout our discussion and analysis of financial condition and results of operations may reflect rounding adjustments and consequently totals may not appear to sum. The items discussed below have had significant effects on many items within our consolidated financial statements and affect the comparison of the current period's activity with those of prior periods.

Overview

We are a leading alternative asset manager and provider of other administrative and financial services. We currently primarily provide these services to the four Existing Gladstone Funds, which are four publicly traded, Nasdaq-listed companies invested in alternative asset classes:

- GLAD, a BDC, primarily invests in debt securities of established private lower middle market companies in the United States;
- GAIN, a BDC, primarily invests in debt and equity securities of lower middle market private businesses operating in the United States (including in connection with management buyouts, recapitalizations or, to a lesser extent, refinancings of existing debt facilities);
- GOOD, a REIT, focuses on acquiring, owning and managing primarily office and industrial properties; and
- LAND, a REIT, focuses on acquiring, owning and leasing farmland.

We primarily generate revenue from fees earned pursuant to advisory, administrative, broker-dealer and other agreements our subsidiaries have with the Existing Gladstone Funds and to other affiliated entities. These fees are generated through:

- the Adviser Subsidiary, an investment adviser registered with the SEC, which currently advises the Existing Gladstone Funds;
- the Broker-Dealer Subsidiary, a broker dealer registered with FINRA and insured by the SIPC, which currently provides certain investment banking mortgage placement and dealer manager services to the Existing Gladstone Funds; and
- the Administrator Subsidiary, which currently provides administrative services to the Existing Gladstone Funds, including accounting, valuation, legal, compliance, and other services.

Our assets under management have grown from approximately \$132.2 million as of September 30, 2001 to approximately \$2.9 billion as of December 31, 2019, representing a CAGR of 19% per year. Since inception of GLAD in 2001 through December 31, 2019, the Existing Gladstone Funds have invested in 581 businesses or properties for an aggregate amount of approximately \$5.7 billion and paid \$1.1 billion in common stock dividends or distributions to their investors.

As of the date of this offering circular, we manage our operations on an aggregated, single segment basis for purposes of assessing performance and making operating decisions, and, accordingly, have only one reportable and operating segment. We provide asset management services through the Adviser Subsidiary and all of our revenues are generated within the U.S.

Our Adviser Subsidiary has managed the Existing Gladstone Funds with a perspective of achieving successful growth over the long-term. In establishing and growing our various funds, and in determining the types of investments to be made by our funds, our management has consistently sought to focus on the best outcomes for our businesses and the Existing Gladstone Funds that we manage over a period of years, rather than on the short-term effect on our revenue, net income or cash flow. We intend to maintain this long-term focus after this offering. We believe that this approach will continue to significantly affect our revenue, net income and cash flow as a result of the timing of new investments and realizations of investments by the Existing Gladstone Funds, the Future Gladstone Funds and any other business or funds we may manage in the future.

Asset Management (Existing Gladstone Funds)

- **GLAD (BDC – Debt Securities of Private Companies):** We are the adviser to GLAD, a BDC that primarily invests in debt securities of established private lower middle market companies in the U.S. GLAD was established in 2001 and is 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, it has elected to be treated as a RIC for federal tax purposes under the Code.
- **GAIN (BDC – Debt and Equity Securities (including Buyouts) of Private Companies):** We are the adviser to GAIN, a BDC that invests in debt and equity securities of lower middle market private businesses operating in the U.S. (including in connection with management buyouts, recapitalization or, to a lesser extent, refinancing of existing debt facilities). GAIN was established in 2005 and, like GLAD, is 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, it has elected to be treated as a RIC for federal tax purposes under the Code.
- **GOOD (REIT – Office and Industrial Properties):** We are the adviser to GOOD, a diversified, national operation, with investments in a variety of sectors and geographic locations. GOOD was established in 2003 and is an externally-managed REIT focused on acquiring, owning, and managing primarily office and industrial properties in the United States.
- **LAND (REIT – Farmland):** We are the adviser to LAND, a diversified, national operation, with investments in a variety of sectors and geographic locations. LAND was established in 2013 and is an externally-managed, natural resource REIT focused on acquiring, owning and leasing farmland in the United States.

Our asset management business is operated through our Adviser Subsidiary, a registered investment adviser with the SEC, which has advisory agreements in place to manage all of the Existing Gladstone Funds. Our investment advisory business generated income before taxes of \$5.8 million for the fiscal year ended June 30, 2019.

Financial Services

We provide financial services through our Adviser Subsidiary and through our Broker-Dealer Subsidiary. The Broker-Dealer Subsidiary earns fees generated from providing dealer manager, investment banking, mortgage placement, and other services to us, the Existing Gladstone Funds and certain portfolio companies of GLAD and GAIN. We incur third-party securities trade costs associated with the Broker-Dealer Subsidiary that largely offset the associated securities trade commission revenue we earn.

Administrative Services

Our Administrator Subsidiary is a party to administration agreements with each of the Existing Gladstone Funds, as well as being a party to substantially similar agreements with us and our subsidiaries. Our Administrator Subsidiary provides accounting, legal, compliance, treasury, valuation, regulatory and other services pursuant to such agreements.

Our Revenues and Expenses

Our revenue is primarily derived from fees (pursuant to advisory agreements) our Adviser Subsidiary receives for managing the Existing Gladstone Funds. Such fees include investment advisory fees (also called base management fees) which are based upon assets or stockholders' equity under management; loan servicing fees for serving as the servicer pursuant to line of credit agreements; performance-based incentive fees for meeting certain income or realized capital gains thresholds; and, investment banking fees for providing investment banking, due diligence and management or advisory services. Our Broker-Dealer Subsidiary also receives fees for other financial services it provides to certain of the Existing Gladstone Funds and portfolio companies thereof, including distribution, investment banking, due diligence, dealer manager, mortgage placement and other financial services.

Historically, our most significant expense is the payment of salaries, bonuses and benefits for our employees, each of which is directly employed by either the Adviser Subsidiary or the Administrator Subsidiary.

Business Environment

As an asset management firm, our businesses are materially affected by conditions in the financial markets and economic conditions generally in the U.S. and, to a lesser extent, globally. Our diverse mix of businesses has allowed us to generate attractive returns across different business climates. Generally, business conditions characterized by low inflation, low or declining interest rates and strong equity markets provide a positive climate for us to generate attractive returns on existing investments. Since the Existing Gladstone Funds are closed-end funds with no requirement to return invested equity capital, we have generally been able to produce stable revenues. However, during periods of market volatility the fair value of the assets owned by the Existing Gladstone Funds will increase or decrease accordingly, which impacts the base management fees. In addition, during market downturns, certain portfolio companies and tenants of the Existing Gladstone Funds may no longer be able to make the payments due under the applicable agreement with an Existing Gladstone Fund, which may impact the income of the applicable Existing Gladstone Fund and incentive fees.

Market Conditions

Our ability to grow revenues in our asset management business largely depends upon the growth in assets under management and income in the Existing Gladstone Funds, Future Gladstone Funds, and in other businesses or funds we may manage in the future. Such growth will depend upon our ability to attract new capital and investors to our funds and our ability to successfully invest our funds' capital. Our ability to grow our revenues in our financial services business (through our Broker-Dealer Subsidiary) depends largely on the ability of GLAD and GAIN (and in the future, Gladstone Farming or Gladstone Partners) to invest in new portfolio companies and the Broker-Dealer Subsidiary's ability to source mortgages for GOOD and LAND (and in the future, Gladstone Retail), and the Broker-Dealer Subsidiary's ability to provide effective dealer manager services to certain of the Existing Gladstone Funds' and Future Gladstone Funds' registered, non-listed issuances of stock or bonds, if any.

The global economy has experienced economic uncertainty in recent years. Economic uncertainty impacts our business in many ways, including through changing spreads, structures and purchase multiples, as well as the overall supply of investment capital. See "*Offering Circular Summary—Recent Developments*" and "*Risk Factors — Risks Related to Our Business*." As interest rates remain relatively low and public equities are not able to meet expected returns, we see increasing investor demand for alternative investments to achieve higher yields. As a result, some investors have increased their allocation to private markets relative to other asset classes. In addition, the opportunities in private markets have expanded as firms have created new vehicles and products in which to access private markets across different geographies and opportunity sets.

Trends Affecting our Business

In addition to general market conditions, we believe the following trends will impact our future performance:

- *Increasing Importance of Alternative Assets.* Over the past several years, investor groups of all types have meaningfully increased their capital allocations to alternative investment strategies. We expect this current trend will continue as the combination of volatile returns in public equities and low-yields on traditional fixed income investments shifts investor focus to the lower correlated and absolute levels of returns offered by alternative assets. In particular, real assets, private equity and private debt strategies are expected to achieve significant growth as investors diversify to reduce volatility and achieve higher yields.
- *Increasing Demand for Alternative Assets from Retail Investors.* Defined contribution pension plans and retail investors are demanding more exposure to alternative investment products to seek differentiated returns as well as to satisfy a desire for current yield due to changing demographics. We have benefited from this growing demand, given our diverse alternative offerings through publicly traded vehicles. With an established market presence, we believe we are well positioned to take advantage of the growing opportunity in the retail channel.
- *Shifting Asset Allocation Policies of Institutional Investors.* We believe that the growing pension liability gap is driving investors to seek higher return strategies and that institutional investors, such as insurance companies, are increasingly rotating away from core fixed income products towards more liquid alternative credit and absolute return-oriented products to achieve their return hurdles. According to Ernst & Young, institutional investors allocated

an estimated 25% of the global portfolio towards alternative strategies in 2019, up from approximately 12% in 2009. The increase in allocation has also been accompanied by a change in allocation strategy to a more balanced approach between private equity and non-private equity alternative investments. Our combination of credit expertise, total return and multi-strategy product offerings are particularly well suited to benefit from these asset allocation trends.

- *The strength and liquidity of the U.S. and relevant global equity and debt markets* These markets affect the value of the underlying investments of the Existing Gladstone Funds and Future Gladstone Funds, which in turn affect the assets under management and income of those funds and the base management fees and the incentive fees we earn. Furthermore, changes in supply and demand for real estate assets could affect our ability to increase the value of GOOD and LAND. In addition, certain of our funds may use leverage in order to increase investment returns, which ultimately affects our current income and ability to attract additional capital. Prior to the onset of the COVID-19 pandemic, U.S. and relevant global debt markets have been particularly robust in recent years, contributing to our ability to finance acquisitions by the Existing Gladstone Funds at attractive rates, leverage ratios and terms. A reduction in leverage ratios or a tightening of covenants and other credit terms could also negatively impact the assets under management or income of our Existing Gladstone Funds and our Future Gladstone Funds and the fees the Adviser Subsidiary earns under the Advisory Agreements.
- *Interest Rate Risk.* Fluctuations in interest rates may affect the performance of the Existing Gladstone Funds and Future Gladstone Funds. Historical trends in these markets are not necessarily indicative of future performance in these funds. Current interest rates are near long-term historical lows, but credit spreads that were previously narrow have widened in recent months, a function of both the decline in rates and decreases in asset values. Increases in rates and decreases in credit spreads would have a mixed impact on our returns as the incremental cash flow required to service debt of the Existing and Future Gladstone Funds would reduce their income and affect the performance based incentive fees that the Adviser Subsidiary earns. However, we believe that we and the Existing Gladstone Funds are well-positioned for a rising interest rate environment, as a majority of the assets that we manage are floating rate loans.
- *Competition among alternative asset managers.* Our ability to grow our revenue is dependent on our continued ability to source attractive investments for the funds we manage and to deploy the capital that we have raised. Our transaction volume is largely based on relationships that we cultivate in the debt, equity, real estate and natural resource markets. Deviations from these relationships can occur in any given year for a number of reasons. We compete against a number of other public and private asset managers that are larger than us or have more diversified sources of revenue or stronger relationships in the sectors in which we operate. A significant decrease in the quality or quantity of investment opportunities or an increase in competition from new alternative asset management entrants could adversely affect our ability to source investments with returns that meet the investment objectives of the funds we manage.
- *Unpredictable global macroeconomic conditions.* Global economic conditions, including political environments, financial market performance, interest rates, credit spreads or other conditions beyond our control, all of which affect the performance of the assets underlying investments, are unpredictable and could negatively affect the our performance and that of the funds that we manage and their and our ability to raise funds in the future.
- *Increasing regulatory requirements.* The complex regulatory and tax environment for asset managers could restrict our operations and subject us to increased compliance costs and administrative burdens, as well as restrictions on our business activities.

We believe recent market conditions have created favorable environments for our asset management and financial advisory businesses during the periods presented. Changes in these market conditions could have negative effects on our asset management and financial advisory businesses in future periods, and those effects could be material. For a more detailed description of how economic and global financial market conditions can materially affect our financial performance and condition, see “*Offering Circular Summary—Recent Developments*” and “*Risk Factors—Risks Related to Our Business*.” Our historical results of operations are not indicative of the expected future operating results following this offering.

Certain Financial Measures and Indicators

Consolidation

We consolidate the financial results of entities we control through a majority voting interest (including the Adviser Subsidiary, the Broker-Dealer Subsidiary, and the Administrator Subsidiary) as well as entities that are determined to be variable

interest entities where we are deemed to be the primary beneficiary of the entity. While the Adviser Subsidiary is the investment adviser to the Existing Gladstone Funds, it does not hold a majority of the voting interests in any of the Existing Gladstone Funds, and thus, for accounting purposes and reporting purposes, we do not consolidate the Existing Gladstone Funds in our financial statements. The base management fees and incentive fee compensation received from the advisory agreements between our Adviser Subsidiary and the Existing Gladstone Funds are the only aspects of the Existing Gladstone Funds that are recorded in our financial statements.

Revenues

Investment Advisory Fees (Base Management Fees). Investment advisory fees are earned from services provided by the Adviser Subsidiary to the Existing Gladstone Funds pursuant to the terms of the Advisory Agreements. Investment advisory fee revenue is recognized as the advisory services are provided, and any unpaid amounts are classified as accounts receivable, related party. Additionally, pursuant to the requirements of the 1940 Act, our Adviser Subsidiary makes available significant managerial assistance to portfolio companies of GLAD and GAIN. The Adviser Subsidiary may also provide other services to such portfolio companies under certain agreements and may receive fees for services other than managerial assistance. Our Adviser Subsidiary non-contractually, unconditionally, and irrevocably credits 100% of these fees against the investment advisory fee that GLAD and GAIN would otherwise be required to pay to our Adviser Subsidiary; however, pursuant to the terms of the Advisory Agreements with each of GLAD and GAIN, a small percentage of certain of such fees is retained by our Adviser Subsidiary in the form of reimbursement, at cost, for tasks completed by personnel of the Adviser Subsidiary, primarily for the valuation of portfolio companies of GLAD and GAIN.

Loan Servicing Fees. Certain of GLAD's and GAIN's loan investments are held in their respective wholly-owned subsidiaries. Loan servicing fees represent amounts earned by the Adviser Subsidiary for acting as the servicer pursuant to the terms of the line of credit agreements between the relevant subsidiary and its creditor banks. Since GLAD and GAIN own these loans indirectly (through their 100% ownership of the relevant subsidiary), all loan-servicing fees earned by the Adviser Subsidiary are credited directly against the investment advisory fees otherwise due and payable to the Adviser Subsidiary by GLAD and GAIN. Loan servicing fee revenue is recognized when it is earned.

Performance-Based Incentive Fees. Incentive fees are earned by the Adviser Subsidiary pursuant to a given Advisory Agreement when an Existing Gladstone Fund meets certain income or realized capital gains thresholds. Incentive fees are recognized as income when all contingencies, including realization of specified minimum hurdle rates, have been exceeded. Any calculated amount above the required minimum hurdle rates, as specified in the respective Advisory Agreement, is allocated by the Existing Gladstone Fund to the Adviser Subsidiary. The incentive fees are not subject to reversal or clawback under the terms of the Advisory Agreements. To date the Adviser Subsidiary has not received any such capital gains-based incentive fees other than from GAIN.

In accordance with GAAP, the Existing Gladstone Funds accrue a capital gains-based incentive fee as if their investments had been liquidated at their fair values as of the end of the reporting period, even though they are not payable to the Adviser Subsidiary until such capital gains are realized and become contractually due under the terms of the applicable Advisory Agreement. In the six months ended December 31, 2019, the Company recognized \$8.1 million of capital gains-based incentive fees, which it subsequently received in cash in March 2020. To the extent we receive capital gains-based incentive fees, they give rise to an obligation under our capital gains-based carried interest plans that exist between the Adviser Subsidiary and certain of its current or former employees and officers that operate the respective funds, for which the Company has accrued \$7.5 million of compensation expense as of December 31, 2019 that it considered probable of payment in September 2020. As of December 31, 2019, GAIN had accrued an additional \$15.8 million of capital gains-based incentive fees payable to the Adviser Subsidiary, none of which has been recorded by us as revenue or a receivable since the required realized capital gains thresholds had not been achieved.

Under the terms of the Carried Interest Plans, a significant portion of the incentive fees earned, net of credits against those fees, are paid out as compensation. The Adviser Subsidiary may retain certain unallocated portions of the incentive fees under the agreements from time to time at its discretion. Our ability to continue to generate incentive fees and other fees is an important element of our business, and these items have historically accounted for a significant portion of our revenue and related expenses.

Administration Fees. The Administrator Subsidiary has entered into an Administration Agreement with each of the Existing Gladstone Funds and its other affiliates, pursuant to which it furnishes such funds and other companies with accounting, valuation, legal, compliance, and other services. Pursuant to the Administration Agreements, the Existing Gladstone Funds and the Administrator Subsidiary's other affiliates collectively pay the costs and expenses of the Administrator Subsidiary to perform the

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administrative services, which are primarily rent and the salaries, benefits and expenses of the Administrator Subsidiary's employees, including the chief financial officer and treasurer, chief compliance officer, chief valuation officer, and general counsel and secretary (and the staffs of all of the foregoing) of each of the Existing Gladstone Funds and the Administrator Subsidiary's other affiliates. Administration fee revenue is recognized when it is earned.

Investment Banking Fees (Other Financial Services Fees): Investment banking fees include fees (1) received by the Broker-Dealer Subsidiary for providing investment banking and due diligence services to certain portfolio companies of GLAD and GAIN, (2) received by the Adviser Subsidiary for providing management or advisory services to certain portfolio companies of GLAD and GAIN and (3) received by the Adviser Subsidiary for providing mortgage placement services to GOOD and LAND. Due to uncertainty surrounding the closing of related deals, these fees are recognized when the transaction occurs and the fees are collected. Such fees may be received in advance and, if so, are recorded as deferred revenue in our consolidated balance sheets and are refundable until earned. To the extent that the Adviser Subsidiary receives any fees directly from a portfolio company of either GLAD or GAIN for any such services, 100% of such fees are credited against the investment advisory fees otherwise due to the Adviser Subsidiary pursuant to the applicable Advisory Agreement.

Securities Trade Commissions. Securities trade commission income includes dealer manager and broker dealer commissions received by the Broker-Dealer Subsidiary pursuant to its role in distributing certain shares of preferred stock of LAND through the independent broker dealer network. The Broker-Dealer Subsidiary provides certain sales, promotional and marketing services to LAND in connection with the offering of such preferred stock and LAND pays the Broker-Dealer Subsidiary (1) selling commissions of up to 7.0% of the gross proceeds from sales of the preferred stock and (2) a dealer manager fee of up to 3.0% of the gross proceeds from sales. Fees are generated and earned on a trade-date basis, when the Broker-Dealer Subsidiary's obligation to LAND is satisfied.

Fee Credits. Fee credits historically consist of non-contractual, unconditional and irrevocable waivers of loan servicing fees, investment advisory fees and incentive fees otherwise due to the Adviser Subsidiary from the Existing Gladstone Funds under the Advisory Agreements. Such credits are either related to: (1) certain investment banking fees received by the Adviser Subsidiary from portfolio companies of GLAD and GAIN, (2) loan servicing fees received by the Adviser Subsidiary from certain subsidiaries of GLAD and GAIN, (3) a portion of the annual review fees received by the Adviser Subsidiary from certain portfolio companies of GLAD and GAIN, (4) other amounts granted to allow the Existing Gladstone Funds to comply with the requirements of their credit facilities or maintain the desired level of distributions to their stockholders, or (5) a reduction in the investment advisory fees received in connection with syndicated loan investments held by GLAD or GAIN. Revenues are presented net of any related fee credits.

Operating Expenses

Salaries and Employee Benefits Expense. Our employee compensation and benefits expense reflects compensation (primarily salary and bonus) of our employees through our Adviser Subsidiary and Administrator Subsidiary. Our compensation arrangements with our employees contain a significant performance-based bonus component. Therefore, as our revenues increase, our compensation costs also rise. In addition, our compensation costs reflect increased headcount as we expand geographically and create new products and businesses. Historically, all payments for services rendered by our management and selected other individuals engaged in our businesses have been accounted for as employee compensation and benefits expense. As a result, our employee compensation and benefits expense has reflected payments for services rendered by these individuals.

Operating Expenses Other Than Salaries and Employee Benefits Expense. The operating expenses other than salaries and employee benefits expenses consist primarily of rent, depreciation, telecommunications, office expenses, professional services and other third-party expenses incurred in connection with operating our business lines. We also incur third-party securities trade costs associated with the Broker-Dealer Subsidiary.

Net Gains from Investment Activities. We expect to generate realized and unrealized gains from underlying investments in the Future Gladstone Funds. Net gains (losses) from our investment activities reflect a combination of internal and external factors. The external factors affecting the net gains associated with our investing activities vary by asset class but are broadly driven by the market considerations discussed above. The key external measures that we monitor for purposes of deriving net gains from our investing activities include: price/earnings ratios and EBITDA multiples for benchmark public companies and comparable transactions and capitalization rates for real estate property investments. These measures generally represent the relative value at which comparable entities have either been sold or at which they trade in the public marketplace. Other than the information from our

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managing directors, we refer to these measures generally as exit multiples. Internal factors that are managed and monitored include a variety of cash flow and operating performance measures, most commonly EBITDA and net operating income. The management of the portfolio companies that the Existing Gladstone Funds invest in are incentivized to maximize these key measures and do so by pursuing strategies to improve the operating investment performance and the capital structures of the companies. In all cases in the Existing Gladstone Funds (and our interests in the Future Gladstone Funds) may entitle us to an incentive fee (pursuant to the existing advisory agreement between our Adviser Subsidiary and each of the Existing Gladstone Funds) when investors in the fund achieve specified cumulative investment returns.

Non-Operating Income (Dividends from Marketable Securities, Realized Gains from Marketable Securities and Unrealized Gains from Marketable Securities). These amounts relate to income or losses associated with investments classified as available-for-sale that have been held for the benefit of our deferred compensation plan. In October 2018, we terminated our deferred compensation plan and ceased permitting participants to make further contributions into the plan. As of January 3, 2020, all remaining obligations were valued, the trust was liquidated and the obligations were paid to participants in a subsequent payroll. See Note 7 to the consolidated financial statements for further information.

Income Taxes. U.S. federal income tax legislation enacted in December 2017, commonly referred to as The Tax Cuts and Jobs Act, or TCJA, reduced the U.S. federal corporate tax rate from 35.0% to 21.0% effective on January 1, 2018, resulting in a blended rate of 27.55% for the fiscal year ended June 30, 2018. The U.S. federal corporate tax rate for the fiscal year ended June 30, 2019 and future years is 21.0%. As a result of the termination of our deferred compensation plan and distribution of its assets in January 2020, the payments to participants will give rise to income tax deductions in our future tax returns that are currently recognized as deferred tax assets.

Operating Metrics

The alternative asset management business is a complex business that is unusual due to its ability to support rapid growth without requiring substantial capital investment. However, there also can be volatility associated with its earnings and cash flow. Since our inception, we have developed and used various supplemental operating metrics to assess and monitor the operating performance of our various alternative asset management businesses in order to monitor the effectiveness of our value creating strategies.

Our assets under management increase primarily as a result of the Existing Gladstone Funds raising additional capital, either in the form of equity by selling additional shares of capital stock to investors or in the form of debt via long term mortgages on the real estate held by certain of the Existing Gladstone Funds, the revolving lines of credit available to the Existing Gladstone Funds and the issuance of notes by certain of the Existing Gladstone Funds. In the future, our assets under management will include the assets described above as well as the fair market value of assets or the total asset value of Future Gladstone Funds.

We intend to continue to manage our business as we have in the past, using traditional financial measures and our key operating performance metrics, since we believe that these metrics measure the productivity of our investment activities. See “*Selected Historical Financial Data.*”

Results of Operations for the Years Ended June 30, 2019 and 2018

Following is a discussion of our consolidated results of operations for the years ended June 30, 2019 and 2018. The following tables set forth information regarding our results of operations and certain key operating metrics for the years ended June 30, 2019 and 2018:

	Year Ended June 30,	
	2019	2018
Revenues (Related Party)		
Investment advisory and loan servicing fees	\$19,388,476	\$19,864,217
Incentive fees	12,264,680	13,341,161
Administration fees	5,516,197	4,810,152
Investment banking fees	8,521,862	7,489,952
Annual review fees	578,003	530,030
Property management fees	295,551	139,308

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Securities trade commissions	5,586,140	50,000
Other income	126,553	21,898
Total revenues	52,277,462	46,246,718
Operating expenses		
Salaries and employee benefits	37,709,688	34,702,393
Rent	709,051	661,217
Depreciation	101,527	107,562
Telecommunications	522,802	478,335
Office expenses	379,243	358,940
Professional services	569,998	737,025
Securities trade costs	5,529,337	151,130
Interest expense	194	21,886
Other operating expenses	1,186,011	1,257,939
Total expenses	46,707,851	38,476,427
Income from operations	5,569,611	7,770,291
Dividends from marketable securities	341,562	181,472
Realized gain on marketable securities	174,290	256,072
Unrealized (loss) gain on marketable securities	(243,147)	68,199
Net income before income taxes	5,842,316	8,276,034
Income tax provision	(1,489,641)	(3,653,202)
Net income	\$ 4,352,675	\$ 4,622,832
Net income per share attributable to common stock—basic and diluted	\$ 43,526.75	\$ 46,228.32
Weighted average shares of common stock outstanding—basic and diluted	100	100

Revenues – Investment Advisory and Loan Servicing Fees

The following tables reflect the components by Existing Gladstone Fund of investment advisory and loan servicing fees for the fiscal years ended June 30, 2019 and 2018:

2019	GLAD	GAIN	GOOD	LAND⁽¹⁾	Total
Base management fees	\$ 7,195,097	\$12,812,329	\$5,058,535	\$ 3,308,478	\$ 28,374,439
Loan servicing fees	5,050,967	6,839,215	—	—	11,890,182
Loan servicing fee credit	(5,050,967)	(6,839,215)	—	—	(11,890,182)
Credit for fees received from portfolio companies and other fee waivers	(1,187,838)	(5,770,917)	—	(1,648,381)	(8,607,136)
Fee reduction on senior syndicated loans	(378,827)	—	—	—	(378,827)
Investment advisory and loan servicing fee revenue	<u>\$ 5,628,432</u>	<u>\$ 7,041,412</u>	<u>\$5,058,535</u>	<u>\$ 1,660,097</u>	<u>\$ 19,388,476</u>
2018	GLAD	GAIN	GOOD	LAND⁽¹⁾	Total
Base management fees	\$ 6,824,678	\$11,390,145	\$5,127,420	\$2,410,549	\$ 25,752,792
Loan servicing fees	4,891,139	6,453,815	—	—	11,344,954
Loan servicing fee credit	(4,891,139)	(6,453,815)	—	—	(11,344,954)

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Credit for fees received from portfolio companies and other fee waivers	(1,245,422)	(4,093,689)	—	(174,014)	(5,513,125)
Fee reduction on senior syndicated loans	(375,450)	—	—	—	(375,450)
Investment advisory and loan servicing fee revenue	<u>\$ 5,203,806</u>	<u>\$ 7,296,456</u>	<u>\$ 5,127,420</u>	<u>\$ 2,236,535</u>	<u>\$ 19,864,217</u>

- (1) On January 14, 2020, LAND amended and restated its existing Advisory Agreement with the Advisory Subsidiary to change the calculation of the base management fee from an annual rate of 2.0% of total adjusted common equity (as defined in the Advisory Agreement in effect at such time) to an annual rate of 0.5% of Gross Tangible Real Estate (as defined in the current Advisory Agreement) commencing with the quarter ended March 31, 2020.

Incentive Fees

The following tables reflect the components by Existing Gladstone Fund of incentive fees for the fiscal years ended June 30, 2019 and 2018:

2019	GLAD	GAIN	GOOD	LAND	Total
Incentive fees	\$ 5,549,080	\$ 5,420,850	\$ 3,367,474	\$ 628,098	\$ 14,965,502
Incentive fee waiver	(1,922,745)	—	—	(778,077)	(2,700,822)
Incentive fee revenue	<u>\$ 3,626,335</u>	<u>\$ 5,420,850</u>	<u>\$ 3,367,474</u>	<u>\$ (149,979)</u>	<u>\$ 12,264,680</u>

2018	GLAD	GAIN	GOOD	LAND	Total
Incentive fees	\$ 5,382,005	\$ 6,163,931	\$ 2,732,168	\$ 260,879	\$ 14,538,983
Incentive fee waiver	(1,144,250)	—	—	(53,572)	(1,197,822)
Incentive fee revenue	<u>\$ 4,237,755</u>	<u>\$ 6,163,931</u>	<u>\$ 2,732,168</u>	<u>\$ 207,307</u>	<u>\$ 13,341,161</u>

Credits to Investment Advisory and Loan Servicing Fees and Incentive Fees

The following tables reflect the components by Existing Gladstone Fund of credits granted against investment advisory and loan servicing fees and incentive fees for the fiscal years ended June 30, 2019 and 2018:

2019	GLAD	GAIN	GOOD	LAND	Total
Credit for fees received from portfolio companies and other fee waivers	\$(1,187,838)	\$ (5,770,917)	\$ —	\$(1,648,381)	\$ (8,607,136)
Loan servicing fee credit	(5,050,967)	(6,839,215)	—	—	(11,890,182)
Fee reduction on senior syndicated loans	(378,827)	—	—	—	(378,827)
Incentive fee waiver	(1,922,745)	—	—	(778,077)	(2,700,822)
Total credits	<u>\$(8,540,377)</u>	<u>\$(12,610,132)</u>	<u>\$ —</u>	<u>\$(2,426,458)</u>	<u>\$(23,576,967)</u>

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2018	GLAD	GAIN	GOOD	LAND	Total
Credit for fees received from portfolio companies and other fee waivers	\$ (1,245,422)	\$ (4,093,689)	\$ —	\$ (174,014)	\$ (5,513,125)
Loan servicing fee credit	(4,891,139)	(6,453,815)	—	—	\$ (11,344,954)
Fee reduction on senior syndicated loans	(375,450)	—	—	—	\$ (375,450)
Incentive fee waiver	(1,144,250)	—	—	(53,572)	\$ (1,197,822)
Total credits	<u>\$ (7,656,261)</u>	<u>\$ (10,547,504)</u>	<u>\$ —</u>	<u>\$ (227,586)</u>	<u>\$ (18,431,351)</u>

Revenues (which is net of credits) were \$52.3 million for the fiscal year ended June 30, 2019, an increase of \$6.0 million, or 13%, versus the fiscal year ended June 30, 2018. The overall increase was the result of \$11.2 million of increases in gross fees offset by \$5.1 million of increases in fee credits.

Gross base management fees and loan servicing fees for the fiscal year ended June 30, 2019 increased \$3.2 million, or 9%, to \$40.3 million versus the fiscal year ended June 30, 2018, primarily due to increased assets under management of GAIN and GLAD and increases in stockholders' equity of GOOD and LAND year-over-year, on which fees were based. The portion of fees related to base management fees increased to \$28.4 million for the fiscal year ended June 30, 2019 from \$25.8 million for the fiscal year ended June 30, 2018, primarily as a result of growth in assets under management of GAIN and GLAD and stockholders' equity of GOOD and LAND. Assets under management increased year over year primarily because of additional capital offerings by GOOD and LAND and their ability to redeploy the proceeds from such offerings in additional assets.

Loan servicing fees increased by \$0.5 million, or 5%, to \$11.9 million. Since GLAD and GAIN own indirectly the loans subject to the loan servicing fees, all loan-servicing fees earned by the Adviser Subsidiary are credited directly against the investment advisory fees otherwise due and payable to the Adviser Subsidiary by GLAD and GAIN.

Investment advisory and loan servicing fee revenue (which is net of credits) decreased \$0.5 million, or 2%, to \$19.4 million due to an increase in non-contractual, unconditional and irrevocable fee waivers.

Gross incentive fees for the fiscal year ended June 30, 2019 increased \$0.4 million, or 3%, to \$15.0 million compared with the prior year due to a \$1.2 million combined increase in income-based incentive fees earned by our Adviser Subsidiary from GLAD and GOOD and a capital gains-based incentive fee from LAND, offset by decreased income-based incentive fees earned from GAIN of \$0.7 million. Incentive fee credits relate to non-contractual voluntary waivers of incentive fee income credited against incentive fees earned from GLAD and LAND to support such funds maintaining distributions to their respective stockholders. Incentive fee revenue (which is net of credits) decreased \$1.1 million, or 8%, to \$12.3 million due to an increase in non-contractual, unconditional and irrevocable fee waivers.

Administration fees represent reimbursement of the expense of our Administrator Subsidiary for providing administrative services to the Existing Gladstone Funds. Administrative fees increased \$0.7 million, or 15%, to \$5.5 million for the fiscal year ended June 30, 2019 compared to the year prior due primarily to salary, bonus and benefit increases from an increase in headcount and market-based compensation adjustments. The administration fees earned by the Administrator Subsidiary are charged based on and entirely offset by the expenses of the Administrator Subsidiary. As a result, the administration fee revenue earned by the Administrator Subsidiary does not directly affect our operating or net income.

Investment banking fees typically include revenues earned for services offered to the portfolio companies of the Existing Gladstone Funds for transaction structuring and loan financing. For the fiscal year ended June 30, 2019, we saw an increase in investment banking fees of \$1.0 million, or 14%, due mainly to an increased dollar volume of transactions by GAIN compared to the prior year.

Securities trade commissions include dealer manager and broker-dealer commissions received by the Broker-Dealer Subsidiary pursuant to its role in distributing certain shares of preferred stock of its affiliates through an independent broker-dealer network. Fees are generated and earned on a trade-date basis. Fee revenue increased from \$0.05 million for the fiscal year ended June 30, 2018 to \$5.6 million for the fiscal year ended June 30, 2019, as a result of an increase in the number of shares of non-traded preferred stock sold by LAND year-over-year. Due to our reliance on the independent selling network, securities trade costs almost entirely offset the related securities trade commissions.

Operating Expenses

Operating expenses were \$46.7 million for the fiscal year ended June 30, 2019, an increase of \$8.2 million, or 21%, versus the fiscal year ended June 30, 2018. The change was primarily due to an increase of \$3.0 million, or 9%, in salaries and employee benefits of the Adviser Subsidiary from the net addition of personnel to support the growth of each of our business areas including office

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openings and expansion of LAND in California and from market adjustments to compensation, and from higher bonus and incentive compensation driven by our favorable financial performance. Securities trade costs increased by \$5.4 million, which relates to a corresponding increase in securities trade commissions. Professional services decreased by \$0.2 million primarily due to lower legal fees.

Dividends, Realized and Unrealized Gains on Marketable Securities

Dividends, realized gains and unrealized gains from marketable securities held in oumon-qualified elective deferred compensation plan decreased by \$0.2 million for the fiscal year ended June 30, 2019 compared to the prior year primarily due to an unrealized loss on the carrying value of the investments.

Income Tax Provision

We recorded an income tax provision of \$1.5 million for the fiscal year ended June 30, 2019, a combined federal and state effective tax rate of 25.5% of net income before income taxes. This compares to an income tax provision of \$3.7 million for the fiscal year ended June 30, 2018, an effective tax rate of 44.1% of net income before income taxes. The TCJA was enacted on December 22, 2017. Among other things, the TCJA reduced the U.S. federal corporate tax rate from 35% to 21% effective on January 1, 2018, resulting in a blended rate of 27.55% for the fiscal year ended June 30, 2018. We recognized a provisional amount of \$1.1 million of income tax expense for the fiscal year ended June 30, 2018 relating to the revaluation of deferred tax asset balances due to the change in tax rates enacted in the period, which increased its effective tax rate. The U.S. federal corporate tax rate for periods prior to January 1, 2018 was 35%, and 21% for periods thereafter. The current and prior period effective tax rates differ from the federal statutory tax rate of 21% due primarily to the TCJA impact on the deferred tax asset and the effect of state taxes.

In October 2018, we terminated our deferred compensation plan and ceased permitting participants to make further contributions into the plan. As of January 3, 2020, all remaining obligations were valued and the trust was liquidated, and the obligations were paid to participants in a subsequent payroll. These payments to participants will give rise to income tax deductions in our current or future tax returns that are currently recognized as deferred tax assets.

See Note 6 to the consolidated financial statements for the years ended June 30, 2019 and 2018 included elsewhere in this offering circular for further disclosure of the elements of the tax expense and the tax assets and liabilities.

Net Income

Our net income decreased by \$0.3 million, or 6%, to \$4.4 million during the fiscal year ended June 30, 2019 compared to the prior year due primarily to higher bonuses and incentive compensation.

Results of Operations for the Six Month Ended December 31, 2019 and 2018

Following is a discussion of our consolidated results of operations for the six months ended December 31, 2019 and 2018. The following tables set forth information regarding our results of operations and certain key operating metrics for the six months ended December 31, 2019 and 2018:

	Six Months Ended December 31,	
	2019	2018
Revenues (Related Party)		
Investment advisory and loan servicing fees	\$ 11,797,022	\$ 9,382,824
Incentive fees	14,801,454	4,882,377
Administration fees	3,074,020	2,824,983
Investment banking fees	2,893,475	5,475,892
Annual review fees	262,989	308,668
Property management fees	159,977	184,769
Securities trade commissions	4,332,780	2,273,592
Other income	265,539	11,341
Total revenues	<u>37,587,256</u>	<u>25,344,446</u>
Operating expenses		
Salaries and employee benefits	27,542,938	18,139,771
Rent	406,604	322,162
Depreciation	65,248	53,323
Telecommunications	237,787	258,624
Office expenses	159,877	250,896
Professional services	334,453	283,376
Securities trade costs	4,200,284	2,302,135
Interest expense	—	193
Other operating expenses	564,891	575,970
Total expenses	<u>33,512,082</u>	<u>22,186,450</u>
Income from operations	<u>4,075,174</u>	<u>3,157,996</u>
Dividends from marketable securities	91,963	114,362
Realized gain on marketable securities	225,807	225,598
Unrealized (loss) gain on marketable securities	(178,738)	(780,238)
Net income before income taxes	<u>4,214,206</u>	<u>2,717,718</u>
Income tax provision	(1,078,837)	(689,375)
Net income	<u>\$ 3,135,369</u>	<u>\$ 2,028,343</u>
Net income per share attributable to common stock—basic and diluted	<u>\$ 31,353.69</u>	<u>\$ 20,283.43</u>
Weighted average shares of common stock outstanding—basic and diluted	<u>100</u>	<u>100</u>

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Revenues – Investment Advisory and Loan Servicing Fees

The following tables reflect the components by Existing Gladstone Fund of investment advisory and loan servicing fees for the six months ended December 31, 2019 and 2018:

2019	GLAD	GAIN	GOOD	LAND(1)	Total
Base management fees	\$ 3,659,399	\$ 6,114,240	\$2,614,101	\$1,743,660	\$14,131,400
Loan servicing fees	2,712,978	3,387,129	—	—	6,100,107
Loan servicing fee credit	(2,712,978)	(3,387,129)	—	—	(6,100,107)
Credit for fees received from portfolio companies and other fee waivers	(656,128)	(1,424,508)	—	—	(2,080,636)
Fee reduction on senior syndicated loans	(253,742)	—	—	—	(253,742)
Investment advisory and loan servicing fee revenue	<u>\$ 2,749,529</u>	<u>\$ 4,689,732</u>	<u>\$2,614,101</u>	<u>\$1,743,660</u>	<u>\$11,797,022</u>
2018	GLAD	GAIN	GOOD	LAND(1)	Total
Base management fees	\$ 3,601,126	\$ 6,502,413	\$2,498,309	\$1,429,368	\$14,031,216
Loan servicing fees	2,550,499	3,404,018	—	—	5,954,517
Loan servicing fee credit	(2,550,499)	(3,404,018)	—	—	(5,954,517)
Credit for fees received from portfolio companies and other fee waivers	(562,678)	(3,852,469)	—	(62,187)	(4,474,334)
Fee reduction on senior syndicated loans	(171,058)	—	—	—	(171,058)
Investment advisory and loan servicing fee revenue	<u>\$ 2,867,390</u>	<u>\$ 2,649,944</u>	<u>\$2,498,309</u>	<u>\$1,367,181</u>	<u>\$ 9,382,824</u>

- (1) On January 14, 2020, LAND amended and restated its existing Advisory Agreement with the Advisory Subsidiary to change the calculation of the base management fee from an annual rate of 2.0% of total adjusted common equity (as defined in the Advisory Agreement in effect at such time) to an annual rate of 0.5% of Gross Tangible Real Estate (as defined in the current Advisory Agreement) commencing with the quarter ended March 31, 2020.

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Incentive Fees

The following tables reflect the components by Existing Gladstone Fund of incentive fees for the six months ended December 31, 2019 and 2018:

2019	GLAD ⁽¹⁾	GAIN	GOOD	LAND	Total
Income-based incentive fees	\$ 2,883,607	\$ 2,257,421	\$1,932,967	\$ 846,573	\$ 7,920,568
Capital gains-based incentive fees	—	8,127,214	—	—	8,127,214
Incentive fee waiver	(1,246,328)	—	—	—	(1,246,328)
Incentive fee revenue	<u>\$ 1,637,279</u>	<u>\$10,384,635</u>	<u>\$1,932,967</u>	<u>\$ 846,573</u>	<u>\$14,801,454</u>
2018	GLAD ⁽¹⁾	GAIN	GOOD	LAND	Total
Income-based incentive fees	\$ 2,652,326	\$ 2,032,000	\$1,612,709	\$ —	\$ 6,270,035
Capital gains-based incentive fees	—	—	—	778,077	778,077
Incentive fee waiver	\$(1,387,658)	—	—	(778,077)	\$(2,165,735)
Incentive fee revenue	<u>\$ 1,237,668</u>	<u>\$ 2,032,000</u>	<u>\$1,612,709</u>	<u>\$ 0</u>	<u>\$ 4,882,377</u>

- (1) Effective April 1, 2020, the Adviser Subsidiary amended its Advisory Agreement with GLAD such that for the period from April 1, 2020 through March 31, 2021, the income-based incentive fee will be based on all of the pre-incentive fee net investment income generated quarterly in excess of a hurdle rate of 2.00% of net assets up to a threshold of 2.4375% of net assets (8% to 9.75% annualized) and 20% of the pre-incentive fee net investment income in excess of such 2.4375% threshold (9.75% annualized). Beginning again April 1, 2021, the basis for the income-based incentive fee will revert back to being based on all of the pre-incentive fee net investment income generated quarterly in excess of a hurdle rate of 1.75% of net assets up to a threshold of 2.1875% of net assets (7% to 8.75% annualized) and 20% of the pre-incentive fee net investment income in excess of such 2.1875% threshold (8.75% annualized).

Credits to Investment Advisory and Loan Servicing Fees and Incentive Fees

The following tables reflect the components by Existing Gladstone Fund of credits granted against investment advisory and loan servicing fees and incentive fees for the six months ended December 31, 2019 and 2018:

2019	GLAD	GAIN	GOOD	LAND	Total
Credit for fees received from portfolio companies and other fee waivers	\$ (656,128)	\$(1,424,508)	\$ —	\$ —	\$(2,080,636)
Loan servicing fee credit	(2,712,978)	(3,387,129)	—	—	(6,100,107)
Fee reduction on senior syndicated loans	(253,742)	—	—	—	(253,742)
Incentive fee waiver	(1,246,328)	—	—	—	(1,246,328)
Total credits	<u>\$(4,869,176)</u>	<u>\$(4,811,637)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$(9,680,813)</u>

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2018	GLAD	GAIN	GOOD	LAND	Total
Credit for fees received from portfolio companies and other fee waivers	\$ (562,678)	\$(3,852,469)	\$ —	\$ (62,187)	\$ (4,474,334)
Loan servicing fee credit	(2,550,499)	(3,404,018)	—	—	(5,954,517)
Fee reduction on senior syndicated loans	(171,058)	—	—	—	(171,058)
Incentive fee waiver	(1,387,658)	—	—	(778,077)	(2,165,735)
Total credits	<u>\$(4,671,893)</u>	<u>\$(7,256,487)</u>	<u>\$ 0</u>	<u>\$(840,264)</u>	<u>\$(12,768,644)</u>

Revenues (which is net of credits) were \$37.6 million for the six months ended December 31, 2019, an increase of \$12.2 million, or 48%, versus the six months ended December 31, 2018. The overall increase was the result \$9.2 million of increases in gross fees, including \$8.1 million of capital gains-based incentive fees, supplemented by a decrease of \$3.1 million of fee credits.

Gross base management fees and loan servicing fees for the six months ended December 31, 2019 increased \$0.2 million, or 1%, to \$20.2 million versus the six months ended December 31, 2018, with the increase split between the two fee types. The portion of fees related to base management fees increased to \$14.1 million for the six months ended December 31, 2019 from \$14.0 million for the six months ended December 31, 2018, primarily as a result of growth in stockholders' equity of GOOD and LAND, offset by a reduction of assets under management at GLAD.

Loan servicing fees for the six months increased by \$0.1 million, or 2%, to \$6.1 million. Since GLAD and GAIN own indirectly the loans subject to the loan servicing fees, all loan-servicing fees earned by the Adviser Subsidiary are credited directly against the investment advisory fees otherwise due and payable to the Adviser Subsidiary by GLAD and GAIN.

Investment advisory and loan servicing fee revenue (which is net of credits) increased \$2.4 million, or 26%, to \$11.8 million due to a decrease in non-contractual, unconditional and irrevocable fee waivers since fewer credits were requested.

Gross incentive fees for the six months ended December 31, 2019 increased \$9.0 million, or 128%, to \$16.0 million compared with the prior year due to a \$1.7 million increase in income-based incentive fees earned by our Adviser Subsidiary from GLAD, GAIN, GOOD and LAND, and \$7.3 million of increases in capital gains-based incentive fees, including an increase of \$8.1 million from GAIN offset by a decrease of \$0.8 million from LAND. Refer to *Certain Financial Measures and Indicators: Revenues* earlier in this document for further discussion of incentive fees and their variability. Incentive fee credits, which relate to non-contractual voluntary waivers of incentive fee income granted to GLAD and LAND to support such funds' maintaining distributions to their respective stockholders, decreased by \$0.9 million. Incentive fee revenue (which is net of credits) increased \$9.9 million, or 203%, to \$14.8 million primarily due to the GAIN capital gains-based incentive fee and the decrease in non-contractual, unconditional and irrevocable fee waivers.

Administration fees represent reimbursement of the expense of our Administrator Subsidiary for providing administrative services to the Existing Gladstone Funds. Administrative fees increased \$0.2 million, or 9%, to \$3.1 million for the six months ended December 31, 2019 due primarily to salary, bonus and benefit increases from an increase in headcount and market-based compensation adjustments. The administration fees earned by the Administrator Subsidiary are charged based on and entirely offset by the expenses of the Administrator Subsidiary. As a result, the administration fee revenue earned by the Administrator Subsidiary does not directly affect our operating or net income.

Investment banking fees typically include revenues earned for services offered to the portfolio companies of the Existing Gladstone Funds for transaction structuring and loan financing. For the six months ended December 31, 2019, we saw a decrease in investment banking fees of \$2.6 million, or 47%, to \$2.9 million, due mainly to an decreased dollar volume of transactions by GAIN compared to the prior year period.

Securities trade commissions include dealer manager and broker-dealer commissions received by the Broker-Dealer Subsidiary pursuant to its role in distributing certain shares of preferred stock of its affiliates through an independent broker-dealer network. Fees are generated and earned on a trade-date basis. Fee revenue increased by \$2.1 million, or 91%, from \$2.3 million for the six months ended December 31, 2018 to \$4.3 million for the six months ended December 31, 2019, as a result of an increase in the number of shares of non-traded preferred stock sold by LAND year-over-year. Due to our reliance on the independent selling network, securities trade costs almost entirely offset the related securities trade commissions.

Operating Expenses

Operating expenses were \$33.5 million for the six months ended December 31, 2019, an increase of \$11.3 million, or 51%, versus \$22.2 million for the six months ended December 31, 2018. The change was primarily due to an increase of \$9.4 million, or 52%, in salaries and employee benefits of the Adviser Subsidiary. \$8.2 million of the increase in salaries and benefits related to higher bonus and incentive compensation driven by the growth in both income-based and capital gains-based incentive fees, and to the net addition of personnel to support the growth of each of our business areas including office openings and expansion of LAND in California and from market adjustments to compensation. Securities trade costs increased by \$1.9 million, which relates to the corresponding increase in securities trade commissions as previously described.

Dividends, Realized and Unrealized Gains on Marketable Securities

Dividends, realized gains and unrealized gains from marketable securities held in our non-qualified elective deferred compensation plan increased by \$0.6 million for the six months ended December 31, 2019 compared to the prior year primarily due to a decreased in unrealized losses on the carrying value of the investments.

Income Tax Provision

We recorded an income tax provision of \$1.1 million for the six months ended December 31, 2019 utilizing, a combined federal and state effective tax rate of 25.6% of net income before income taxes. This compares to an income tax provision of \$0.7 million for the six months ended December 31, 2018 utilizing, an effective tax rate of 25.4% of net income before income taxes. The current and prior period effective tax rates differ from the federal statutory tax rate of 21% due primarily to the effect of state taxes.

In October 2018, we terminated our deferred compensation plan and ceased permitting participants to make further contributions into the plan. As of January 3, 2020, all remaining obligations were valued and the trust was liquidated, and the obligations were paid to participants in a subsequent payroll. These payments to participants will give rise to income tax deductions in our current or future tax returns that are currently recognized as deferred tax assets.

See Note 6 to the consolidated financial statements for the years ended June 30, 2019 and 2018 and Note 5 for the six months ended December 31, 2019 and 2018 included elsewhere in this offering circular for further disclosure of the elements of the tax expense and the tax assets and liabilities.

Net Income

Our net income increased by \$1.1 million, or 55%, to \$3.1 million during the six months ended December 31, 2019 compared to the prior year due primarily to an increase in income from operations and a decrease in the unrealized loss on marketable securities, offset by higher income taxes.

Liquidity and Capital Resources

Historical Liquidity and Capital Resources

On a historical basis, we have drawn on the capital resources of our Chairman, President and Chief Executive Officer, David Gladstone, together with the committed capital from our lines of credit provided by banks and the fee income earned by our subsidiaries in order to fund our operating expenses. In addition, we require capital resources to support the working capital needs of our businesses as well as to fund growth and investments in new business initiatives. We have multiple sources of liquidity to meet these capital needs, including accumulated earnings of our subsidiaries as well as access to the committed credit facilities described in Note 4 to the Financial Statements.

Our historical statements of cash flows reflect the cash flows of our operating business. We have managed our historical liquidity and capital requirements by focusing on our cash flows. Our primary cash flow activities are: (1) receiving cash flow from operations; (2) receiving income from investment activities of the Adviser Subsidiary; (3) funding capital expenditures; and (4) borrowings and repayments under our \$2.0 million line of credit.

Cash Flows

The following table sets forth our cash flows for the years ended June 30, 2019 and 2018 and the six months ended December 31, 2019 and 2018:

(In thousands)	Year Ended June 30,		Six Months Ended December 31,	
	2019	2018	2019	2018
Net cash provided by (used in) operating activities	\$5,531	\$8,236	\$(7,641)	\$(6,584)
Net cash used in investing activities	(798)	(125)	(455)	(486)
Net cash used in financing activities	—	(536)	—	—
Net increase (decrease) in cash	<u>\$4,733</u>	<u>\$7,575</u>	<u>\$(8,096)</u>	<u>\$(7,070)</u>

Operating Activities

Our net cash flow provided by operating activities was \$5.5 million and \$8.2 million for the years ended June 30, 2019 and 2018, respectively. These amounts include net income produced from our operations plus changes in our other operating assets and liabilities. Cash provided by operating activities of \$5.5 million for the fiscal year ended June 30, 2019 included \$4.4 million of net income plus \$2.3 million of increases in accrued payroll and \$0.7 million of net decreases in other assets or increases in other liabilities, reduced by \$1.9 million of decreases in income taxes payable. Cash provided by operating activities of \$8.2 million for the fiscal year ended June 30, 2018 included \$4.6 million of net income plus \$5.1 million of increases in accrued payroll and \$1.4 million of net decreases in other assets or increases in other liabilities, reduced by \$2.9 million of decreases in accounts receivable, related parties.

Our net cash flow used in operating activities was \$7.6 million and \$6.6 million for the six months ended December 31, 2019 and 2018, respectively. Cash used in operating activities of \$7.6 million for the six months ended December 31, 2019 included \$3.1 million of net income, \$0.6 million of increases in accounts payable and accrued expenses and a \$0.6 million increase in income taxes payable that was offset by \$9.4 million of increases in accounts receivable, related parties associated with the accrual of incentive fees, and a \$2.9 million net decrease in accrued payroll from payments of bonuses during the period exceeding bonus accruals. Cash used in operating activities of \$6.6 million for the six months ended December 31, 2018 included \$2.0 million of net income plus \$1.7 million of increases in accounts receivable, related parties and a \$0.8 million unrealized loss on marketable securities, offset by an \$8.7 million net decrease in accrued payroll from payments of bonuses during the period exceeding bonus accruals and a \$1.9 million decrease in income taxes payable.

Investing Activities

Our net cash flow used in investing activities was \$0.8 million and \$0.1 million for the years ended June 30, 2019 and 2018, respectively. Our investing activities included purchases of furniture, equipment and leasehold improvements and net investments in securities related to our deferred compensation plan; and in the fiscal year ended June 30, 2018 included collection of a note receivable.

Our net cash flow used in investing activities was \$0.5 million and \$0.5 million for the six months ended December 31, 2019 and 2018, respectively. Our investing activities included purchases of furniture, equipment and leasehold improvements and net investments in securities related to our deferred compensation plan.

Financing Activities

Our net cash flow used in financing activities was \$0.5 million in the fiscal year ended June 30, 2018 related to repayments of notes payable.

There were no net cash flows from financing activities in the six months ended December 31, 2019 or 2018.

Our Future Sources of Cash and Liquidity Needs

We expect that our primary liquidity needs will be cash to: (1) provide capital to facilitate the growth of our existing asset management and financial services businesses; (2) provide capital to facilitate our expansion into new businesses that are complementary to our existing asset management and financial services businesses and that can benefit from being affiliated with us; (3) pay operating expenses, including cash compensation to our employees; (4) fund capital expenditures; (5) repay borrowings and related interest costs; (6) pay income taxes; and (7) make dividends to our stockholder. Taking into account generally expected market conditions, we believe that the sources of liquidity described below will be sufficient to fund our working capital requirements.

Our initial source of liquidity will consist of the net proceeds from this offering. See “Use of Proceeds.” In the future we expect to also receive cash from time to time from: (1) cash generated from operations; (2) incentive income realizations; and (3) realizations on the investments that we will make. In the future, we may also issue additional securities to investors and our employees with the objective of increasing our available capital which would be used for purposes similar to those noted above.

Recent Accounting Pronouncements

See Note 2 — *Summary of Significant Accounting Policies* in the *Notes to Consolidated Financial Statements* included elsewhere in this offering circular for a description of recent accounting pronouncements.

Off Balance Sheet Arrangements

We had no off-balance sheet arrangements as of June 30, 2019 or December 31, 2019.

Contractual Obligations, Commitments and Contingencies

We lease our primary office space and certain office equipment under agreements that expire in various years through 2025. In connection with certain lease agreements, we are responsible for escalation payments. The contractual obligation table below includes only guaranteed minimum lease payments for such leases and does not project potential escalation or other lease-related payments. These leases are classified as cancellable operating leases for financial statement purposes and as such are not recorded as liabilities on the combined statement of financial condition as of June 30, 2019.

The following table summarizes the contractual payments due under cancellable operating leases by fiscal year:

Rental Agreements for Office Space

Fiscal Year Ended June 30,	Amount
2020	\$ 726,066
2021	741,186
2022	762,511
2023	780,338
2024	803,860
2025	686,587
Total contractual repayments	<u>\$4,500,548</u>

Guarantee

As of June 30, 2019 and December 31, 2019, we guaranteed the entire line of credit which the Adviser Subsidiary had available to it. There were no borrowings outstanding as of June 30, 2019 or December 31, 2019. Under the current extension dated January 15, 2020, availability under the line is \$2 million through January 15, 2021.

Indemnifications

In many of our service contracts, we agree to indemnify the third-party service provider under certain circumstances. The terms of the indemnities vary from contract to contract and the amount of indemnification liability, if any, cannot be determined and has not been included in the table above or recorded in our financial statements as of June 30, 2019 or December 31, 2019.

Qualitative and Quantitative Disclosures about Market Risk

Our primary exposure to market risk is related to our role as parent to the investment adviser to the Existing Gladstone Funds and general partner (in the Future Gladstone Funds) and the sensitivity to movements in the fair value of their investments, including the effect on base management and incentive fees, financial services fees and investment income.

The market price of investments may significantly fluctuate during the period of investment. Investments may decline in value due to factors affecting securities markets generally or particular industries represented in the securities markets. The value of an investment may decline due to general market conditions which are not specifically related to such investment, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment in general. They may also decline due to factors that affect a particular industry (or industries), such as labor shortages or increased production costs and competitive conditions within an industry.

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The Existing Gladstone Funds' investments are diversified across a variety of industries and geographic locations, and as such we are broadly exposed to the market conditions and business environments referred to above. As a result, although our funds are exposed to market risks, we continuously seek to limit concentration of exposure in any particular sector so as to minimize fluctuations to our revenue.

Effect on Investment Advisory Fees

Investment advisory fees are generally based on a fixed percentage of average total assets for GAIN and GLAD, adjusted stockholders' equity for GOOD and total adjusted common equity for LAND prior to the quarter ended March 31, 2020 and gross cost of tangible real estate owned by LAND thereafter. As a result, investment advisory fees may be affected by changes in the market value of our funds' underlying investments. The overall impact of a short-term change in market value may be mitigated by a number of factors including fee definitions that are not based on market value, definitions which include certain adjustments, market value definitions that exclude the impact of realized and/or unrealized gains and losses, market value definitions based on beginning of the period values or a form of average market value including daily, monthly or quarterly averages as well monthly or quarterly payment terms.

Effect on Incentive Fees

Incentive fees are based on certain specific hurdle rates as defined in the applicable Advisory Agreement, the terms of which are summarized in the Offering Circular Summary of this document. The incentive fee entitles the Adviser Subsidiary (or an affiliate) to an allocation of income or capital gains, as applicable, from an Existing Gladstone Fund. The incentive fee is typically structured as a net profits interest in the applicable fund. In the case of the Existing Gladstone Funds, the incentive fee is calculated on a "realized gain" basis, and the Adviser Subsidiary is generally entitled to 15% to 20% of the net realized income and gains (generally taking into account unrealized losses) generated by such fund. Net realized income or loss is not netted between or among funds. Changes in the fair values of funds' investments may materially impact performance fees depending on the respective funds' performance relative to applicable hurdles or benchmarks.

Credit Risk

We are party to agreements providing for various financial services and transactions that contain an element of risk in the event that the counterparties are unable to meet the terms of such agreements. In such agreements, we depend on the respective counterparty to make payment or otherwise perform. We generally endeavor to minimize our risk of exposure by limiting to reputable financial institutions the counterparties with which we enter into financial transactions. In other circumstances, availability of financing from financial institutions may be uncertain due to market events, and we may not be able to access these financing markets.

Interest Rate Risk

We currently have limited debt exposure. However, we remain subject to financial market risks including changes in interest rates. 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 operations.

The Gladstone BDCs are subject to financial market risks, including changes in interest rates. Because our BDCs borrow money to make investments, their net investment income is dependent upon the difference between the rates at which they borrow funds and the rates at which they 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 their net investment income and thus the income-based incentive fees that our Adviser Subsidiary earns. The Gladstone BDCs use a combination of debt and equity capital to finance their investing activities. They may use interest rate risk management techniques to limit their exposure to interest rate fluctuations. Such techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act.

The Gladstone BDCs make direct or indirect investments in companies that utilize leverage in their capital structure, including leverage incurred by the company resulting from the structuring of the fund's investment in the portfolio company. The degree of leverage employed varies amongst portfolio companies based on market conditions and the portfolio company's financial situation. The Gladstone BDCs do not monitor leverage employed by their portfolio companies in the aggregate. However, for companies under our funds' control or over which our funds' have significant influence, it is our policy to endeavor to cause the portfolio company to maintain appropriate controls over its liquidity and interest rate exposures.

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In addition, the Gladstone REITs are exposed to interest rate risk. Certain of their leases contain escalations based on market indices, and the interest rate on certain of their borrowings are variable. Although LAND and GOOD seek to mitigate this risk by structuring such provisions of their loans and leases to contain a minimum interest rate or escalation rate, as applicable, these features do not eliminate this risk. To that end, they may enter into derivative contracts to attempt to manage their exposure to interest rate fluctuations.

BUSINESS

Overview

We were formed on December 7, 2009 as a Delaware corporation to continue the asset management business conducted through predecessor entities since 2001. Our sole stockholder is TGC LTD, which is controlled by David Gladstone, our Chairman, President and Chief Executive Officer.

Through our wholly-owned subsidiaries, we are an independent U.S. alternative asset manager with assets under management of approximately \$2.9 billion as of December 31, 2019. Our alternative asset management businesses include the management, through our Adviser Subsidiary, of (1) GAIN, a BDC that primarily invests in debt and equity securities of lower middle market private businesses operating in the United States (including in connection with management buyouts, recapitalization or, to a lesser extent, refinancing of existing debt facilities); (2) GLAD, a BDC that primarily invests in debt securities of established private lower middle market companies in the United States; (3) GOOD, a REIT that focuses on acquiring, owning and managing primarily office and industrial properties in the United States; and (4) LAND, a REIT that focuses on acquiring, owning and leasing farmland in the United States. We also provide various administrative and financial services, including investment banking, due diligence, dealer manager, mortgage placement, and other financial services through our Broker-Dealer Subsidiary.

We have grown our assets under management significantly, from approximately \$132.2 million as of September 30, 2001 to approximately \$2.9 billion as of December 31, 2019, representing a CAGR of approximately 19%. Our Adviser Subsidiary oversees the investments of the four Existing Gladstone Funds which have collectively invested approximately \$5.7 billion in 581 businesses or properties through December 31, 2019. As of December 31, 2019, we had 29 executive officers, managing directors and directors and also employed 41 other investment and administrative professionals through our Adviser Subsidiary and Administrator Subsidiary at our headquarters in McLean, Virginia (a suburb of Washington, D.C.) and our offices in New York, New York, Chicago, Illinois, Seattle, Washington, Dallas, Texas and Salinas, California. All such personnel are directly employed by either our Adviser Subsidiary or our Administrator Subsidiary.

The alternative asset management industry has experienced significant growth in worldwide assets under management in the past ten years and is expected to grow to \$14.0 trillion by 2023 based on *The Future of Alternatives* report published by Preqin in October 2018. Their assessment is driven by the following:

- the track record of alternatives including their ability to deliver superior risk-adjusted returns;
- investors' ability to find alpha in private capital alternatives better than in public markets;
- a steady increase in private capital as a source to fund businesses throughout their lifecycles;
- growing opportunities for alternative asset managers in private debt as traditional lenders decline; and
- alternative asset management vehicles have been the fastest growing segment of the asset management industry in part because many investors have sought to diversify their investment portfolios to include alternative asset strategies and alternative asset managers have generally delivered superior returns with a lower correlation to the broader market than traditional asset management strategies.

Alternative asset management vehicles have been the fastest growing segment of the asset management industry in part because many investors have sought to diversify their investment portfolios to include alternative asset strategies and alternative asset managers have generally delivered superior returns with a lower correlation to the broader market than traditional asset management strategies.

We seek to deliver superior returns to investors in our funds through a disciplined, value-oriented investment approach. We believe that this investment approach, implemented across our broad and expanding range of alternative asset classes and investment strategies, helps provide stability and predictability to our business over different economic cycles and has contributed to our growth of assets under management over an extended period of time. Our investment personnel have cultivated strong relationships with clients in our financial advisory business through our Adviser Subsidiary, where we endeavor to provide objective and insightful solutions and advice that our clients can trust. We believe our scaled, diversified businesses, coupled with our long track record of investment performance, proven investment approach and strong client relationships, position us to continue to perform well in a variety of market conditions, expand our assets under management and add complementary businesses.

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Assets Under Management

Assets under management were \$2.9 billion at December 31, 2019, an increase of \$0.2 million, or 8.3%, compared to \$2.7 billion at June 30, 2019. The following table sets forth assets under management by Existing Gladstone Fund as of December 31, 2019 and June 30, 2019.

(in millions)	December 31, 2019	June 30, 2019
GAIN	\$ 582.84	\$ 641.95
GLAD	438.79	415.34
GOOD	1,039.51	969.79
LAND	816.79	628.72
Other Investments(1)	56.70	55.12
Total	\$ 2,934.63	\$ 2,710.92

(1) Other Investments consist of the assets of The Gladstone Companies, Inc. and its subsidiaries.

Assets under management have increased since June 30, 2019 primarily as a result of the ability of the Existing Gladstone Funds to raise additional capital and effectively deploy such capital in new investments. The growth of our assets under management is also partially due to the appreciation of certain investments over time and, to a limited extent, interest earned on certain investments and the redeployment of gains received upon the exit of investments.

The following tables provide a roll-forward of assets under management by Existing Gladstone Fund for the fiscal year ended June 30, 2019 and the six months ended December 31, 2019:

(in millions)	Fiscal Year Ended June 30, 2019					
	GLAD	GAIN	GOOD	LAND	Other	Total
Beginning Balance, June 30, 2018	\$ 415.42	\$ 639.04	\$912.01	\$475.21	\$49.69	\$2,491.37
Investment Purchases and Additions	134.45	133.23	101.41	147.30	—	516.39
Investment Repayments and Sales	(112.40)	(185.73)	(8.50)	(14.20)	—	(320.83)
Change in Fund Value	(22.13)	55.41	(35.13)	20.41	5.43	23.99
Ending Balance, June 30, 2019	\$ 415.34	\$ 641.95	\$969.79	\$628.72	\$55.12	\$2,710.92

(in millions)	Six Months Ended December 31, 2019					
	GLAD	GAIN	GOOD	LAND	Other	Total
Beginning Balance, June 30, 2019	\$415.34	\$ 641.95	\$ 969.79	\$628.72	\$55.12	\$2,710.92
Investment Purchases and Additions	67.94	44.08	89.56	112.59	—	314.17
Investment Repayments and Sales	(41.21)	(124.21)	—	—	—	(165.42)
Change in Fund Value	(3.28)	21.02	(19.84)	75.48	1.58	74.96
Ending Balance, December 31, 2019	\$438.79	\$ 582.84	\$1,039.51	\$816.79	\$56.70	\$2,934.63

Competitive Strengths

Diversified, National Alternative Asset Management. Alternative asset management is the fastest growing segment of the asset management industry, and we are one of the leading mid-sized independent alternative asset managers in the U.S. Our asset management business is diversified across a broad variety of alternative asset classes and investment strategies and has national reach and scale. From the time our Adviser Subsidiary entered the asset management business in 2001 through December 31, 2019, the Existing Gladstone Funds have raised approximately \$2.4 billion of capital. Our assets under management have grown from approximately \$132.2 million as of September 30, 2001 to approximately \$2.9 billion as of December 31, 2019, representing a CAGR of approximately 19%. We believe that the strength and breadth of our franchise, supported by our people, investment approach and track record of success, provide a distinct advantage when raising capital, evaluating opportunities, making investments, building value and realizing returns.

Stable Earnings Model. We believe we have a stable earnings model based on:

All of the capital that we currently manage is long-term in nature. As of December 31, 2019, 100% of our assets under management were in permanent capital vehicles with no fund termination or maturity. None of the Existing Gladstone Funds has a requirement to return capital to investors. This has enabled and continues to enable us to invest assets with a long-term focus over different points in a market cycle, which we believe is an important component in generating attractive returns. We believe our long-term capital also leaves us well-positioned during economic downturns, when the fundraising environment for alternative assets has historically been more challenging than during periods of economic expansion.

We have a diverse capital base from four distinct funds. For the fiscal year ended June 30, 2019, approximately 24.5%, 39.0%, 20.1%, and 5.5% of our total fee revenue was generated from GLAD, GAIN, GOOD and LAND, respectively. We have a well-balanced and diverse capital base, which we believe is the result of our demonstrated expertise across alternative capital vehicles.

A significant portion of our revenue is generated from management fees. Management fees, which are generally based on the amount of invested capital in funds we manage, are generally more predictable and less volatile than performance-based fees. For the fiscal year ended June 30, 2019, approximately 37.1% of our total fee revenue was comprised of base management fees. For the years ended June 30, 2017, 2018 and 2019, base management fees averaged 41.4% of our total fee revenue.

Strong Middle Market Presence. While we have some exposure to large companies through tenants of certain GOOD properties, our business of investing in alternative assets includes substantial exposure to the U.S. middle market, defined as U.S. businesses with \$10 million to \$1 billion in annual revenue. According to the National Center for The Middle Market, middle market businesses generated \$6 trillion in accrued revenue which is 33% of the private sector GDP and employed nearly 48 million people in the United States. In addition, according to the National Center for the Middle Market's second quarter 2019 report, the year-over-year revenue growth rate of middle market companies was 8.5% as compared to 2.2% for companies comprising the S&P 500. In addition, the projected revenue growth rate of middle market companies for the 12-month period ending June 30, 2020 is projected to be at 5.4% with an estimated 77% of middle market companies projecting increased revenue over the same period.

Demonstrated Investment Track Record. We have a demonstrated record of generating attractive risk-adjusted returns across our asset management business. We believe that the investment returns we have generated for investors in the Existing Gladstone Funds over many years across a broad and expanding range of alternative asset classes and through a variety of economic conditions and cycles of the equity and debt capital markets are a key reason why we have been able to consistently grow our assets under management across our alternative asset management platform.

Diverse Base of Longstanding Investors. We have a long history of raising significant amounts of capital on a national basis across a broad range of asset classes, and we believe that the strength and breadth of our relationships with individual and institutional investors will provide us with a competitive advantage in raising capital. During the nearly two decades of asset management activities of our Adviser Subsidiary, we have built long-term relationships with many individual investors through brokerage houses and smaller institutional investors in the U.S., most of which invest in a number of the Existing Gladstone Funds. Furthermore, the investor base of the Existing Gladstone Funds is highly diversified, with no single unaffiliated investor in the Existing Gladstone Funds accounting for more than 9% of the total amount of capital raised for those funds as of June 30, 2019. We believe that our strong network of investor relationships, together with our long-term track record of providing investors in our funds with superior risk-adjusted investment returns, will enable us to continue to grow the Existing Gladstone Funds and successfully launch the Future Gladstone Funds.

Strong Industry and Corporate Relationships. We believe that the strength of our relationships with investment banking firms, other financial intermediaries and leading corporations and corporate executives provides us with competitive advantages in identifying transactions, securing investment opportunities and generating exceptional returns. We actively cultivate our relationships with major investment banking firms and other financial intermediaries. We believe our repeated and consistent dealings with these firms over a long period of time have led to our being one of the first parties considered for potential investment ideas and have enhanced our ability to obtain financing on more favorable terms. We believe that our strong network of relationships with these firms provide us with a significant advantage in attracting deal flow and securing transactions, including a substantial number of exclusive investment opportunities and opportunities that are made available to a very limited number of other private equity firms.

Our People. We believe that our 29 executive officers and senior management, who average more than 28 years of experience in the business of the fund that they manage, are the key drivers in the growth of our business. Our executive officers and senior management are supported by approximately 41 other professionals with a variety of backgrounds in investment banking, leveraged finance, private equity, real estate and other disciplines. We believe that the extensive experience and financial acumen of

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our management and professionals provide us with a significant competitive advantage. We also believe that we benefit from substantial synergies across all of these businesses, including the ability to leverage the extensive intellectual capital that resides throughout our firm. We believe that the extensive investment review process that is conducted in all of our asset management businesses, involving active participation by David Gladstone, Terry Brubaker, David Dullum, Bob Cutlip, Bob Marcotte and Michael LiCalsi, is not only a significant reason for our successful investment performance but also helps to maximize those synergies. See “*Management*” for additional background information for our executive officers.

Distinct Advisory Perspective. We are not engaged in activities that might conflict with our role as a trusted financial advisor. We believe that this makes us particularly well-suited to represent boards and special committees in the increasing number of situations where they are looking to retain a financial advisor who is devoid of such conflicts. In addition, we believe that our ability to view financial advisory client assignments from both the client’s and an owner’s perspective often provides unique insights into how best to maximize value while also achieving our clients’ strategic objectives.

Demonstrated History of Legal and Regulatory Compliance. We have a proven track record of launching and managing publicly traded BDC and REIT vehicles, each of which is subject to distinctive compliance and regulatory challenges. Rigorous legal and compliance analysis of our businesses and investments is important to our culture and our history of regulatory and legal compliance across all of our vehicles is a core strength of our firm.

Our Growth Strategy

We intend to grow our assets under management by providing seed money to our Future Gladstone Funds, as outlined below, and for other possible new affiliated fund initiatives:

New REIT for Investments in Retail Properties We intend to invest up to \$20 million of the proceeds of this offering as seed capital in Gladstone Retail through an interest in Gladstone Retail’s operating partnership, which has not yet been formed. Gladstone Retail would seek to purchase and own retail properties, which we define as locations that are open to the public and provide a product or service. These can include fast food restaurants, drug stores, auto dealerships, bank branches, supermarkets and health care service locations. We would lease the locations to qualified tenants with experience in the product or service to be offered. Our management has prior experience in evaluating, purchasing and leasing retail properties and we would use this expertise to focus on acquiring properties with strong potential current income and value appreciation. Gladstone Retail would not compete with GOOD because GOOD does not invest in retail properties. As of the date of this offering circular, we have not identified specific properties that Gladstone Retail would seek to purchase.

New Fund to Invest in Farming Related Businesses We intend to invest up to \$20 million of the proceeds of this offering as seed capital in Gladstone Farming. Once launched, Gladstone Farming will seek to purchase agricultural operations across the United States that are focused on high-value crops such as organic vegetables, fruits and nuts and those of which may be converted to organic.

Gladstone Partners for Co-Investments with BDCs: We intend to invest up to \$5 million of the proceeds of this offering as seed capital in Gladstone Partners. Gladstone Partners would invest alone or co-invest in new portfolio companies with the Gladstone BDCs. By using capital to co-invest with the Gladstone BDCs in this manner, we may take advantage of opportunities to make larger investments in portfolio companies, in the aggregate. Further, we believe that investing this seed capital in Gladstone Partners would enable Gladstone Partners to seek and obtain additional direct equity investments of cash from new unaffiliated investors in exchange for limited partnership interests therein. These additional investments would provide funding for Gladstone Partners to make future additional co-investments with GAIN and GLAD. Gladstone Partners does not intend to be regulated as a BDC under the 1940 Act. As of the date of this offering circular, we have not identified specific co-investment opportunities in portfolio companies or loans.

We believe that the foregoing investments in our Future Gladstone Funds would add diversification to our portfolio of funds and, in certain circumstances, allow the funds that we manage to invest in larger investment opportunities. In addition to exploring entering into new businesses, we intend to continue to explore ways to expand our lines of business, as we have successfully done throughout our firm’s history, including by (1) adding new funds to our various asset management businesses (potentially including new structured debt and asset backed funds, new proprietary real estate funds and industry- or geography-specialized types of private equity funds) and otherwise pursuing ways to expand our assets under management in all of our businesses, and (2) continuing to attract to our firm individuals who can help us expand our asset management and financial services businesses into new

investment or advisory areas and new geographic regions. To date, none of the Future Gladstone Funds listed above has conducted any business other than in connection with their initial formation. There is no assurance that we will be able to utilize the offering proceeds in the manner or amounts contemplated herein, or at all. We have not determined a likely order for the intended investments described above and may determine not to pursue one or more of the above funds. In the future, we may fund other real estate or portfolio company investments. Such future strategies may include investing in entities focused on purchasing and managing large farm operations, which we generally define as an operation exceeding \$100 million in value, or investing in special purpose acquisition companies. We currently do not have any plans to enter into these long-term possibilities.

Financial Services

Financial services generally include receiving transaction-based compensation or other compensation for providing advice on a variety of strategic and financial matters, such as mergers, acquisitions and divestitures, restructurings and reorganizations and capital raising and capital structure. Such services are generally provided by investment banking firms, integrated commercial banks and specialized “boutique” financial firms. Advisors typically earn either a fixed fee or a fee based on a percentage of a transaction’s value, generally paid only when the transaction is completed. The total global merger and acquisition deal value in 2018 was \$3.8 trillion, an increase of 4% over 2017 levels and the fifth consecutive year to surpass \$3 trillion, according to the *Institute of Mergers, Acquisitions and Alliances*.

In addition to the asset management services that we provide through our Adviser Subsidiary, the provision of other financial services through our Broker-Dealer Subsidiary has also impacted our overall operation positively. Our Broker-Dealer Subsidiary receives various financial services fees, which typically consist of transaction-based fee and commission arrangements related to investment banking, due diligence, dealer manager, mortgage placement, and other financial services. Transaction fees are recognized when they are collected.

Over the five year period ended June 30, 2019, we have generated \$44.7 million in various fees through our financial services business, including \$38.2 million of investment banking, annual review and property management fees and \$6.4 million of securities trade commissions.

Administrative Services

The Administrator Subsidiary provides administrative services to the Existing Gladstone Funds as well as our Adviser Subsidiary and Broker-Dealer Subsidiary and is expected to provide such services for the Future Gladstone Funds. Its revenues equal its costs, as the Administrator Subsidiary’s purpose is to provide the requisite level of administrative services to the Existing Gladstone Funds (and to the Future Gladstone Funds) and our other subsidiaries at the lowest feasible cost. Additionally, the Administrator Subsidiary is responsible for producing the financial statements, asset valuations, handling compliance, legal, and other duties for us, the Existing Gladstone Funds, and our other subsidiaries.

The Administration Agreements for the Existing Gladstone Funds provide for payments equal to their allocable portion of the Administrator Subsidiary’s expenses incurred while performing services to them, which are primarily rent and salaries and benefits expenses of the Administrator Subsidiary’s employees, including each of the Existing Gladstone Funds’ chief financial officer and treasurer, chief compliance officer, chief valuation officer and general counsel and secretary (who also serves as the Administrator Subsidiary’s president).

Historical Investment Performance of Our Funds

When considering the data presented below, you should note that the historical results of the Existing Gladstone Funds are not indicative of the future results that investors in such funds, or in any future funds may experience.

Moreover, with respect to the historical returns of the Existing Gladstone Funds:

- the rates of return of the Existing Gladstone Funds reflect unrealized gains as of the applicable measurement date that may never be realized, which may adversely affect the ultimate value realized from those funds’ investments;
- in the past few years, the rates of returns of the Existing Gladstone Funds have been positively influenced by a number of investments that experienced rapid and substantial increases in value following the dates on which those investments were made, which may not occur with respect to future funds or investments;

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- the Existing Gladstone Funds' returns have benefited from investment opportunities and general market conditions that may not recur, including favorable borrowing conditions in the debt markets, and there can be no assurance that our current or future funds will be able to avail themselves of comparable investment opportunities or market conditions; and
- the rates of return reflect our historical cost structure, which may vary in the future due to factors beyond our control, including changes in laws.

See “*Risk Factors—Risks Related to Our Business*.” In addition, future returns will be affected by the applicable risks described elsewhere in this offering circular, including risks of the industries and businesses in which a particular fund invests.

Investment Records of the Existing Gladstone Funds

The following tables provide the total percentage return on a \$100 investment in common stock of the Existing Gladstone Funds, assuming a reinvestment of all dividends, for one year, three years and five years ended December 31, 2019 are set out below, rounded to the nearest whole percent and the current yield on each of the Existing Gladstone Funds based on reported closing stock price as of December 31 of each year.

Total Percent Return			
Funds	1 Year	3 Year	5 Year
GLAD	49%	38%	95%
GAIN	56%	65%	195%
GOOD	26%	32%	85%
LAND	18%	30%	22%

Competition

The asset management and financial services industries are intensely competitive and we expect them to remain so. We compete both nationally and on a regional, industry and niche basis. We compete on the basis of a number of factors, including investment performance, transaction execution skills, access to and cost of capital, business reputation, range and quality of products and services, innovation and price.

Asset Management. We face competition both in the pursuit of outside investors for the Existing Gladstone Funds and our Future Gladstone Funds and in acquiring investments in attractive portfolio companies and making other investments. Depending on the investment, we expect to face competition primarily from private equity funds, specialized investment funds, hedge fund sponsors, commercial banks and other financial institutions, corporate buyers and other parties, including, primarily, other BDCs and REITs. Many of these competitors are substantially larger and have considerably greater financial, technical and marketing resources than are generally available to us. Several of these competitors have recently raised funds, or are expected to raise funds, with significant amounts of capital and many of them have similar investment objectives to our funds, which may create additional competition for investment opportunities. Some of these competitors may also have a lower cost of capital and access to funding sources that are not available to us or the funds that we manage, which may create competitive disadvantages for us with respect to investment opportunities. In addition, some of these competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments that we want to make on behalf of our funds or through proprietary accounts. Corporate buyers may be able to achieve synergistic cost savings with regard to an investment that may provide them with a competitive advantage in bidding for an investment. Moreover, the allocation of increasing amounts of capital to alternative investment strategies by institutional and individual investors may lead to a reduction in the size and duration of pricing inefficiencies that many of our funds seek to exploit.

Financial Services. Our competitors are other financial advisory and investment banking firms. Our primary competitors in our financial advisory business are large financial institutions, many of which have far greater financial and other resources and much broader client relationships than us and (unlike us) have the ability to offer a wide range of products, from loans, deposit-taking and insurance to brokerage and a wide range of investment banking services, which may enhance their competitive position. Our competitors also have the ability to support investment banking, including financial advisory services, with commercial banking, insurance and other financial services revenue in an effort to gain market share, which puts us at a competitive disadvantage and could result in pricing pressures that could materially adversely affect our revenue and profitability.

Employees

As of December 31, 2019, we employed through our Adviser Subsidiary and Administrator Subsidiary 70 people, including 29 executive officers, managing directors and directors and 41 other investment and administrative professionals, all of which are full-time employees. We consider our relationship with our employees to be good and have not experienced interruptions of operations due to labor disagreements.

Regulatory and Compliance Matters

The asset management and financial services industries are subject to extensive regulation in the U.S. and elsewhere. The SEC and other regulators have in recent years significantly increased their regulatory activities with respect to alternative asset management firms. Certain of our businesses are subject to compliance with federal and state laws and regulations, the oversight of their respective agencies and/or various self-regulatory organizations or exchanges, and any failure to comply with these regulations could expose us to liability and/or reputational damage. Our businesses have operated for a number of years within a legal framework that requires our being able to monitor and comply with a broad range of legal and regulatory developments that affect our activities. However, additional legislation, changes in rules promulgated by regulators or changes in the interpretation or enforcement of existing laws and rules, either in the U.S. or elsewhere, may directly affect operation and profitability.

Rigorous legal and compliance analysis of our businesses and investments is important to our culture. We strive to maintain a culture of compliance through the use of policies and procedures such as oversight compliance, codes of conduct, compliance systems, communication of compliance guidance and employee education and training. We have a compliance group that monitors our compliance with all of the regulatory requirements to which we are subject and manages our compliance policies and procedures. Our Executive Vice President of Administration, General Counsel and Secretary, Michael LiCalsi, also serves as President of our Administrator Subsidiary, and thus supervises our compliance group, which is responsible for addressing all regulatory and compliance matters that affect our and the Existing Gladstone Funds' activities. Our compliance policies and procedures address a variety of regulatory and compliance risks such as the handling of material non-public information, position reporting, personal securities trading, valuation of investments on a fund-specific basis, document retention, potential conflicts of interest and the allocation of investment opportunities.

FINRA Regulation

Our Broker-Dealer Subsidiary, through which we primarily conduct our financial services business, is registered as a broker-dealer with the SEC and is a member of FINRA and the SIPC, and is registered as a broker-dealer in all fifty states. Our Broker-Dealer Subsidiary is subject to regulation and oversight by the SEC and FINRA. Broker-dealers are subject to regulations that cover all aspects of the securities business, including sales methods, trade practices among broker-dealers, use and safekeeping of customers' funds and securities, capital structure, record-keeping, the financing of customers' purchases and the conduct and qualifications of directors, officers and employees. In recent years, the SEC and various self-regulatory organizations have aggressively increased their regulatory activities in respect of asset management firms.

SEC Regulation

Our Adviser Subsidiary is registered with the SEC as an investment adviser under the Advisers Act, and our BDCs, GLAD and GAIN, are regulated under certain provisions of the 1940 Act. As compared to other, more disclosure-oriented U.S. federal securities laws, the Advisers Act and the 1940 Act, together with the SEC's regulations and interpretations thereunder, are highly restrictive regulatory statutes. The SEC is authorized to institute proceedings and impose sanctions for violations of the Advisers Act and the 1940 Act, ranging from fines and censures to termination of an adviser's registration.

Under the Advisers Act, an investment adviser has fiduciary duties to its clients. The SEC has interpreted these duties to impose standards, requirements and limitations on, among other things, trading for proprietary, personal and client accounts; allocations of investment opportunities among clients; use of "soft dollars," a practice that involves using client brokerage commissions to purchase research or other services that help managers make investment decisions; execution of transactions; and recommendations to clients. On behalf of our investment advisory clients, we make decisions to buy and sell securities for each portfolio, select broker dealers to execute trades and negotiate brokerage commission rates.

The Advisers Act also imposes specific restrictions on an investment adviser's ability to engage in principal and agency cross transactions. As a registered adviser, our Adviser Subsidiary is subject to many additional requirements that cover, among other things, disclosure of information about its business to clients; maintenance of written policies and procedures; maintenance of

extensive books and records; restrictions on the types of fees it may charge; custody of client assets; client privacy; advertising; and solicitation of clients. The SEC has legal authority to inspect any investment adviser and typically inspects a registered adviser periodically to determine whether the adviser is conducting its activities in compliance with (i) applicable laws, (ii) disclosures made to clients and (iii) adequate systems, policies and procedures to ensure compliance.

A majority of our revenues are derived from our Adviser Subsidiary's provision of asset management services, including those provided to our BDCs. The 1940 Act imposes significant requirements and limitations on BDC funds, including with respect to its capital structure, investments and transactions. While our Adviser Subsidiary exercises broad discretion over the day-to-day management of these funds, every fund is also subject to oversight and management by a board of directors, a majority of whom are not "interested persons" as defined under the 1940 Act. The responsibilities of each board include, among other things, approving the advisory contract with the BDC; approving service providers; determining the valuation and the method for valuing assets; and monitoring transactions involving affiliates. Advisory contracts with the Gladstone BDCs may be terminated by either party or by the BDC's stockholders on not more than 60 days' notice, and are subject to annual renewal by the BDC's board of directors. In addition, under the 1940 Act, advisory agreements with 1940 Act funds (such as the Gladstone BDCs) terminate automatically upon assignment. The term "assignment" is broadly defined and includes direct assignments as well as assignments that may be deemed to occur upon the transfer, directly or indirectly, of a controlling interest in us.

Generally, BDCs are prohibited under the 1940 Act from knowingly participating in certain transactions with their affiliates without prior approval of their board of directors who are not interested persons and, in some cases, prior approval by the SEC. The SEC has interpreted the prohibition on transactions with affiliates to prohibit "joint transactions" among entities that share a common investment adviser. On July 26, 2012, the SEC granted an exemptive order that permits GAIN, GLAD and any future BDC or closed-end management investment company that is advised by the Adviser Subsidiary (or sub-advised by the Adviser Subsidiary if it also controls the fund), or any combination of the foregoing, toco-invest subject to the conditions contained therein.

In certain situations where co-investment with one or more funds managed by the Adviser Subsidiary or its affiliates is not covered by the order, such as when there is an opportunity to invest in different securities of the same issuer, the personnel of the Adviser Subsidiary or its affiliates will need to decide which fund will proceed with the investment. Such personnel will make these determinations based on policies and procedures, which are designed to reasonably ensure that investment opportunities are allocated fairly and equitably, but do not entirely eliminate potential for a conflict of interest.

Properties

We do not own any real estate or other physical properties material to our operations. Our principal executive offices, which are leased by the Adviser Subsidiary, are located at 1521 Westbranch Drive, Suite 100, McLean, Virginia 22102. We also have offices in: New York, New York; Chicago, Illinois; Seattle, Washington; Dallas, Texas; and Salinas, California. We consider these facilities to be suitable and adequate for the management and operation of our business as presently conducted.

Legal Proceedings

We may from time to time be involved in litigation and claims incidental to the conduct of our business. Our businesses are also subject to extensive regulation, which may result in regulatory proceedings against us. We are not currently subject to any pending judicial, administrative or arbitration proceedings that we expect to have a material impact on our results of operations or financial condition. See "*Risk Factors—Risks Related to Our Business.*"

MANAGEMENT

Directors and Executive Officers

The following table sets forth the names, ages and positions of our executive officers and Directors.

Name	Age	Position
David Gladstone	78	Chairman, President and Chief Executive Officer
Michael Malesardi	59	Chief Financial Officer and Treasurer
Terry Brubaker	76	Vice Chairman and Chief Operating Officer
Michael LiCalsi	49	Director, Executive Vice President of Administration, General Counsel and Secretary

David Gladstone

Mr. Gladstone is our founder, sole shareholder, through his ownership in TGC LTD, and director, and has served as Chief Executive Officer, President and Chairman of the Board of Directors since our inception in 2009. He also founded and serves as Chief Executive Officer and Chairman of the Board of Directors of each Existing Gladstone Fund and our Adviser Subsidiary, as well as Chief Executive Officer of our Administrator Subsidiary, and a member of the board of managers of our Broker-Dealer Subsidiary. Prior to founding GLAD, Mr. Gladstone served as Vice Chairman then Chairman of the Board of Directors of American Capital Ltd. a publicly traded leveraged buyout fund and mezzanine debt finance company, from June 1997 to August 2001. From 1974 to February 1997, Mr. Gladstone held various positions, including Chairman and Chief Executive Officer, with Allied Capital Corporation, Allied Capital Corporation II, Allied Capital Lending Corporation, or, collectively, the Allied Companies, and Allied Capital Advisers, Inc., a registered investment advisor that managed the Allied Companies. During Mr. Gladstone's tenure with them, the Allied Companies were the largest group of publicly-traded mezzanine debt funds in the U.S. and were managers of two private venture capital limited partnerships. From 1991 to 1997, Mr. Gladstone served either as Chairman of the Board of Directors or President of Allied Capital Commercial Corporation, a publicly traded REIT that invested in real estate loans to small and medium-sized businesses, managed by Allied Capital Advisers, Inc. From 1992 to 1997, Mr. Gladstone served as a Director, President and Chief Executive Officer of Business Mortgage Investors, a privately held mortgage REIT managed by Allied Capital Advisers, which invested in loans to small and medium-sized businesses. Mr. Gladstone is also a past Director of Capital Automotive REIT, a real estate investment trust that purchased and net leased real estate to automobile dealerships. Mr. Gladstone served as a Director of The Riggs National Corporation (the parent of Riggs Bank) from 1993 to May 1997 and of Riggs Bank from 1991 to 1993. He previously served as a Trustee of the George Washington University and currently is Trustee Emeritus. He is a past member of the Listings and Hearings Committee of the National Association of Securities Dealers, Inc., the predecessor to FINRA. He is a past member of the Advisory Committee to Women's Growth Capital Fund, a venture capital firm that finances women-owned small businesses. Mr. Gladstone was the founder and managing member of The Capital Investors, LLC, a group of angel investors, and is currently a Member Emeritus. Mr. Gladstone holds an MBA from the Harvard Business School, an MA from American University and a BA from the University of Virginia. Mr. Gladstone has co-authored two books on financing for small and medium-sized businesses, *Venture Capital Handbook* and *Venture Capital Investing*.

Michael Malesardi

Mr. Malesardi has been our Chief Financial Officer and Treasurer (principal financial and accounting officer) since joining Gladstone in July 2018 on an interim basis and since September 2018 on a permanent basis. He started his career with Price Waterhouse in 1982 in Washington, DC and Calgary, Alberta, rising to Audit Senior Manager. From 1992 to 2015 he served in financial leadership roles of several public and private companies including Presidio Networked Solutions, AES, OmniSky, PSINet and Watson Wyatt. From 2015 to 2016 he served as Senior Vice President of Human Resources and Chief Ethics Officer of NVR. From 2016 to 2018 he provided financial consulting services to several public companies. A CPA licensed in the Commonwealth of Virginia, Mr. Malesardi is a graduate of Washington and Lee University with a B.S. in Business Administration and Accounting.

Terry Brubaker

Mr. Brubaker has served as our Vice Chairman of the Board of Directors, Chief Operating Officer, and Assistant Secretary since our inception in 2009. Mr. Brubaker has also served as: (1) Vice Chairman of GLAD, GAIN, GOOD and LAND since 2004, 2005, 2004 and 2007, respectively; (2) Chief Operating Officer of GLAD, GAIN, GOOD and LAND since 2001, 2005,

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2003 and 2007, respectively; and (3) Assistant Secretary of GLAD and GAIN since October 2012. In addition, Mr. Brubaker has served as the Vice Chairman, Chief Operating Officer and a Director of the Adviser Subsidiary since 2006. He also served as President of our Adviser Subsidiary from inception through February 2006, when he assumed duties of Vice Chairman. Mr. Brubaker has also served as Chief Operating Officer of the Administrator Subsidiary since its inception in 2005. In March 1999, Mr. Brubaker founded and, until May 1, 2003, served as Chairman of Heads Up Systems, a company providing processing industries with leading edge technology. From 1996 to 1999, Mr. Brubaker served as Vice President of the paper group for the American Forest & Paper Association. From 1992 to 1995, Mr. Brubaker served as President of Interstate Resources, a pulp and paper company. From 1991 to 1992, Mr. Brubaker served as President of IRI, a radiation measurement equipment manufacturer. From 1981 to 1991, Mr. Brubaker held several management positions at James River Corporation, a forest and paper company, including Vice President of Strategic Planning from 1981 to 1982, Group Vice President of the Groveton Group and Premium Printing Papers from 1982 to 1990 and Vice President of Human Resources Development in 1991. From 1976 to 1981, Mr. Brubaker was Strategic Planning Manager and Marketing Manager of White Papers at Boise Cascade. Previously, Mr. Brubaker was a Senior Engagement Manager at McKinsey & Company from 1972 to 1976. Prior to 1972, Mr. Brubaker was a U.S. Navy Fighter Pilot. Mr. Brubaker holds an MBA from the Harvard Business School and a BSE from Princeton University.

Michael LiCalsi

Mr. LiCalsi has been our General Counsel and Secretary since 2009 and our Executive Vice President of Administration and a Director since May 2020 and February 2020, respectively. In addition, Mr. LiCalsi has served as General Counsel and Secretary since October 2009 and October 2012, respectively, of our Adviser Subsidiary, our Administrator Subsidiary and each of the Existing Gladstone Funds. Mr. LiCalsi was also appointed President of our Administrator Subsidiary in July 2013. Mr. LiCalsi also serves in several capacities for our Broker-Dealer Subsidiary, serving as a member of its board of managers since 2010, a managing principal since 2011, and Chief Legal Officer and Secretary since 2010. Mr. LiCalsi currently holds his series 7 and 24 licenses at our Broker-Dealer Subsidiary. A graduate of the George Mason University School of Law, where he served as Editor-in-Chief of the George Mason Law Review from 2004 to 2005. Mr. LiCalsi is currently a member of the Virginia State Bar and District of Columbia Bar. Before joining the Gladstone Companies, Mr. LiCalsi served as an Associate Attorney in the Washington, D.C. office of Baker Botts L.L.P., a multinational law firm. From 1996 to 2004, Mr. LiCalsi held various positions at TD Waterhouse Investor Services, Inc. (currently TD Ameritrade, Inc.), including those of regional and national vice president. Prior to his tenure in the financial services industry, Mr. LiCalsi graduated from Rutgers College, with a BA in History.

Director Compensation

Our employee Directors do not receive any compensation for their service as Directors.

COMPENSATION

The services necessary for the operation of our business are provided by our officers and other employees through our Adviser Subsidiary and Administrator Subsidiary.

Our named executive officers for the fiscal year ended June 30, 2019, consisting of our principal executive officer and the next two most highly compensated executive officers were:

- Mr. Gladstone, our Chairman, President and Chief Executive Officer, who is an employee of and compensated directly by our Adviser Subsidiary;
- Mr. Brubaker, our Vice Chairman and Chief Operating Officer, who is an employee of and compensated directly by our Adviser Subsidiary; and
- Mr. Dullum, our Executive Vice President of Private Equity (Buyouts), who is an employee of and compensated directly by our Adviser Subsidiary.

2019 Summary Compensation Table

The following table sets forth summary information concerning the compensation earned by our named executive officers for the fiscal year ended June 30, 2019. All compensation in the table below was paid through the Adviser Subsidiary and reflects compensation for services provided to us as well as the Existing Gladstone Funds.

Name and Principal Position	Year	Salary	Bonus	Nonequity Incentive Plan Compensation	All Other Compensation⁽¹⁾	Total
David Gladstone (2) <i>President and Chief Executive Officer</i>	2019	\$451,000	\$ 470,000	\$ 1,514,355	\$ 30,047	\$2,465,402
Terry Brubaker (2) <i>Vice Chairman and Chief Operating Officer</i>	2019	219,000	457,000	1,255,382	30,063	1,961,445
David Dullum (2) <i>Executive Vice President of Private Equity (Buyouts)</i>	2019	420,000	2,169,000	636,922	30,080	3,256,002

- (1) Amounts in this column include 401(k) employer safe harbor contributions and the premiums paid by the Adviser Subsidiary or the Administrator Subsidiary for health insurance.
- (2) Reflects compensation paid to the executive by our Adviser Subsidiary.

Non-Equity Incentive Plan

The Adviser Subsidiary is party to certain agreements with certain current and former employees and officers of the Adviser Subsidiary that operate the respective Existing Gladstone Funds whereby substantially all of the incentive fees received by the Adviser Subsidiary from the Existing Gladstone Funds are divided among such employees and officers. The Adviser Subsidiary may retain certain unallocated portions of the incentive fees pursuant to such agreements from time to time in its discretion.

Outstanding Equity Awards

Our named executive officers did not have any outstanding equity awards with respect to our capital stock as of June 30, 2019.

Employment Agreements

Our Adviser Subsidiary is currently a party to employment agreements with each of Messrs. Gladstone and Brubaker dated April 22, 2004 and May 26, 2019, respectively. The employment agreement with Mr. Gladstone had an initial three-year term which automatically renews for additional successive one-year periods unless either the Company or Mr. Gladstone provides three months prior written notice of their intent to terminate the employment agreement. The employment agreement with Mr. Brubaker is at will. The employment

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agreements provided for an annual base salary of \$200,000 and \$219,000 for Messrs. Gladstone and Brubaker, respectively, and the opportunity for annual salary increases for Mr. Gladstone based on performance. The annual salary increases received by Mr. Gladstone are reflected in the Summary Compensation Table. As a result of performance based increases, the annual base salary for Mr. Gladstone is currently \$437,000. Messrs. Gladstone and Brubaker are eligible for a discretionary incentive bonus as determined in the sole discretion of the Board of Directors or the Compensation Committee. Under the agreements, Messrs. Gladstone and Brubaker are also entitled to participate in any plan based on the distribution of incentive fees paid to our Adviser Subsidiary by entities it manages or advises.

In the event Mr. Gladstone is terminated without “Cause” (as defined in his employment agreement) or in connection with a “Change in Control” (as defined in his employment agreement) then, subject to his execution of a release of claims and further subject to his continued compliance with his post-termination obligations, he will receive from the Adviser Subsidiary monthly severance payments over a two-year period in an aggregate amount equal to two years of his base salary in effect as of his date of termination plus any discretionary bonus he received during the previous fiscal year.

In addition, each employment agreement contains a covenant not to compete, which covers a term of one year with respect to Mr. Gladstone and two years with respect to Mr. Brubaker beginning on the date of termination of employment by our Adviser Subsidiary. Messrs. Gladstone and Brubaker are also subject to non-solicitation restrictions with respect to our Adviser Subsidiary’s investors, customers and employees during their employment and for the one-year period thereafter.

Potential Payments upon Termination or Change in Control

Except as disclosed above, we do not have, nor do we intend to adopt, a formal plan with respect to termination or change in control benefits payable to our named executive officers.

CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

We and our subsidiaries engage in transactions with affiliates as part of our business. Compensation for, and expenses of, these transactions are governed by advisory and administration agreements between the parties. See Note 7, “*Related Party Transactions*,” to our consolidated financial statements for the fiscal year ended June 30, 2019 included elsewhere in this offering circular for additional information regarding related party transactions.

Expense Sharing Agreement

We will enter into an expense sharing agreement with the Adviser Subsidiary in connection with this offering. Under the expense sharing agreement, we will reimburse the Adviser Subsidiary for our allocable portion of expenses related to our office facilities, equipment, and clerical, bookkeeping and recordkeeping services at such facilities and certain other administrative services necessary for the operation of our business that are provided to us by our officers and the other employees of the Adviser Subsidiary.

Advisory Agreements

The Adviser Subsidiary is a party to the Advisory Agreements, pursuant to which it serves as the investment adviser of each Existing Gladstone Fund, in each case with which certain of our Directors, officers and/or employees are affiliated. Under the terms of the Advisory Agreements, the continuation of which is subject to annual review and approval by the respective boards of such funds, the Adviser Subsidiary earns base management fees based on a percentage of adjusted total assets (in the case of GLAD and GAIN), adjusted stockholders’ equity (in the case of GOOD) or the gross cost of tangible real estate (in the case of LAND) and performance-based incentive fees.

Administration Agreements

Our Administrator Subsidiary provides administrative services to us, the Existing Gladstone Funds as well as our Adviser Subsidiary and Broker-Dealer Subsidiary. Pursuant to the Administration Agreements, the Administrator Subsidiary allocates the costs of administrative services and overhead and receives administrative fee payments. Additionally, the Administrator Subsidiary is responsible for producing the financial statements and asset valuations, and handling compliance, legal, and other duties for us, the Existing Gladstone Funds, and our subsidiaries.

Dealer Manager Agreements

The Broker-Dealer Subsidiary entered into a dealer manager agreement with LAND, whereby the Broker-Dealer Subsidiary serves as LAND’s exclusive dealer manager in connection with its offering of up to 6,000,000 shares of its 6.00% Series B Cumulative Redeemable Preferred Stock. The Broker-Dealer Subsidiary provides certain sales, promotional and marketing services to LAND in connection with the offering and LAND pays the Broker-Dealer Subsidiary (1) selling commissions of up to 7.0% of the gross proceeds from sales of the preferred stock and (2) a dealer manager fee of up to 3.0% of the gross proceeds from sales. The Broker-Dealer Subsidiary may reallocate the selling commissions to participating broker-dealers in the offering and reduce or eliminate its fees under certain circumstances under the terms of the dealer manager agreement.

In addition, the Broker-Dealer Subsidiary entered into a dealer manager agreement with LAND, whereby the Broker-Dealer Subsidiary serves as LAND’s exclusive dealer manager in connection with its offering of up to 26,000,000 shares of its 6.00% Series C Cumulative Redeemable Preferred Stock. The Broker-Dealer Subsidiary provides certain sales, promotional and marketing services to LAND in connection with the offering and LAND pays the Broker-Dealer Subsidiary (1) selling commissions of up to 6.0% of the gross proceeds from sales of the preferred stock and (2) a dealer manager fee of up to 3.0% of the gross proceeds from sales. The Broker-Dealer Subsidiary may reallocate the selling commissions to participating broker-dealers in the offering and reduce or eliminate its fees under certain circumstances under the terms of the dealer manager agreement.

The Broker-Dealer Subsidiary has also entered into a dealer manager agreement with GOOD, whereby the Broker-Dealer Subsidiary serves as GOOD’s exclusive dealer manager in connection with its offering of up to 26,000,000 shares of its 6.00% Series F Cumulative Redeemable Preferred Stock. The Broker-Dealer Subsidiary provides certain sales, promotional and marketing services to GOOD in connection with the offering and GOOD pays the Broker-Dealer Subsidiary (1) selling commissions of up to 6.0% of the gross proceeds from sales of the preferred stock and (2) a dealer manager fee of up to 3.0% of the gross proceeds from sales. The Broker-Dealer Subsidiary may reallocate the selling commissions to participating broker-dealers in the offering and reduce or eliminate its fees under certain circumstances under the terms of the dealer manager agreement.

The Broker-Dealer Subsidiary has also entered into a dealer manager agreement with GAIN, whereby the Broker-Dealer Subsidiary serves as GAIN’s exclusive dealer manager in connection with its offering of up to \$350,000,000 aggregate principal amount of its 6.00% Notes due 2040. The Broker-Dealer Subsidiary provides certain sales, promotional and marketing services to GAIN in connection with the offering and GAIN pays the Broker-Dealer Subsidiary (1) selling commissions of up to 6.0% of the gross proceeds from sales of the notes and (2) a dealer manager fee of up to 3.0% of the gross proceeds from sales. The Broker-Dealer Subsidiary may reallocate the selling commissions to participating broker-dealers in the offering and reduce or eliminate its fees under certain circumstances under the terms of the dealer manager agreement.

Loan Servicing Agreements

Certain of GLAD's and GAIN's loan investments are held in their respective wholly-owned subsidiaries. Pursuant to the terms of the line of credit agreements between the relevant subsidiary and its creditor banks, the Adviser Subsidiary for acting as the servicer of the loans and receives loan servicing fees for acting in such capacity. Since GLAD and GAIN own these loans indirectly (through their 100% ownership of the relevant subsidiary), all loan-servicing fees earned by the Adviser Subsidiary are credited directly against the investment advisory fees otherwise due and payable to the Adviser Subsidiary by GLAD and GAIN.

Guarantee

As of December 31, 2019, we guaranteed the entire line of credit which the Adviser Subsidiary had available to it. Under the current extension dated January 15, 2020, availability under the line was \$2 million through January 15, 2021.

DESCRIPTION OF BONDS

This description sets forth certain terms of the Bonds that we are offering pursuant to this offering circular. We refer you to the indenture governing the Bonds for a full disclosure of all such terms, as well as any other capitalized terms used in this offering circular for which no definition is provided.

Because this section is a summary, it does not describe every aspect of the Bonds or the indenture. We urge you to read the indenture because that document and not this summary defines your rights as a Bondholder. Please review a copy of the indenture. The indenture is filed as an exhibit to the offering statement, of which this offering circular is a part, at www.sec.gov. See “Where You Can Find More Information” for more information.

Security

The Bonds will be secured by a senior blanket lien on the equity interest we hold in the Future Gladstone Funds which are raised with the proceeds of this offering.

Ranking

The Bonds will be our direct, senior secured obligations and will rank:

- *pari passu*, or equal, in right of payment with all of our other senior secured indebtedness from time to time outstanding (to the extent such future senior secured indebtedness is secured by our equity interest in the Future Gladstone Funds);
- senior in right of payment to our future indebtedness from time to time outstanding that is expressly subordinated to the Bonds;
- senior to all of our unsecured indebtedness to the extent of the value of the Bonds’ security interest in our equity interest in the Future Gladstone Funds; and
- structurally junior to all existing and future indebtedness and other obligations of our subsidiaries.

Interest

The Bonds will bear interest at a rate equal to 7.0% per year, payable monthly in arrears on the first day of each month, beginning on the first such date that follows the first full calendar month after the initial closing in the offering.

Interest will accrue and be paid on the basis of a 360-day year consisting of twelve 30-day months. Interest on each Bond will accrue and be cumulative from the end of the most recent interest period for which interest has been paid on such Bond, or if no interest has been paid, from the date of issuance. Interest will be paid to the record holder of the Bond at 5:00 p.m. New York City time (the “close of business”) on the 23rd day of the month immediately preceding the relevant interest payment date.

Maturity

The Bonds will mature on September 30, 2025.

Redemption Upon Death

Within 45 days of the death of a Bondholder who is a natural person, the estate of such Bondholder or legal representative of such Bondholder may request that we repurchase, in whole but not in part and without penalty, the Bonds held by such Bondholder by delivering to us a written notice requesting such Bonds be redeemed. In the event a Bond is held jointly by two or more natural persons, the estate or legal representative of either such Bondholder shall only have the right to request that the Company repurchase such Bond if each such Bondholder is deceased.

Upon receipt of redemption request in the event of death of a Bondholder, we will designate a date for the redemption of such Bonds, which date shall not be later than the 15th day of the month next following the month in which we receive facts or certifications establishing to the reasonable satisfaction of the Company supporting the right to be redeemed. On the designated date, we will redeem such Bonds at a price per Bond that is equal to all accrued and unpaid interest, to but not including the date on which the Bonds are redeemed, plus the then outstanding principal amount of such Bond.

Optional Redemption

We may redeem some or all of the Bonds at any time, or from time to time, on or after September 30, 2023 at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus any accrued, but unpaid interest to, but excluding, the redemption date. If we plan to redeem the Bonds, we are required to give notice of redemption not less than five days nor more than 60 days prior to any redemption date to each Bondholder's address appearing in the securities register maintained by the trustee. In the event we elect to redeem less than all of the Bonds, the particular Bonds to be redeemed will be selected by the trustee using such method as the trustee deems fair and appropriate. Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Bonds or portions of the Bonds called for redemption.

In addition, we may redeem all of the Bonds at any time, or from time to time, in the event that the Board of Directors, in its sole discretion, determines that the proceeds of this offering are insufficient for the intended use of proceeds, if the intended use of proceeds is no longer viable, or such other determination that such a redemption is in our best interests. Such a redemption will be at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus any accrued, but unpaid interest to, but excluding, the redemption date.

Merger, Consolidation or Sale

We may consolidate or merge with or into any other corporation, and we may sell, lease or convey all or substantially all of our assets to any corporation, provided that the successor entity, if other than us (1) is organized and existing under the laws of the United States of America or any United States, or U.S., state or the District of Columbia and (2) expressly assumes all of our obligations to perform and observe all of our obligations under the Bonds and the indenture; and provided further that, immediately after giving effect to such transaction or series of related transaction, no event of default under the indenture shall have occurred and be continuing.

The indenture does not provide for any right of acceleration in the event of a consolidation, merger, sale of all or substantially all of the assets, recapitalization or change in our stock ownership. In addition, the indenture does not contain any provision which would protect the Bondholders against a sudden and dramatic decline in credit quality resulting from takeovers, recapitalizations or similar restructurings.

Certain Covenants

Financial Reports

After launching this Tier 2, Regulation A offering, we will be required to comply with certain ongoing disclosure requirements under Rule 257 of Regulation A. We will be required to file with the SEC annual reports on Form 1-K, semiannual reports on Form 1-SA and current reports on Form 1-U. In addition, we will file an exit report on Form 1-Z if and when we decide to and are no longer obligated to file such reports pursuant to the requirements of Regulation A. The necessity to file current reports will be triggered by certain corporate events, similar to the ongoing reporting obligation faced by issuers under the Exchange Act, however the requirement to file a Form 1-U is expected to be triggered by significantly fewer corporate events than that of the Form 8-K.

If we are no longer obligated to file reports pursuant to the requirements of Regulation A and file an exit report on Form 1-Z, as soon as practicable, but in no event later than one hundred twenty (120) days after the close of our fiscal year, ending June 30th, we will mail or make available, by any reasonable means, to each Bondholder as of a date selected by our Board of Directors, an annual report containing financial statements for such fiscal year, presented in accordance with GAAP, including a balance sheet and statements of operations, owners' equity and cash flows, with such statements having been audited by an accounting firm selected by our Board of Directors. We shall be deemed to have made a report available to each Bondholder as required if it has either (i) filed such report with the SEC via its Electronic Data Gathering, Analysis and Retrieval (EDGAR) system and such report is publicly available on such system or (ii) made such report available on any website we maintain and available for viewing by the Bondholders.

Payment of Taxes and Other Claims

We will pay or discharge or cause to be paid or discharged, before the same shall become delinquent: (i) all taxes, assessments and governmental charges levied or imposed upon us or upon our income, profits or assets; and (ii) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon our property; provided, however, that we will not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings or for which we have set apart and maintain an adequate reserve.

Liquidity

Prior to this offering, there has been no public market for the Bonds. We may apply for quotation of the Bonds on an alternative trading system or over the counter market beginning after the final closing of this offering. However, even if the Bonds are listed or quoted, no assurance can be given as to (1) the likelihood that an active market for the Bonds will develop, (2) the liquidity of any such market, (3) the ability of Bondholders to sell the Bonds or (4) the prices that Bondholders may obtain for any of the Bonds. No prediction can be made as to the effect, if any, that future sales of the Bonds, or the availability of the Bonds for future sale, will have on the market price prevailing from time to time. Sales of substantial amounts of the Bonds, or the perception that such sales could occur, may adversely affect prevailing market prices of the Bonds. See "*Risk Factors — Risks Related to the Bonds and the Offering.*"

Events of Default

The following are events of default under the indenture governing the Bonds:

- default in the payment of any interest on the Bonds when due and payable and the default continues for a period of 90 days;
- default in the payment of any principal of (or premium, if any, on) the Bonds when due and payable and the default continues for a period of 90 days;

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- default in the performance, or breach, of any other obligation or covenant contained in the indenture or in this offering circular for the benefit of the Bonds, and continuance of such default or breach for a period of 120 consecutive days after there has been given, by registered or certified mail, to us by the trustee or to us and the trustee by the holders of at least 25% in principal amount of the Bonds, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a “Notice of Default” under the indenture;
- specified events in bankruptcy, insolvency or reorganization involving us occur and remain undischarged or unstayed for a period of 90 days; and
- any final and non-appealable judgment or order for the payment of money in excess of \$50,000,000 singly, or in the aggregate for all such final judgments or orders, is rendered against us and is not be paid or discharged.

Book-entry and other indirect Bondholders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to declare or rescind an acceleration of maturity.

Annually, within 120 days following June 30th while the Bonds are outstanding, we will furnish to the trustee a written statement of certain of our officers certifying that to their knowledge we are in compliance with the indenture, or else specifying any event of default and the nature and status thereof. We will also deliver to the trustee a written notification of any uncured event of default within 30 days after we become aware of such uncured event of default.

Remedies if an Event of Default Occurs

Subject to any respective cure period, if an event of default occurs and is continuing, the trustee or the Bondholders of not less than a majority in aggregate principal amount of the Bonds may declare the principal thereof, premium, if any, and all unpaid interest thereon to be due and payable immediately.

At any time after the trustee or the Bondholders have accelerated the repayment of the principal, premium, if any, and all unpaid interest on the Bonds, but before the trustee has obtained a judgment or decree for payment of money due, the Bondholders of a majority in aggregate principal amount of outstanding Bonds may rescind and annul that acceleration and its consequences, provided that all payments and/or deliveries due, other than those due as a result of acceleration, have been made and all events of default have been remedied or waived.

The Bondholders of a majority in principal amount of the outstanding Bonds may waive any default with respect to that series, except a default:

- in the payment of any amounts due and payable or deliverable under the Bonds; or
- in an obligation contained in, or a provision of, the indenture which cannot be modified under the terms of the indenture without the consent of each Bondholder.

Upon any such waiver, such default shall cease to exist, and any event of default arising therefrom shall be deemed to have been cured, for every purpose, but no such waiver shall extend to any subsequent or other default or event of default or impair any right consequent thereto.

The Bondholders of a majority in principal amount of the outstanding Bonds may direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to the Bonds, provided that (i) such direction is not in conflict with any rule of law or the indenture, (ii) the trustee may take any other action deemed proper by the trustee that is not inconsistent with such direction and (iii) the trustee need not take any action that might involve it in personal liability or be unduly prejudicial to the Bondholders not joining therein. Subject to the provisions of the indenture relating to the duties of the trustee, before proceeding to exercise any right or power under the indenture at the direction of the Bondholders, the trustee is entitled to receive from those Bondholders security or indemnity satisfactory to the trustee against the costs, expenses and liabilities which it might incur in complying with any direction.

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A Bondholder will have the right to institute a proceeding with respect to the indenture or for any remedy under the indenture, if:

- that Bondholder previously gives to the trustee written notice of a continuing event of default in excess of any cure period;
- the Bondholders of not less than a majority in principal amount of the outstanding bonds have made written request;
- such Bondholder or Bondholders have offered to indemnify the trustee against the costs, expenses and liabilities incurred in connection with such request;
- the trustee has not received from the Bondholders of a majority in principal amount of the outstanding Bonds a direction inconsistent with the request (it being understood and intended that no one or more of such Bondholders shall have any right in any manner whatever by virtue of, or by availing of, any provision of the indenture to affect, disturb or prejudice the rights of any other of such Bondholders, or to obtain or to seek to obtain priority or preference over any other of such Bondholders or to enforce any rights under the indenture, except in the manner herein provided and for equal and ratable benefit of all Bondholders); and
- the trustee fails to institute the proceeding within 90 days.

However, the Bondholder has the right, which is absolute and unconditional, to receive payment of the principal of and interest on such Bond on the respective due dates (or any redemption date, subject to certain discounts) and to institute suit for the enforcement of any such payment and such rights shall not be impaired without the consent of such Bondholder.

Trustee

UMB Bank is the trustee, security registrar and paying agent for the Bonds.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following discussion is a general summary of certain material U.S. federal income tax considerations under the Code, related to the acquisition, ownership, and disposition of the Bonds.

This discussion 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 Bondholders subject to special treatment under U.S. federal income tax laws, including Bondholders subject to the alternative minimum tax, tax-exempt organizations, insurance companies, Bondholders that are treated as partnerships for U.S. federal income tax purposes, S corporations, dealers in securities, traders in securities that elect to use a mark-to-market method of accounting for securities holdings, pension plans and trusts, financial institutions, a person that holds the Bonds as part of a straddle or a hedging or conversion transaction, REITs, RICs, U.S. persons with a functional currency that is not the U.S. dollar, non-U.S. Holders (as defined below) engaged in a trade or business in the United States or who are present in the United States for 183 days or more in the taxable year, persons who have ceased to be U.S. citizens or to be taxed as residents of the United States, controlled foreign corporations, or CFCs, and passive foreign investment companies, or PFICs. This discussion does not discuss any aspects of U.S. estate or gift tax or foreign, state or local tax. This discussion is limited to Bondholders that hold the Bonds as capital assets (within the meaning of the Code), and does not address owners of a Bondholder. This discussion is limited to persons purchasing the Bonds, or cash in this offering at their initial offering price. This discussion is based upon the Code, its legislative history, existing and proposed U.S. Treasury regulations, published rulings and court decisions, each as of the date of this offering circular and all of which are subject to change or differing interpretations, possibly retroactively, which could affect the continuing validity of this discussion. We have not sought, and will not seek any ruling from the U.S. Internal Revenue Service, or the IRS, regarding the offering pursuant to this offering circular, and this discussion is not binding on the IRS. Accordingly, there can be no assurance that the IRS would not assert, and that a court would not sustain, a position contrary to any of the tax consequences discussed herein.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds the Bonds, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership.

Prospective beneficial owners of the Bonds that are partnerships or partners in such partnerships should consult their own tax advisers with respect to the purchase, ownership and disposition of the Bonds.

Tax matters are very complicated and the tax consequences to a Bondholder of an investment in the Bonds will depend on the facts of such Bondholder's particular situation. Bondholders are strongly encouraged to consult their own tax advisor regarding the U.S. federal income tax consequences of the acquisition, ownership, and disposition of the Bonds, as well as the effect of state, local and foreign tax laws and the effect of any possible changes in tax laws.

TAX CONSEQUENCES TO U.S. HOLDERS OF THE BONDS

The following is a summary of certain material U.S. federal income tax consequences that will apply to a "U.S. Holder" of the Bonds. As used herein, the term "U.S. Holder" means a beneficial owner of a Bond that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- a trust if a court is able to exercise primary supervision over its administration and one or more U.S. persons (as defined in the Code) have the authority to control all of its substantial decisions, or if the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a domestic trust for U.S. federal income tax purposes; or
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source.

If you are not a U.S. Holder, this section does not apply to you. Please see "—Tax Consequences to Non-U.S. Holders of the Bonds," below.

Payments of Stated Interest. The following discussion assumes that the Bonds will be issued with no original issue discount or *de minimis* amount of original issue discount for U.S. federal income tax purposes. Stated interest paid on a Bond will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

Sale, Exchange, Redemption, Retirement or Other Taxable Disposition of the Bonds. Upon the sale, exchange, redemption, retirement or other taxable disposition of a Bond, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the disposition and the U.S. Holder's tax basis in the Bond (other than amounts attributable to accrued but unpaid stated interest, which will be taxed as interest income to the extent not previously so taxed, offset by any acquisition premium). A U.S. Holder's tax basis in a Bond generally will be equal to the cost of the Bond to such U.S. Holder.

Gain or loss recognized on the sale, exchange, redemption, retirement or other taxable disposition of a Bond generally will be capital gain or loss and will be long-term capital gain or loss if at the time of the disposition the Bond has been held for more than one year. Under current law, long-term capital gains recognized by non-corporate U.S. Holders generally are subject to reduced tax rates. The deductibility of capital losses is subject to limitations.

Net Investment Income Tax. An additional 3.8% surtax generally is applicable in respect of the net investment income of non-corporate U.S. Holders (other than certain trusts) on the lesser of (i) the U.S. Holder's "net investment income" for a taxable year and (ii) the excess of the U.S. Holder's modified adjusted gross income for the taxable year over \$200,000 (\$250,000 in the case of joint filers). "Net investment income" as defined for this purpose generally includes interest payments and gain recognized from the sale or other taxable disposition of the Bonds.

Backup Withholding and Information Reporting. We may be required to withhold, for U.S. federal income taxes, a portion of all taxable distributions payable to U.S. Holders (a) who fail to provide us with their correct taxpayer identification numbers, or TINs, or who otherwise fail to make required certifications or (b) with respect to whom the IRS notifies us that this U.S. Holder is subject to backup withholding.

Certain U.S. Holders specified in the Code and the Treasury regulations promulgated thereunder are exempt from backup withholding but may be required to provide documentation to establish their exempt status. Backup withholding is not an additional tax. Any amounts withheld will be allowed as a refund or a credit against the U.S. Holder's U.S. federal income tax liability if the appropriate information is timely provided to the IRS. Failure by a U.S. Holder to furnish a certified TIN to us could subject the U.S. Holder to a penalty imposed by the IRS.

TAX CONSEQUENCES TO NON-U.S. HOLDERS OF THE BONDS

The following is a summary of certain material U.S. federal income tax consequences that will apply to you if you are a "Non-U.S. Holder" of the Bonds. As used herein, the term "Non-U.S. Holder" means a beneficial owner of a Bond that is not a U.S. Holder or a partnership (or an entity or arrangement treated as a partnership) for U.S. federal income tax purposes.

If you are not a Non-U.S. Holder, this section does not apply to you.

Payments on the Bonds. The following discussion assumes that the Bonds will be issued with no original issue discount or *de minimis* amount of original issue discount for U.S. federal income tax purposes. Subject to the discussion below concerning backup withholding, payments of principal and interest on the Bonds to any Non-U.S. Holder will not be subject to U.S. federal withholding tax, provided that:

- the Non-U.S. Holder does not own, actually or constructively, 10% or more of the total combined voting power of all classes of our stock that are entitled to vote;
- the Non-U.S. Holder is not a CFC related, directly or indirectly, to us through stock ownership; and
- the U.S. payor of the interest (including us, or any intermediary who pays the interest on our behalf) does not have actual knowledge or reason to know that a holder is a United States person and such holder certifies to the U.S. payor under penalties of perjury on a properly executed IRS Form W-8BEN or W-8BEN-E that such holder is not (or, in the case of a Non-U.S. Holder that is an estate or trust, such forms certifying that the beneficiary of the estate or trust is not) a United States person.

If a Non-U.S. Holder does not qualify for an exemption under these rules, interest income from the Bonds may be subject to withholding tax at the rate of 30% (or lower applicable treaty rate).

Sale, Exchange, Redemption, Retirement or Other Disposition of the Bonds. Subject to the discussion below on backup withholding and withholding and information reporting on foreign financial accounts, a Non-U.S. Holder generally will not be subject to U.S. federal income tax on gain recognized on a sale, exchange, redemption, retirement, or other disposition of the Bonds (except with respect to accrued and unpaid interest, which would be taxed as described above under “—*Payments on the Bonds*”) so long as, in the case of a Non-U.S. holder who is an individual, such Non-U.S. Holder is not present in the United States for 183 days or more in the taxable year of disposition and certain other requirements are not met.

Backup Withholding and Information Reporting. Information returns will be filed with the IRS in connection with payments on the Bonds. Unless the Non-U.S. Holder complies with certification procedures to establish that it is not a United States person, information returns may be filed with the IRS in connection with the proceeds from a sale or other disposition of the Bonds, and the Non-U.S. Holder may be subject to backup withholding on payments on the Bonds or on the proceeds from a sale or other disposition of the Bonds. The certification procedures required to claim the exemption from withholding tax on interest described above will satisfy the certification requirements necessary to avoid backup withholding as well. The amount of any backup withholding from a payment to a Non-U.S. Holder will be allowed as a credit against the Non-U.S. Holder's U.S. federal income tax liability and may entitle the Non-U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

Withholding and Information Reporting on Foreign Financial Accounts. Sections 1471 through 1474 of the Code and the Treasury regulations and other published guidance promulgated thereunder (which are commonly referred to as “FATCA”) generally impose withholding taxes on certain types of payments, including interest, made to “foreign financial institutions” and certain other non-U.S. entities unless additional certification, information reporting and other specified requirements are satisfied. Failure to comply with the FATCA reporting requirements could result in withholding tax being imposed on payments of interest and sales proceeds to foreign intermediaries and certain Non-U.S. Holders. If the payee is a foreign financial institution and is subject to the certification and information reporting requirements above, it must enter into an agreement with the U.S. Department of Treasury requiring, among other things, that it undertake to identify accounts held by certain “specified United States persons” or “United States owned foreign entities” (each as defined in the Code), annually report certain information about such accounts and withhold 30% on payments to non-compliant foreign financial institutions and certain other account holders. An intergovernmental agreement between the United States and an applicable foreign country, or future Treasury regulations or other guidance, may modify these requirements. Accordingly, the entity through which the Bonds are held will affect the determination of whether such withholding is required. If payment of this withholding tax is made, Non-U.S. Holders that are otherwise eligible for an exemption from, or reduction of, U.S. federal withholding taxes with respect to such interest or proceeds will be required to seek a credit or refund from the IRS to obtain the benefit of such exemption or reduction, if any. We will not pay additional amounts to Non-U.S. Holders in respect of any amounts withheld. Prospective Non-U.S. Holders should consult their own tax advisors regarding the potential application of withholding under FATCA to their investment in the Bonds.

PLAN OF DISTRIBUTION

General

We are offering an aggregate of \$50,000,000 of our Bonds through Timbrel Capital, LLC on a “reasonable best efforts” basis at an offering price of \$25 per Bond. To the extent a participating broker-dealer reduces its selling commissions below 6%, the offering price per Bond will be decreased by an amount equal to such reduction. “Reasonable best efforts” means that the managing broker-dealer is only required to use its good faith efforts and reasonable diligence to sell the Bonds and has no firm commitment or obligation to purchase any specific number or dollar amount of the Bonds.

The Termination Date for the offering is the earlier of (1) September 30, 2023 (unless earlier terminated or extended by our Board of Directors) and (2) the date on which all \$50,000,000 of our Bonds offered pursuant to this offering circular are sold. Should the offering continue beyond [], 2021 (which is the 12-month anniversary of the date of qualification of the offering statement of which this offering circular forms a part), we will further supplement the offering circular accordingly. We may terminate this offering at any time, or may offer the Bonds pursuant to a new offering statement, including a follow-on offering statement.

We will sell the Bonds using two closing services provided by DTC. The first service is DTC Settlement and the second service is DRS Settlement. Investors purchasing Bonds through DTC Settlement will coordinate with their registered representatives to pay the full purchase price for their Bonds by the settlement date, and such payments will not be held in escrow. Investors who are permitted to utilize the DRS Settlement method will complete and sign subscription agreements, which will be delivered to the escrow agent, UMB Bank. In addition, such investors will pay the full purchase price for their Bonds (as set forth in the subscription agreement), to be held in trust for the investors’ benefit pending release to us as described herein. See “—*Settlement Procedures*” below for a description of the closing procedures with respect to each of the closing methods.

The dealer manager agreement between us and Timbrel Capital, LLC automatically terminates upon the Termination Date or may be terminated by either party at any time on 30 days’ written notice.

Minimum Purchase Requirements

There will be a minimum permitted purchase in the offering of 200 Bonds having an aggregate purchase price of \$5,000. We reserve the right to waive the minimum purchase requirement in our sole discretion in consultation with the managing broker-dealer.

Compensation of Managing Broker-Dealer and Participating Broker-Dealers

We will pay to Timbrel Capital, LLC selling commissions of up to 6.0% of the gross offering proceeds from the offering. We will also pay to Timbrel Capital, LLC up to 3.0% of the gross offering proceeds from the offering as compensation for acting as managing broker-dealer. As managing broker-dealer, Timbrel Capital, LLC will manage, direct and supervise its associated persons who will be wholesalers in connection with the offering. Notwithstanding anything herein to the contrary, in no event shall the combined selling commission and dealer manager fee under the offering exceed 7.75% of the aggregate proceeds of this offering. Our managing broker-dealer will repay to us any excess payments made to our managing broker-dealer over 7.75% of the aggregate offering proceeds if the offering is terminated prior to obtaining the maximum amount of offering proceeds. We will not pay referral or similar fees to any accountants, attorneys or other persons in connection with the distribution of the Bonds.

We expect Timbrel Capital, LLC to authorize other broker-dealers that are members of FINRA, which we refer to as participating broker-dealers, to sell the Bonds. Timbrel Capital, LLC may reallocate all or a portion of its selling commissions attributable to a participating broker-dealer. Timbrel Capital, LLC may also reallocate a portion of its dealer manager fee earned on the proceeds raised by a participating broker-dealer, to such participating broker-dealer as a non-accountable marketing or other allowance. The amount of the reallocation to any participating broker-dealer will be determined by the managing broker-dealer in its sole discretion.

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We will not pay any selling commissions, but will pay dealer manager fees, in connection with the sale Bonds to investors who:

- purchase through fee-based programs also known as “wrap accounts”;
- purchase through participating broker-dealers that have alternative fee arrangements with their clients;
- purchase through certain registered investment advisors;
- purchase through bank trust departments or any other organization or person authorized to act in a fiduciary capacity for its clients or customers; or
- are an endowment, foundation, pension fund or other institutional investor.

In addition, we will not pay and selling commissions or dealer manager fees in connection with the sale of Bonds to investors who are our Directors, officers and employees and their friends and family and certain associated persons of the Adviser Subsidiary and the Administrator Subsidiary.

The net proceeds to us will not be affected by reducing the commissions payable in connection with any such sales. Neither our managing broker-dealer nor any of our affiliates will directly or indirectly compensate any person engaged as an investment advisor or a bank trust department by a potential investor as an inducement for such investment advisor or bank trust department to advise favorably for an investment in the Bonds.

Further, the selling commission and/or dealer manager fee may be reduced or eliminated, subject to the agreement of the managing broker-dealer, to certain investors who have agreed with a participating broker dealer to reduce or eliminate the selling commission and/or the dealer manager fees. The net proceeds we receive will not be affected by such sales of Bonds at a discount.

Your ability to receive a discount or fee waiver may depend on the financial advisor or broker dealer through which you purchase your Bonds. An investor qualifying for a discount will generally receive a higher percentage return on such investor's investment than investors who do not qualify for such discount. Accordingly, you should consult with your financial advisor about the ability to receive such discounts or fee waivers before purchasing the Bonds.

Any discounts or fee waivers applicable to sales of our Bonds will reduce the purchase price per bond and thereby allow the purchase by an investor of additional Bonds for the same investment amount.

The table below sets forth the nature and estimated amount of all items viewed as “underwriting compensation” by FINRA, assuming we sell all \$50,000,000 of the Bonds offered hereby in the offering at the maximum selling commissions and dealer manager fee.

	(Maximum)
Selling commissions (6.00%)	\$ 3,000,000
Dealer manager fee (3.00%)	1,500,000
Total	\$ 4,500,000

The combined selling commission and dealer manager fee under the offering will not exceed 7.75% of the aggregate offering proceeds. Our managing broker-dealer will repay to us any excess payments made to our managing broker-dealer over 7.75% of the aggregate offering proceeds if the offering is terminated prior to obtaining the maximum amount of offering proceeds. The managing broker-dealer's legal expenses will be paid by the managing broker-dealer from the dealer manager fee.

To the extent permitted by law and our certificate of incorporation we will indemnify the participating broker-dealers and the managing broker-dealer against certain civil liabilities, including certain liabilities arising under the Securities Act and liabilities arising from breaches of our representations and warranties contained in the dealer manager agreement. However, the SEC takes the position that indemnification against liabilities arising under the Securities Act is against public policy and is not enforceable.

We may pay due diligence review expenses of participating broker-dealers up to an aggregate maximum amount of \$75,000 and diligence meeting expenses of participating broker-dealers up to an aggregate maximum amount of \$50,000, but we will not pay any such expenses of our managing broker-dealer. No other non-cash compensation will accrue to any participating broker-dealers. Our managing broker-dealer's compensation is limited to the selling commission and dealer manager fee, which, combined, will not exceed 7.75% of the aggregate offering proceeds.

We expect expenses (other than selling commissions and the dealer manager fee) incurred by us or on our behalf in connection with this offering (including the qualification of this offering and the marketing and distribution of the Bonds, including expenses for printing and amending offering statements or supplementing offering circulars, mailing and distributing costs, all advertising and marketing expenses (including reimbursements for actual costs incurred for travel, meals and lodging by our officers

and employees of our affiliates to attend retail seminars hosted by broker-dealers or bona fide training or educational meetings hosted by us or our affiliates), fees for due diligence reviews, charges of the trustee and experts and fees, expenses and taxes related to the filing, qualification, as necessary, of the sale of the Bonds under federal and state laws, including taxes and fees and accountants' and attorneys' fees) to be in an amount not to exceed 2.5% of the aggregate gross proceeds of this offering. The managing broker-dealer will bear any expenses related to any salaries or commissions of wholesalers and other participating broker dealers or related to contracting with an entity to provide DTC clearing services for the Bonds. We may reimburse the managing broker-dealer or our other affiliates for any other expenses incurred on our behalf in connection with the offering. All organization and offering expenses, including selling commissions and the dealer manager fee, borne by us are not expected to exceed 11.5% of the aggregate gross proceeds of this offering, though the amount of such expenses may exceed the expected amount.

Subscription Procedures

All investors not purchasing through DTC will be required to complete and execute a subscription agreement in the form filed as an exhibit to the offering statement of which this offering circular is a part. Purchasers acquiring Bonds to be held of record through DTC or its nominee will complete a limited order form. The subscription agreement is available from your registered representative or financial adviser and should be completed and delivered in accordance with the instructions in the subscription agreement. All subscriptions are irrevocable on the part of the investor. We anticipate we will have bi-monthly closings on the first and third Thursday of each month assuming there are funds to close. Once a subscription has been submitted and accepted by us, an investor will not have the right to request the return of its subscription payment. If subscriptions are received on a closing date and accepted by us prior to such closing, any such subscriptions will be closed on that closing date. If subscriptions are received on a closing date but not accepted by us prior to such closing, any such subscriptions will be closed on the next closing date.

You will be required to represent and warrant in your subscription agreement or order form that you are an accredited investor as defined under Rule 501 of Regulation D or that your investment in the Bonds does not exceed 10% of your net worth or annual income, whichever is greater, if you are a natural person, or 10% of your revenues or net assets, whichever is greater, calculated as of the most recent fiscal year if you are a non-natural person. By completing and executing your subscription agreement or order form you will also acknowledge and represent that you have received a copy of this offering circular, you are purchasing the Bonds for your own account and that your rights and responsibilities regarding your Bonds will be governed by the indenture filed as an exhibit to the offering statement of which this offering circular is a part.

Settlement Procedures

If your broker-dealer uses DTC Settlement, then you can place an order for the purchase of the Bonds through your broker-dealer. A broker-dealer using this service will have an account with DTC in which your funds are placed to facilitate the anticipated bi-monthly closing cycle. Orders will be executed by your broker-dealer electronically and you must coordinate with your registered representative to pay the full purchase price of the Bonds by the settlement date, which depends on when you place the order during the bi-monthly settlement cycle and can generally be anywhere from one to 15 days after the date of your order. This purchase price will not be held in escrow.

Under special circumstances, you have the option to elect to use DRS Settlement. If you elect to use DRS Settlement, you should complete and sign a subscription agreement similar to the one filed as an exhibit to the offering statement of which this offering circular is a part, which is available from your registered representative and which will be delivered to the escrow agent. In connection with a DRS Settlement subscription, you should pay the full purchase price of the Bonds, either by check or wire transfer, as set forth in the subscription agreement. Subscribers may not withdraw funds from the escrow account. Subscriptions will be effective upon our acceptance, and we reserve the right to reject any subscription in whole or in part.

Irrespective of whether you purchase Bonds using DTC Settlement or DRS Settlement, by accepting Bonds you will be deemed to have accepted the terms of the Bonds and the indenture governing the Bonds.

In connection with purchases using DRS Settlement, if a subscriber pays by check, our managing broker-dealer or the broker-dealers participating in this offering promptly will deposit any checks received from subscribers in an escrow account maintained by UMB Bank by the end of the next business day following receipt of the subscriber's subscription documents and check. In certain circumstances where the subscription review procedures are more lengthy than customary or pursuant to a participating broker-dealer's internal supervising review procedures, a subscriber's funds will be transmitted by the end of the next business day following receipt by the review office of the dealer, which will then be promptly deposited by the end of the next business day following receipt by the review office. Any subscription payments received by the escrow agent will be deposited into a special non-interest bearing account in our name until such time as we have accepted or rejected the subscription and will be held in trust for your benefit, pending our acceptance of your subscription. Subscriptions will be accepted or rejected within 10 business days of receipt by us and, if rejected, all funds shall be returned to the rejected subscribers within 10 business days. If accepted, the funds will be transferred into our general account on our next closing date. You will receive a confirmation of your purchase subsequent to a closing. We generally expect to admit bondholders on a bi-monthly basis.

Each participating dealer who sells Bonds on our behalf has the responsibility to make every reasonable effort to determine that the purchase of Bonds is appropriate for the investor. In making this determination, the participating broker-dealer will rely on relevant information provided by the investor, including information as to the investor's age, investment objectives, investment experience, income, net worth, financial situation, other investments and other pertinent information. Each investor should be aware

that the participating broker-dealer will be responsible for determining whether this investment is appropriate for your portfolio. However, you are required to represent and warrant in the subscription agreement or, if placing an order through your registered representative not through a subscription agreement in connection with a DTC Settlement, to the registered representative, that you have received a copy of this offering circular and have had sufficient time to review this offering circular. Each participating broker-dealer will maintain records of the information used to determine that an investment in the Bonds is suitable and appropriate for an investor. These records are required to be maintained for a period of at least six years.

Conflicts of Interest

The account of our Broker-Dealer Subsidiary at RBC Capital Markets will be used to enter orders on behalf of the managing broker-dealer, and as such, our Broker-Dealer Subsidiary may be viewed as participating in the distribution of the securities offered hereby and is therefore deemed to have a “conflict of interest” within the meaning of FINRA Rule 5121. Accordingly, this offering is being made in compliance with the applicable requirements of FINRA Rule 5121. Under FINRA Rule 5121, the appointment of a qualified independent underwriter is not necessary in connection with this offering because our managing broker-dealer (the FINRA member primarily responsible for managing this offering) does not have a conflict of interest, is not an affiliate of any member that has a conflict of interest and meets the requirements of paragraph (f)(12)(E) of FINRA Rule 5121. No FINRA member with a conflict of interest will confirm sales to any account over which it exercises discretionary authority without the specific prior written approval of the account holder. Further, our Broker-Dealer Subsidiary will have no other role in connection with this offering and will not receive any compensation or allowances in connection with this distribution of securities.

LEGAL MATTERS

The validity of the Bonds will be passed upon for us by Proskauer Rose LLP, Washington, D.C.

INDEPENDENT ACCOUNTANTS

The financial statements as of June 30, 2019 and 2018 and for each of the two years in the period ended June 30, 2019 included in this offering circular have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC an offering statement on Form 1-A under the Securities Act with respect to the Bonds offered in this offering circular. This offering circular, filed as part of the offering statement, does not contain all of the information set forth in the offering statement and its exhibits and schedules, portions of which have been omitted as permitted by the rules and regulations of the SEC. For further information about us and our Bonds, we refer you to the offering statement and to its exhibits and schedules. Statements in this offering circular about the contents of any contract, agreement or other document are not necessarily complete and, in each instance, we refer you to the copy of such contract, agreement or document filed as an exhibit to the offering statement. Our filings with the SEC, including the offering statement, are available to you for free on the SEC's internet website at www.sec.gov.

After launching this Tier 2, Regulation A offering, we will be required to comply with certain ongoing disclosure requirements under Rule 257 of Regulation A. We intend to make copies of our annual, semi-annual and special reports, and other information, as applicable, if any, available free of charge through our website at www.gladstonecompanies.com as soon as practicable after such reports have been filed or furnished to the SEC. Information contained on or accessible through our website is not incorporated by reference into this offering circular and should not be considered a part of this offering circular.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholder of The Gladstone Companies, Inc.:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of The Gladstone Companies, Inc. and its subsidiaries (the “Company”) as of June 30, 2019 and 2018, and the related consolidated statements of operations, of owner’s equity and of cash flows for the years then ended, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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 relevant ethical requirements relating to our audit, which include standards of the American Institute of Certified Public Accountants (AICPA) Code of Professional Conduct.

We conducted our audits of these consolidated financial statements in accordance with the auditing standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, 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. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

McLean, VA
September 23, 2019

We have served as the Company’s auditor since 2004.

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The Gladstone Companies, Inc.
Consolidated Balance Sheets
As of June 30, 2019 and 2018

	2019	2018
Assets		
Current assets		
Cash	\$33,511,153	\$28,778,588
Accounts receivable, related parties	9,658,670	9,602,021
Prepaid expenses	504,818	471,550
Marketable securities held for trading, at fair value	8,576,388	—
Total current assets	52,251,029	38,852,159
Marketable securities held for trading, at fair value	—	8,228,722
Fixed assets less accumulated depreciation of \$813,009 and \$1,380,545, respectively	254,670	148,567
Intangible assets	152,266	152,266
Deferred tax asset, net	2,400,319	2,247,845
Security deposit	62,369	62,369
Total assets	<u>\$55,120,653</u>	<u>\$49,691,928</u>
Liabilities and Owner's Equity		
Current liabilities		
Accounts payable and accrued expenses	\$ 2,075,361	\$ 1,769,898
Accrued payroll	22,517,282	20,239,037
Income taxes payable	—	1,933,301
Deferred revenue	580,208	564,583
Deferred compensation plan	8,576,388	—
Total current liabilities	33,749,239	24,506,819
Deferred compensation	—	8,228,722
Deferred liabilities	62,352	—
Total liabilities	33,811,591	32,735,541
<i>Commitments and contingencies (Refer to Note 9)</i>		
Owner's equity		
Common stock, \$0.01 par value, 3,000 authorized shares, 100 issued and outstanding as of June 30, 2019 and 2018	1	1
Additional paid-in capital	5,049	5,049
Retained earnings	21,304,012	16,951,337
Total owner's equity	21,309,062	16,956,387
Total liabilities and owner's equity	<u>\$55,120,653</u>	<u>\$49,691,928</u>

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

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The Gladstone Companies, Inc.
Consolidated Statements of Operations
For the Years Ended June 30, 2019 and 2018

	2019	2018
Revenues (Related Party)		
Investment advisory and loan servicing fees (Refer to Notes 1 and 7)	\$19,388,476	\$19,864,217
Incentive fees (Refer to Notes 1 and 7)	12,264,680	13,341,161
Administration fees	5,516,197	4,810,152
Investment banking fees	8,521,862	7,489,952
Annual review fees	578,003	530,030
Property management fees	295,551	139,308
Securities trade commissions	5,586,140	50,000
Other income	126,553	21,898
Total revenues	52,277,462	46,246,718
Operating expenses		
Salaries and employee benefits	37,709,688	34,702,393
Rent	709,051	661,217
Depreciation	101,527	107,562
Telecommunications	522,802	478,335
Office expenses	379,243	358,940
Professional services	569,998	737,025
Securities trade costs	5,529,337	151,130
Interest expense	194	21,886
Other operating expenses	1,186,011	1,257,939
Total expenses	46,707,851	38,476,427
Income from operations	5,569,611	7,770,291
Dividends from marketable securities	341,562	181,472
Realized gain on marketable securities	174,290	256,072
Unrealized (loss) gain on marketable securities	(243,147)	68,199
Net income before income taxes	5,842,316	8,276,034
Income tax provision	(1,489,641)	(3,653,202)
Net income	\$ 4,352,675	\$ 4,622,832
Net income per share attributable to common stock—basic and diluted	\$ 43,526.75	\$ 46,228.32
Weighted average shares of common stock outstanding—basic and diluted	100	100

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

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The Gladstone Companies, Inc.
Consolidated Statements of Changes in Owner's Equity
For the Years Ended June 30, 2019 and 2018

	Common Stock		Additional Paid- in Capital	Retained Earnings	Total Owner's Equity
	Number of Shares	\$0.01 Par Value			
Balance, June 30, 2017	100	1	\$ 5,049	\$12,328,505	\$12,333,555
Net income	—	—	—	4,622,832	4,622,832
Balance, June 30, 2018	100	1	\$ 5,049	\$16,951,337	\$16,956,387
Net income	—	—	—	4,352,675	4,352,675
Balance, June 30, 2019	100	1	\$ 5,049	\$21,304,012	\$21,309,062

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

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The Gladstone Companies, Inc.
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	For the Year Ended June 30,	
	2019	2018
Cash flows from operating activities		
Net income	\$ 4,352,675	\$ 4,622,832
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	101,527	107,562
Unrealized loss (gain) on marketable securities	243,147	(68,199)
Deferred income tax(benefit) provision	(152,474)	845,564
Change in assets and liabilities:		
(Increase) in accounts receivable, related parties	(56,649)	(2,925,416)
(Increase) in prepaid expenses	(33,268)	(102,706)
(Increase) in security deposits	—	(52,284)
Increase (decrease) in accounts payable and accrued expenses	305,463	(108,501)
Increase in accrued payroll	2,278,245	5,064,122
(Decrease) in interest payable	—	(52,311)
(Decrease) increase in income taxes payable	(1,933,301)	266,844
Increase in deferred revenue	15,625	66,251
Increase in deferred liabilities	62,352	—
Increase in deferred compensation	347,666	572,259
Net cash provided by operating activities	<u>5,531,008</u>	<u>8,236,017</u>
Cash flows from investing activities		
Investments in marketable securities	(590,813)	(504,060)
Proceeds from notes receivable	—	437,000
Purchases of furniture, fixtures, and equipment	(207,630)	(57,735)
Net cash used in investing activities	<u>(798,443)</u>	<u>(124,795)</u>
Cash flows from financing activities		
Repayments of notes payable	—	(535,949)
Net cash used in financing activities	<u>—</u>	<u>(535,949)</u>
Net increase in cash	4,732,565	7,575,273
Cash and cash equivalents, beginning of year	28,778,588	21,203,315
Cash and cash equivalents, end of year	<u>\$33,511,153</u>	<u>\$28,778,588</u>
Supplemental disclosure of cash flow information		
Interest paid	\$ 194	\$ 74,197
Income taxes paid	\$ 3,679,642	\$ 3,386,358

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

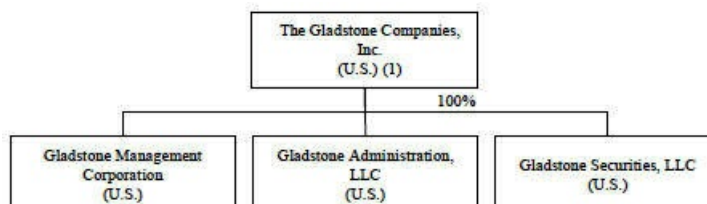
The Gladstone Companies, Inc.
Notes to Consolidated Financial Statements

1. Organization and Nature of Business

Description of the Company

The Gladstone Companies, Inc. (“TGC INC”) was incorporated on January 1, 2010. TGC INC is a wholly-owned subsidiary of The Gladstone Companies, Ltd. (formerly Gladstone Holding Corporation) (“TGC LTD”). TGC INC primarily does business through its indirect, wholly-owned subsidiaries, but owns certain investments directly. TGC INC and its subsidiaries are hereafter collectively referred to as the “Company.”

The following chart summarizes the Company’s organizational structure as of June 30, 2019 and 2018. The Company’s headquarters are in McLean, Virginia (a suburb of Washington, D.C.).



(1) Name changed from Gladstone Holding Corporation effective September 14, 2018

Nature of Business

The Company is a leading alternative asset manager and provider of other administrative and financial services. It currently primarily provides these services to four unconsolidated public investment funds (the “Existing Gladstone Funds”), which specialize in investments across four distinct areas:

1. Gladstone Investment Corporation (“Investment”), a publicly traded business development company (“BDC”) operating as a private equity fund, primarily financing and investing in lower middle market companies (Nasdaq: GAIN);
2. Gladstone Capital Corporation (“Capital”), a publicly traded BDC operating as a private debt fund, primarily lending to lower middle market companies (Nasdaq: GLAD);
3. Gladstone Commercial Corporation (“Commercial”), a publicly traded real estate fund operated as a REIT, primarily acquiring, owning and managing office and industrial properties leased to public and private companies (Nasdaq: GOOD); and,
4. Gladstone Land Corporation (“Land”), a publicly traded real estate fund operated as a REIT, primarily acquiring, owning and leasing farms and farm or natural resource-related property (Nasdaq: LAND).

The Company primarily generates its revenue from fees earned pursuant to advisory, administrative, broker-dealer and other agreements its subsidiaries have with the Existing Gladstone Funds and to other affiliated entities. These fees are generated through:

- Gladstone Management Corporation, an investment adviser registered with the SEC (the “Adviser Subsidiary”).
- Gladstone Securities, LLC, a broker-dealer registered with the Financial Industry Regulatory Authority (FINRA) and insured by the Securities Investor Protection Corporation (SIPC) (the “Broker-Dealer Subsidiary”), which provides distribution, investment banking, due diligence, dealer manager, mortgage placement, and other financial services.
- Gladstone Administration, LLC (the “Administrator Subsidiary”), which primarily provides administrative services to the Existing Gladstone Funds, including accounting, valuation, legal, compliance, and other services.

The Gladstone Companies, Inc.
Notes to Consolidated Financial Statements

The Company consolidates two additional subsidiaries which had no active business activities, Gladstone Participation Fund, LLC (“Participation”) and Gladstone Lending Corporation (“Lending”).

2. Summary of Significant Accounting Policies

Basis of Accounting

The Company’s consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). All adjustments of a normal recurring nature considered necessary for the fair presentation of the consolidated financial statements have been made.

During the fiscal year ended June 30, 2019, the Company reclassified certain financial statement line items for expenses incurred during the fiscal year ended June 30, 2018. The reclassification was related to expense allocations to a subsidiary. Expenses for the fiscal year ended June 30, 2018 have been reclassified to conform to the new allocation method and presentation of expenses used for the fiscal year ended June 30, 2019. For the fiscal year ended June 30, 2018, this reclassification had no impact on income from operations, pre-tax income or net income, but Salaries and Employee Benefits decreased by \$986,088, certain other expense lines decreased by an aggregate of \$96,259, and other operating expenses increased by \$1,082,347.

Principles of Consolidation

The Company’s consolidated financial statements include the accounts of TGC INC and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company may be required to consolidate entities that are determined to be Variable Interest Entities (“VIEs”), where it is deemed to be the primary beneficiary of the entity. The Company is determined to be the primary beneficiary when it has a controlling financial interest in the VIE, which is defined as possessing both (1) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance, and (2) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The Company first evaluates whether it holds a variable interest in an entity. Fees (for example, management and performance-related fees) that are customary and commensurate with the level of services provided, and where the Company does not hold other economic interests in the entity that would absorb more than an insignificant amount of the expected losses or returns of the entity, would not be considered a variable interest. The Company factors in all economic interests including proportionate interests through related parties to determine if such interests are considered a variable interest. The Company’s primary interest is through market rate fees. The Company has determined that none of its affiliates or wholly-owned subsidiaries qualify as VIEs.

The Company’s wholly-owned subsidiaries and affiliates qualify as voting interest entities under the voting interest model. Under the voting interest model, it consolidates those entities it controls through a majority voting interest.

For operating entities over which it may exercise significant influence but which do not meet the requirements for consolidation, the Company will use the equity method of accounting whereby it records its share of the underlying income or losses of these entities. As of June 30, 2019 and 2018, there were no such entities included in the financial statements that were accounted for under the equity method.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could materially differ from those estimates.

The Gladstone Companies, Inc.
Notes to Consolidated Financial Statements

Segment Reporting

The Company manages its operations on an aggregated, single segment basis for purposes of assessing performance and making operating decisions, and, accordingly, has only one reporting and operating segment.

Concentration of Credit Risk and Other Risks and Uncertainties

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. For the years ended June 30, 2019 and 2018, substantially all revenues and receivables were earned or derived from services provided to affiliated entities or their sub-affiliates.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and investments in money market funds with maturities of three months or less when purchased. All the Company's cash and cash equivalents are held in the custody of U.S. financial institutions. At times, amounts may exceed federally insured limits. The Company monitors the credit standing of these financial institutions and mitigates risk by depositing funds with major banking institutions.

Intangible Assets

Intangible assets consist of regulatory fees and the purchase price for the broker-dealer license relating to the Broker-Dealer Subsidiary, as well as a website license held by the Company. All the Company's intangible assets are indefinite life assets and are therefore presented at gross carrying amounts. Intangible assets are tested for impairment annually. There were no impairments for the years ended June 30, 2019 and 2018.

Fair Value of Financial Instruments

Accounting Standard Codification 820, Fair Value Measurements and Disclosures ("ASC 820") defines fair value as the exit price, or the amount that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. ASC 820 also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors market participants would use in valuing the asset or liability developed based upon the best information available in the circumstances. The hierarchy of these inputs is broken down into three levels: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs include (1) quoted prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in markets that are not active and (3) inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs for the asset or liability. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The assets held in connection with the Company's non-qualified elective deferred compensation plan (the "Deferred Compensation Plan") and the corresponding liability to the participants are measured at fair value on a recurring basis on the consolidated balance sheet using quoted market prices, as further discussed in Note 5. The assets are treated as trading securities for accounting purposes, with unrealized gains and losses included in earnings. The Company recognized unrealized (loss) gain on its marketable securities in the amount of (\$243,147) and \$68,199 for the years ended June 30, 2019 and 2018, respectively.

The offsetting liability is adjusted at the end of each accounting period based on the fair value of the plan assets. The assets of the Deferred Compensation Plan are classified in Level 1 of the fair value hierarchy (the Company had no financial instruments classified as Level 2 or Level 3 as of or during the years ended June 30, 2019 and 2018). There were no transfers in or out of Level 1 during the years ended June 30, 2019 or 2018. The following table summarizes the Company's held for trading assets as of June 30, 2019 and 2018.

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	Level 1 Investments			
	June 30, 2019		June 30, 2018	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$6,066,356	\$6,066,356	\$3,864,186	\$3,864,185
Mutual funds	1,268,796	1,244,057	3,062,000	3,167,023
Equities	1,047,867	1,265,975	950,344	1,197,514
Total	<u>\$8,383,019</u>	<u>\$8,576,388</u>	<u>\$7,876,530</u>	<u>\$8,228,722</u>

Fixed Assets

Fixed assets are furniture, fixtures and equipment (including computer hardware), software, and leasehold improvements, and are recorded at cost, less accumulated depreciation and amortization. Depreciation of furniture, fixtures and equipment is computed using the straight-line method over the estimated useful lives of the respective assets (generally two to five years). Amortization of improvements to leased properties is computed using the straight-line method based upon the initial term of the applicable lease or the estimated useful life of the improvements, whichever is shorter, and ranges from two to eight years. Routine expenditures for repairs and maintenance are charged to expense when incurred. Major betterments and improvements are capitalized. Upon retirement or disposition of fixed assets, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the Consolidated Statements of Operations. The Company evaluates fixed assets for impairment whenever events or changes in circumstances indicate that an asset's carrying value may not be fully recovered. No impairment was recorded for the years ended June 30, 2019 and 2018.

	2019	2018
Furniture, fixtures, and equipment	\$ 953,894	\$ 1,323,823
Software	17,644	114,550
Leasehold improvements	96,141	90,739
Fixed assets, cost	1,067,679	1,529,112
Less: accumulated depreciation and amortization	(813,009)	(1,380,545)
Fixed assets, net book value	<u>\$ 254,670</u>	<u>\$ 148,567</u>

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers". This standard, along with its related amendments, is referred to as "ASC 606" and requires companies to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In March 2016 the FASB also issued ASU 2016-08, Revenue from Contracts with Customers ("Topic 606): Principal Versus Agent Consideration (Reporting Revenue Gross Versus Net) (the "Amendment") which outlined the FASB's amendments to its principal-versus-agent guidance. The key provisions of the Amendment are assessing the nature of the entity's promise to the customer, identifying the specified good or services, and applying the control principle and indicators of control. In addition, entities are required to adopt the Amendment by using the same transaction method they used to adopt ASU 2014-09.

The Company adopted ASC 606 on July 1, 2018 using the modified retrospective approach. In adopting the standard, the Company reviewed its revenue contracts and concluded there were no material changes to the timing or manner of revenue recognition. The following describes the revenue stream, performance obligations and associated timing of revenue recognition:

Investment Advisory and Loan Servicing Fees

Investment advisory fee revenue is earned from services provided by the Adviser Subsidiary to the Existing Gladstone Funds pursuant to the terms of an investment advisory agreement that exists between the Adviser Subsidiary and each of the Existing Gladstone Funds (each, an "Advisory Agreement"). Investment advisory fee revenue is recognized as the advisory services are provided, and any unpaid amounts are classified as accounts receivable, related party. The Company had investment advisory fee receivables of \$1,406,830 and \$2,446,602 at June 30, 2019 and 2018, respectively. Refer to Note 7 for further details on the terms of the Advisory Agreements.

Certain of Capital's and Investment's portfolios of loan investments are held in their respective wholly-owned subsidiaries, Gladstone Business Loan, LLC ("Business Loan") in the case of Capital, and Gladstone Business Investment, LLC ("Business Investment") in the case of Investment. Loan servicing fees represent additional amounts earned by the Adviser Subsidiary for acting as the servicer pursuant to the terms of the line of credit agreements between Business Loan and its creditor banks and

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Business Investment and its creditor banks. Since Capital and Investment own these loans indirectly (through their 100% ownership of Business Loan and Business Investment, respectively), all loan-servicing fees earned by the Adviser Subsidiary are credited directly against the investment advisory fees otherwise due and payable to the Adviser Subsidiary by Capital and Investment. Loan servicing fee revenue is recognized when it is earned, and any unpaid amounts are classified as accounts receivable, related party. The Company had loan servicing fee receivables of \$761,298 and \$632,227 at June 30, 2019 and 2018, respectively.

Incentive Fees

Incentive fees are earned by the Adviser Subsidiary pursuant to a given Advisory Agreement when an Existing Gladstone Fund meets certain income or realized capital gains thresholds. Refer to Note 7 for further details on the terms of the Advisory Agreements.

The Company does not record capital gains-based incentive fee income as earned until such capital gains are contractually due to the Company under the terms of the Advisory Agreements with Commercial, Capital, Investment or Land. To the extent that receipt of capital gains-based incentive fees give rise to an obligation under the Company's Capital Gain Carried Interest Plan, the Company records compensation expense when this obligation becomes estimable and probable.

Incentive fees are recognized as income when all contingencies, including realization of specified minimum hurdle rates, have been exceeded. Any calculated amounts above the required minimum hurdle rates, as specified in the Advisory Agreements, is allocated by the Existing Gladstone Funds to the Adviser Subsidiary. The incentive fees are not subject to reversal or clawback under the terms of the Advisory Agreements.

Any unpaid amounts are classified as accounts receivable, related party. The Company had income-based incentive fee receivables of \$4,479,048 and \$3,310,943 at June 30, 2019 and 2018, respectively.

Administration Fees

The Administrator Subsidiary has entered into administrative agreements with each of the Existing Gladstone Funds and its other affiliates (each an "Administrative Agreement"), pursuant to which it furnishes such funds and other companies with accounting, valuation, legal, compliance, and other services. Pursuant to the Administrative Agreements, the Existing Gladstone Funds and the Administrator Subsidiary's other affiliates collectively pay the costs and expenses of the Administrator Subsidiary to perform the administrative services, which are primarily rent and the salaries, benefits and expenses of the Administrator Subsidiary's employees, including the chief financial officer and treasurer, chief compliance officer, chief valuation officer, and general counsel and secretary (and the staffs of all of the foregoing) of each of the Existing Gladstone Funds and the Administrator Subsidiary's other affiliates.

Administration fee revenue is recognized when it is earned, and unpaid amounts are classified as accounts receivable, related party. Refer to Note 7 for details on the administration fees earned. The Company had administration fee receivables of \$1,252,659 and \$1,358,197 at June 30, 2019 and 2018, respectively.

Investment Banking Fees

Investment banking fees include fees (1) received by the Broker-Dealer Subsidiary for providing investment banking and due diligence services to certain portfolio companies of Capital and Investment, (2) received by the Adviser Subsidiary for providing management or advisory services to certain portfolio companies of Capital and Investment and (3) received by the Adviser Subsidiary for providing mortgage placement services to Commercial and Land. Such fees may be received in advance and, if so, are recorded as deferred revenue in the Consolidated Balance Sheets and are refundable until earned. Due to uncertainty surrounding the collectibility of the certain of these fees, they are recognized when they are collected. To the extent that the Adviser Subsidiary receives any fees directly from a portfolio company of either Capital or Investment for any such services, 100% of such fees are credited against the investment advisory fees otherwise due to the Adviser Subsidiary pursuant to the applicable Advisory Agreement.

Annual Review Fees

Annual review fee income, which is received by the Adviser Subsidiary from certain portfolio companies of Capital and Investment, includes amounts charged for recurring portfolio review and valuation services. Amounts are generally payable to the Adviser Subsidiary quarterly or annually in advance, but due to uncertainty surrounding the collectibility of the fees, they are recognized when they are collected, at which point they are deferred until they have been earned, generally over a period of one year.

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Property Management Fees

Property management fee income received by the Adviser Subsidiary includes amounts charged for recurring property management services provided to and paid by the properties and tenants of Commercial. Generally, amounts are payable annually in arrears and are recognized as they are earned.

Securities Trade Commissions

Securities trade commission income includes dealer manager and broker-dealer commissions received by the Broker-Dealer Subsidiary pursuant to its role in distributing certain shares of preferred stock of its affiliates through the independent broker-dealer network. Fees are generated and earned on a trade-date basis, when the Company's obligation to its customers is satisfied.

On May 31, 2018, the Broker-Dealer Subsidiary entered into an Amended and Restated Dealer Manager Agreement with Land, whereby the Broker-Dealer Subsidiary serves as Land's exclusive dealer manager in connection with its offering of up to 6,000,000 shares of its 6.0% Series B Cumulative Redeemable Preferred Stock. The Broker-Dealer Subsidiary will provide certain sales, promotional and marketing services to Land in connection with the offering and Land will pay the Broker-Dealer Subsidiary (1) selling commissions of up to 7.0% of the gross proceeds from sales of the preferred stock and (2) a dealer manager fee of up to 3.0% of the gross proceeds from sales. The Broker-Dealer Subsidiary may reallocate the selling commissions to participating broker-dealers in the offering and reduce or eliminate its fees under certain circumstances under the terms of the Amended and Restated Dealer Manager Agreement. Through June 30, 2019 and 2018, 2,643,468 and 20,280 shares, respectively, of the 6,000,000 shares had been sold.

Fee Credits

Fee credits historically consist of non-contractual, unconditional and irrevocable waivers of loan servicing fees, investment advisory fees and incentive fees otherwise due to the Adviser Subsidiary from the Existing Gladstone Funds under the Advisory Agreements. Such credits are either related to: (1) certain investment banking fees received by the Adviser Subsidiary from portfolio companies of Capital and Investment, (2) loan servicing fees received by the Adviser Subsidiary from Business Loan and Business Investment, (3) a portion of the annual review fees received by the Adviser Subsidiary from certain portfolio companies of Capital and Investment, (4) other amounts granted to allow the Existing Gladstone Funds to comply with the requirements of their credit facilities or maintain the desired level of distributions to their shareholders (see Note 7), and (5) a reduction in the investment advisory fees received in connection with syndicated loan investments held by Capital or Investment. Revenues are presented net of any related fee credits; refer to Note 7 for a reconciliation of the elements of investment advisory and incentive fees.

Income Taxes

The Company accounts for income taxes using the asset and liability method per Accounting Standards Codification 740 Income Taxes ("ASC 740"). ASC 740 requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the temporary differences between the financial statement and the tax basis of existing assets and liabilities, measured at prevailing enacted tax rates that are expected to be in effect when these temporary differences are expected to affect taxable income. A valuation allowance will be recognized if, based on the available evidence, it is more likely than not that some or all of the deferred tax asset will not be realized. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carry forward periods and the associated risk that operating loss carry-forwards may expire unused. The Company records interest and penalties to interest expense as incurred.

The Company is also required to determine whether a tax position taken or expected to be taken is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements is reduced by the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. The Company recognizes interest related to these positions in interest expense.

Recent Accounting Pronouncements

In January 2016, the FASB issued ASU2016-01, Financial Instruments—Overall, which makes limited amendments to the guidance in U.S. GAAP on the classification and measurement of financial instruments. The new standard significantly revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. ASU 2016-01 is effective for fiscal years beginning after

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December 15, 2018, including interim periods therein. Early adoption is permitted specifically for the amendments pertaining to the presentation of certain fair value changes for financial liabilities measured at fair value. Early adoption of all other amendments is not permitted. Upon adoption, the Company will be required to make a cumulative-effect adjustment to the Consolidated Balance Sheet as of the beginning of the first reporting period in which the guidance is effective. The Company has completed an evaluation of the effect that ASU 2016-01 will have on its consolidated financial statements and related disclosures and has preliminarily concluded there will be no material changes.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842): An Amendment of the FASB Accounting Standards Codification" ("ASU 2016-02"). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee, which classification determines whether lease expense is recognized based on an effective interest method or on a straight-line basis, respectively, over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months, regardless of the classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. The amendments in ASU 2016-02 are effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period with early adoption permitted. The Company is currently evaluating the impact of adopting this ASU on its financial statements but based on its limited leasing activity and the relatively short duration of its leases has preliminarily concluded that the effect on its balance sheet will not be material.

3. Notes Receivable and Payable – Related Parties

As of June 30, 2017, the Company had notes receivable from a related party totaling \$437,000 and notes payable to its stockholder totaling \$535,949. During the fiscal year ended June 30, 2018, the Company received the full principal balance of the notes receivable plus \$31,145 in accrued interest. It then repaid its debt to its stockholder, including the full principal balance of the notes payable plus an accrued interest balance of \$62,287.

4. Revolving Credit Facility

The Adviser Subsidiary and TGC INC maintain, as co-borrowers, a credit facility with Wells Fargo Bank, N.A., with an original maturity date of August 31, 2015, and which has been subsequently amended under substantively similar terms to the original agreement. Interest accrues at LIBOR plus 3.0% and is payable monthly. Under the current extension dated January 15, 2019, availability under the line was \$1,000,000 through June 30, 2019, \$2,000,000 from July 1, 2019 through December 31, 2020, and \$1,000,000 from January 1, 2020 through January 15, 2020. TGC INC serves as the guarantor of this credit facility.

The credit facility contains various covenants. Prior to the current extension, the agreement required the Adviser Subsidiary to maintain net income after-taxes of not less than one dollar calculated on a rolling four quarter basis. The Adviser Subsidiary was not in compliance with this covenant for the quarter ended September 30, 2018, for which it obtained a waiver from the bank, but was otherwise in compliance with all covenants for that period and for the fiscal year ended June 30, 2018. Under the current extension, the Adviser Subsidiary was required to maintain net income after-taxes of not less than one dollar for the quarter ended December 31, 2018, and commencing with the quarter ended March 31, 2019, not less than one dollar calculated on a rolling four quarter basis. Under the current extension, the Adviser Subsidiary was in compliance with all covenants of the credit facility for the period from October 1, 2018 through June 30, 2019. No balances were outstanding under the credit facility as of June 30, 2019 or 2018.

5. Deferred Compensation Plan and Defined Contribution Plan

Effective October 1, 2004, the Board of Directors of the Company adopted the Deferred Compensation Plan (known as the Executive Nonqualified Excess Plan). The Deferred Compensation Plan is a nonqualified plan that permitted participants to defer all or a portion of their base salary and annual bonus. The Deferred Compensation Plan's assets are fair valued in accordance with ASC 820, and the plan's liabilities are equal to the assets, as these amounts are payable to the participants.

In October 2018, the Company terminated the Deferred Compensation Plan and ceased permitting participants to make further contributions into the plan.

The value of a participant's account is determined by the amounts deferred and the performance of investment benchmarks selected by the participant under the Deferred Compensation Plan. Each participant is fully vested in the amounts deferred. Participant deferrals are not directly invested; therefore, participants do not have an ownership interest in any securities.

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However, the Company has made investments intended to mirror the selected benchmarks in order to meet its future obligations under the Deferred Compensation Plan. As a result, the Deferred Compensation Plan's assets are generally equal to its obligations.

Until January 3, 2020, the Deferred Compensation Plan's obligations will be payable in a lump sum in cash within sixty days, or as soon as practicable, following the date of a qualifying distribution event, unless the participant chooses to receive annual installments for a maximum period of five years. Qualifying distribution events include death of a participant, disability of a participant, and termination of service or retirement. In-service and educational withdrawals may also be made by participants without penalty provided that they are requested in accordance with plan rules. Hardship withdrawals may be made at any time without penalty with the approval of the Board of Directors of TGC INC.

As of January 3, 2020, all remaining obligations will be valued, the trust will be liquidated, and the obligations will be paid to participants in a subsequent payroll. These payments to participants will give rise to income tax deductions in the Company's current or future tax returns that are currently recognized as deferred tax assets.

The Deferred Compensation Plan's obligations are unsecured general obligations of the Company to pay in the future the value of the Deferred Compensation Plan accounts adjusted to reflect the hypothetical gains and losses resulting from the performance of the selected investment benchmarks in accordance with the terms of the plan. The deferred compensation obligations will rank without preference with other outstanding unsecured and unsubordinated indebtedness of the Company and are, therefore, subject to the risks of the Company's insolvency. The Deferred Compensation Plan obligations will be paid in cash and will be subject to withholding for applicable taxes.

Additionally, the Company sponsors a non-discriminatory defined contribution plan as a fringe benefit to all employees. The assets and associated liabilities of this plan are assets and liabilities of such plan, and not assets and liabilities of the Company. The defined contribution plan allows participants to contribute as much as seventy-five percent of their salaries up to the maximum amount allowed under the Employee Retirement Income Security Act of 1974 ("ERISA"). The defined contribution plan allows the Company to make employer contributions, employer discretionary contributions, and safe harbor contributions. During the fiscal years ended June 30, 2019 and 2018, the Company funded safe harbor contributions for calendar years 2018 and 2017 totaling \$406,862 and \$382,573, respectively. These amounts equaled three percent of each participants' salary, limited by the maximum contribution allowable per ERISA.

6. Income Taxes

The Company's net income is taxed at regular corporate tax rates for both U.S. Federal and U.S. State purposes.

Recent U.S. federal income tax legislation, commonly referred to as The Tax Cuts and Jobs Act ("TCJA"), was enacted on December 22, 2017. Among other things, the TCJA reduced the U.S. federal corporate tax rate from 35% to 21% effective on January 1, 2018, resulting in a blended rate of 27.55% for the fiscal year ended June 30, 2018. The U.S. federal corporate tax rate for the fiscal year ended June 30, 2019 and future years is 21%.

The Company recognized a provisional amount of \$1.1 million of income tax expense for the fiscal year ended June 30, 2018 relating to the revaluation of deferred tax asset balances due to the change in tax rates enacted in the period. The Company's preliminary analyses and provisional estimates of the financial statement impacts of the TCJA were completed in accordance with guidance issued by the SEC under Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act. The changes included in the TCJA are broad and complex and could materially affect the estimates recorded for the quarter and year to date periods, due to, among other things, changes in legislative interpretations or further guidance issued on the application of certain provisions of the TCJA. The Securities and Exchange Commission has issued rules that would allow for a measurement period of up to one year after the enactment date of the TCJA to finalize the recording of the related tax impacts.

The current and prior period effective tax rates differ from the federal statutory tax rate of 21% due primarily to the TCJA impact on the deferred tax asset and the effect of state taxes.

The Company evaluated the tax positions taken on federal and state tax returns for all open tax years (June 30, 2016—June 30, 2019) and determined that no uncertain tax position liability exists as of June 30, 2019 or 2018.

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Significant components of the Company's deferred tax assets and liabilities as of June 30, 2019 and 2018 are summarized as follows:

	2019	2018
Deferred Tax Assets		
Accrued compensation	\$2,401,023	\$2,309,217
Other	26,541	27,494
Total deferred tax assets	2,427,564	2,336,711
Deferred Tax Liabilities		
Unrealized gain on marketable securities	(27,245)	(88,866)
Total deferred tax liabilities	(27,245)	(88,866)
Net deferred tax assets	<u>\$2,400,319</u>	<u>\$2,247,845</u>

The Company believes it is more likely than not it will generate sufficient taxable income in future periods to realize the deferred tax assets.

The U.S. Federal and U.S. State income tax provision consists of the following for the fiscal years ended June 30, 2019 and 2018:

	2019	2018
Current		
U.S. Federal	\$(1,281,020)	\$(2,227,457)
U.S. State	(361,094)	(580,181)
Total current	(1,642,114)	(2,807,638)
Deferred		
U.S. Federal	119,297	(889,652)
U.S. State	33,176	44,088
Total deferred	152,473	(845,564)
Income tax provision	<u>\$(1,489,641)</u>	<u>\$(3,653,202)</u>

Income tax expense from operations differs from taxes computed using the U.S. Federal statutory tax rate for the fiscal years ended June 30, 2019 and 2018 as follows:

	2019	2018
Federal tax expense, at statutory rate	\$(1,226,886)	\$(2,283,586)
State income tax expense, net of federal benefit	(259,095)	(332,896)
Deferred tax impacts of TCJA	—	(1,052,011)
Non-deductible expenses	(12,316)	(1,878)
State rate changes	87	—
Other, net	8,569	17,169
Income tax provision	<u>\$(1,489,641)</u>	<u>\$(3,653,202)</u>

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7. Related Party Transactions

The following tables list the investment advisory and loan servicing fees, incentive fees, and irrevocable, unconditional, and non-contractual fee waivers granted by the Adviser Subsidiary to the Existing Gladstone Funds, as further described below:

Revenue – Investment Advisory and Loan Servicing Fees

	<u>Capital</u>	<u>Investment</u>	<u>Commercial</u>	<u>Land</u>	<u>Total</u>
2019					
Base management fees	\$ 7,195,097	\$12,812,329	\$5,058,535	\$ 3,308,478	\$ 28,374,439
Loan servicing fees	5,050,967	6,839,215	—	—	11,890,182
Loan servicing fee credit	(5,050,967)	(6,839,215)	—	—	(11,890,182)
Credit for fees received from portfolio companies and other fee waivers	(1,187,838)	(5,770,917)	—	(1,648,381)	(8,607,136)
Fee reduction on senior syndicated loans	(378,827)	—	—	—	(378,827)
Investment advisory and loan servicing fee revenue	<u>\$ 5,628,432</u>	<u>\$ 7,041,412</u>	<u>\$5,058,535</u>	<u>\$ 1,660,097</u>	<u>\$ 19,388,476</u>

	<u>Capital</u>	<u>Investment</u>	<u>Commercial</u>	<u>Land</u>	<u>Total</u>
2018					
Base management fees	\$ 6,824,678	\$11,390,145	\$5,127,420	\$2,410,549	\$ 25,752,792
Loan servicing fees	4,891,139	6,453,815	—	—	11,344,954
Loan servicing fee credit	(4,891,139)	(6,453,815)	—	—	(11,344,954)
Credit for fees received from portfolio companies and other fee waivers	(1,245,422)	(4,093,689)	—	(174,014)	(5,513,125)
Fee reduction on senior syndicated loans	(375,450)	—	—	—	(375,450)
Investment advisory and loan servicing fee revenue	<u>\$ 5,203,806</u>	<u>\$ 7,296,456</u>	<u>\$5,127,420</u>	<u>\$2,236,535</u>	<u>\$ 19,864,217</u>

Revenue – Incentive Fees

	<u>Capital</u>	<u>Investment</u>	<u>Commercial</u>	<u>Land</u>	<u>Total</u>
2019					
Incentive fees	\$ 5,549,080	\$5,420,850	\$3,367,474	\$ 628,098	\$14,965,502
Incentive fee waiver	(1,922,745)	—	—	(778,077)	(2,700,822)
Incentive fee revenue	<u>\$ 3,626,335</u>	<u>\$5,420,850</u>	<u>\$3,367,474</u>	<u>\$ (149,979)</u>	<u>\$12,264,680</u>
2018					
Incentive fees	\$ 5,382,005	\$6,163,931	\$2,732,168	\$260,879	\$14,538,983
Incentive fee waiver	(1,144,250)	—	—	(53,572)	(1,197,822)
Incentive fee revenue	<u>\$ 4,237,755</u>	<u>\$6,163,931</u>	<u>\$2,732,168</u>	<u>\$207,307</u>	<u>\$13,341,161</u>

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Credits to Investment Advisory and Loan Servicing Fees and Incentive Fees

	<u>Capital</u>	<u>Investment</u>	<u>Commercial</u>	<u>Land</u>	<u>Total</u>
Credit for fees received from portfolio companies and other fee waivers	\$(1,187,838)	\$ (5,770,917)	\$ —	\$(1,648,381)	\$ (8,607,136)
Loan servicing fee credit	(5,050,967)	(6,839,215)	—	—	(11,890,182)
Fee reduction on senior syndicated loans	(378,827)	—	—	—	(378,827)
Incentive fee waiver	(1,922,745)	—	—	(778,077)	(2,700,822)
Total credits	<u>\$(8,540,377)</u>	<u>\$(12,610,132)</u>	<u>\$ —</u>	<u>\$(2,426,458)</u>	<u>\$(23,576,967)</u>

	<u>Capital</u>	<u>Investment</u>	<u>Commercial</u>	<u>Land</u>	<u>Total</u>
2018					
Credit for fees received from portfolio companies and other fee waivers	\$(1,245,422)	\$ (4,093,689)	\$ —	\$(174,014)	\$ (5,513,125)
Loan servicing fee credit	(4,891,139)	(6,453,815)	—	—	\$(11,344,954)
Fee reduction on senior syndicated loans	(375,450)	—	—	—	\$ (375,450)
Incentive fee waiver	(1,144,250)	—	—	(53,572)	\$(1,197,822)
Total credits	<u>\$(7,656,261)</u>	<u>\$(10,547,504)</u>	<u>\$ —</u>	<u>\$(227,586)</u>	<u>\$(18,431,351)</u>

The Adviser Subsidiary has entered into an Advisory Agreement with each of the Existing Gladstone Funds. Through June 30, 2019, the Advisory Agreement with Land provided for (1) an annual base management fee equal to 2% of the Land's total adjusted stockholders' equity and (2) an income-based quarterly incentive fee which will be earned if Land's pre-incentive fee FFO exceeds on a quarterly basis 1.75% of total adjusted stockholder's equity. The Adviser Subsidiary is entitled to receive 100% of the amount of the pre-incentive fee FFO that exceeds the hurdle rate but is less than 2.1875% of Land's pre-incentive fee FFO in any calendar quarter. The Adviser Subsidiary is also entitled to receive an incentive fee equal to 20% of the amount of Land's pre-incentive fee FFO that exceeds 2.1875% in any calendar quarter. Additionally, the Adviser Subsidiary is entitled to receive an annual capital gains-based incentive fee from Land equal to 15% of certain net capital gains realized by Land. In fiscal year 2019 a capital gains fee was earned from Land, but was fully credited back, resulting in no net revenue. Refer to Note 9 for a description of changes to the Advisory Agreement that occurred subsequent to June 30, 2019.

The Advisory Agreement with Commercial provides for (1) an annual base management fee equal to 1.5% of Commercial's total adjusted stockholders' equity and (2) an income-based quarterly incentive fee which will be earned if Commercial's pre-incentive fee core FFO exceeds 2% of Commercial's total adjusted stockholder's equity. In the event that the calculation of the income-based quarterly incentive fee yields an incentive fee for a particular quarter that exceeds by greater than 15% the average quarterly incentive fee paid during the trailing four quarters (averaged over the number of quarters any incentive fee was paid), then such incentive fee will equal 115% of such trailing average quarterly incentive fee. Additionally, the Adviser Subsidiary is entitled to receive an annual capital gains-based incentive fee from Commercial equal to 15% of certain net capital gains realized by Commercial. No capital gains incentive fees were earned from Commercial for the years ended June 30, 2019 and 2018.

The Adviser Subsidiary has also entered into separate Advisory Agreements with each of Capital and Investment (collectively the "BDCs"). The Advisory Agreements provide for an annual base management fee equal to 2%, in the case of Investment, and 1.75%, in the case of Capital, of the respective BDC's average gross assets, which is defined as total assets less uninvested cash and cash equivalents resulting from borrowings calculated as of the end of the two most recently completed quarters and appropriately adjusted for any share issuances or repurchases during the applicable calendar quarter.

The Adviser Subsidiary also services the loans held by the BDCs. All loan servicing fees paid to the Adviser Subsidiary are treated as reductions directly against the investment advisory fees under the Advisory Agreements. The Adviser Subsidiary's board of directors voluntarily provide non-contractual, unconditional and irrevocable credits to reduce the loan servicing fee rate on syndicated loan participations to 0.5% for each of the years ended June 30, 2019 and 2018. In addition, the investment advisory fee is credited by 100% of certain management service and other fees received by the Adviser Subsidiary from the BDCs' portfolio companies and a further variable amount of annual review fees received by the Adviser Subsidiary from certain of the BDCs' portfolio companies. Overall, the investment advisory fee due to the Adviser Subsidiary cannot exceed 2% of total assets (as reduced by cash and cash equivalents pledged to creditors) during any given fiscal year.

The Gladstone Companies, Inc.
Notes to Consolidated Financial Statements

The Advisory Agreements with the BDCs also include an income based quarterly incentive fee which the Adviser Subsidiary will be entitled to receive if either of the BDCs' quarterly net investment income (before giving effect to the incentive fee) exceeds 1.75% of net assets up to a threshold of 2.1875% of net assets and 20% of the net investment income in excess of such 2.1875% threshold.

The Advisory Agreements also provide for an annual capital gains based incentive fee, in which the Adviser Subsidiary will be entitled to receive an annual fee equal to 20% of certain of the BDCs' realized capital gains, net of realized capital losses and unrealized capital depreciation at the end of the applicable year. No capital gains incentive fees were earned from the BDCs for the years ended June 30, 2019 and 2018.

Many of Capital's loan investments are held directly by its wholly-owned subsidiary, Business Loan. Likewise, many of Investment's loan investments are held directly by its wholly-owned subsidiary, Business Investment. Business Loan and Business Investment pay the Adviser Subsidiary a loan servicing fee of 1.5% and 2.0%, respectively, per annum, on a monthly basis, on the fair value of the loans directly held thereby. Loan servicing fees represent amounts earned by the Adviser Subsidiary for acting as the servicer pursuant to the terms of the line of credit agreements between Business Loan and its creditor banks and Business Investment and its creditor banks. Since Capital and Investment own these loans (through their 100% ownership of Business Loan and Business Investment, respectively), all loan-servicing fees earned by the Adviser Subsidiary are credited directly against the investment advisory fees otherwise due and payable to the Adviser Subsidiary by Capital and Investment. Loan servicing fee revenue is recognized when earned and unpaid amounts are classified as accounts receivable, related party.

The table below lists the servicing fees earned by the Adviser Subsidiary for servicing Capital's (thus, Business Loan's) and Investment's (thus, Business Investment's) loan portfolios for the fiscal years ended June 30, 2019 and 2018:

	2019	2018
Portfolio:		
Business Loan (Capital)	\$ 5,050,967	\$ 4,891,139
Business Investment (Investment)	6,839,215	6,453,815
Total loan servicing fees	<u>\$11,890,182</u>	<u>\$11,344,954</u>

The Gladstone Companies, Inc.
Notes to Consolidated Financial Statements

The following table lists the administration fees earned from the Existing Gladstone Funds and three of its unconsolidated affiliates (David and Lorna Gladstone Foundation, Gladstone International Corporation and Gladstone Land Advisers, Inc.) for the fiscal years ended June 30, 2019 and 2018, respectively:

	2019	2018
Administration Agreement with:		
Capital	\$1,275,928	\$1,209,371
Commercial	1,633,054	1,393,485
Investment	1,333,870	1,107,613
Land	1,234,962	1,089,457
Gladstone Foundation	24,498	—
Gladstone International	13,885	—
Gladstone Land Advisers	—	10,226
Total administration fees	<u>\$5,516,197</u>	<u>\$4,810,152</u>

8. Calculation of Net Income per Share

The following table sets forth the computation of basic and diluted net income per share of common shares for the fiscal years ended June 30, 2019 and 2018 using the weighted average number of shares outstanding during the periods in accordance with ASC 260-10.

	2019	2018
Net income attributable to common shareholders	<u>\$4,352,675</u>	<u>\$4,622,832</u>
Denominator for average shares of common shares outstanding—basic and diluted	<u>100</u>	<u>100</u>
Net income per share attributable to common shares—basic and diluted	<u>\$43,526.75</u>	<u>\$46,228.32</u>

9. Commitments and Contingencies

The Adviser Subsidiary rents office space in multiple locations throughout the United States and has entered into operating leases for its office spaces. These rental lease agreements are generally subject to escalation provisions on base rental payments, as well as certain costs incurred by the property owners. On April 15, 2005, the Adviser Subsidiary entered into an operating lease agreement to lease the office space in McLean, Virginia. The most recent amendment, dated January 18, 2019, extended the lease expiration date to April 30, 2025. This lease is cancellable by the Adviser Subsidiary upon providing the property owner with three months' written notice.

The Gladstone Companies, Inc.
Notes to Consolidated Financial Statements

The following table summarizes the contractual payments due under cancellable operating leases by fiscal year:

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2020	\$ 726,066
2021	741,186
2022	762,511
2023	780,338
2024	803,860
2025	686,587
Total contractual repayments	<u><u>\$4,500,548</u></u>

10. Subsequent Events

The Company evaluated all events that have occurred subsequent to June 30, 2019 through September 23, 2019, the date these financial statements were available for issuance.

Effective July 1, 2019, the Adviser Subsidiary amended its Advisory Agreement with Land to (1) make the annual base management fee equal to 2% of Land's "Total Adjusted Common Equity", as defined, rather than 2% of total stockholder's equity; (2) base the 1.75% income-based quarterly incentive fee on "Total Adjusted Common Equity", as defined, rather than on total stockholder's equity; and (3) express the Pre-Incentive Fee FFO as a rate of return on "Total Adjusted Common Equity", as defined, rather than on total stockholder's equity.

Other than this amendment, there were no subsequent events requiring disclosure.

Events Subsequent to Original Issuance of Financial Statements (Unaudited)

In connection with the reissuance of the financial statements, the Company has evaluated subsequent events through August 28, 2020, the date the financial statements were available to be reissued.

Effective January 1, 2020, the Adviser Subsidiary further amended its Advisory Agreement with Land to make the annual base management fee equal to 0.50% (0.125% per quarter) of the prior calendar quarter's "Gross Tangible Real Estate" as defined in the agreement.

Effective January 15, 2020, the Revolving Credit Facility described in Note 4 was amended and restated to adjust the availability under the line to \$2 million through January 15, 2021.

Effective April 1, 2020, the Adviser Subsidiary amended its Advisory Agreement with Capital such that for the period from April 1, 2020 through March 31, 2021, the income-based incentive fee will be based on all of the pre-incentive fee net investment income generated quarterly in excess of a hurdle rate of 2.00% of net assets up to a threshold of 2.4375% of net assets (8% to 9.75% annualized) and 20% of the pre-incentive fee net investment income in excess of such 2.4375% threshold (9.75% annualized). Beginning April 1, 2021, the basis for the income-based incentive fee will revert back to being based on all of the pre-incentive fee net investment income generated quarterly in excess of a hurdle rate of 1.75% of net assets up to a threshold of 2.1875% of net assets (7% to 8.75% annualized) and 20% of the pre-incentive fee net investment income in excess of such 2.1875% threshold (8.75% annualized).

Effective July 1, 2020, the Adviser Subsidiary amended its Advisory Agreement with Commercial to make the annual base management fee equal to 0.425% (0.10625% per quarter) of the prior calendar quarter's average "Gross Tangible Real Estate" as defined in the agreement.

Subsequent to December 31, 2019, the pandemic caused by the spread of COVID-19 has impacted most countries, communities, and markets. The extent to which the COVID-19 pandemic may impact our business, financial condition, liquidity, results of operations, or prospects will depend on numerous evolving factors that are out of our control and that we are not able to predict at this time.

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The Gladstone Companies, Inc.
Consolidated Balance Sheets
As of December 31, 2019 (unaudited) and June 30, 2019

	December 31, 2019	June 30, 2019
Assets		
Current assets		
Cash	\$25,414,822	\$33,511,153
Accounts receivable, related parties	19,014,643	9,658,670
Prepaid expenses	607,187	504,818
Marketable securities held for trading, at fair value	8,712,784	8,576,388
Total current assets	53,749,436	52,251,029
Fixed assets less accumulated depreciation of \$878,257 and \$813,009, respectively	329,471	254,670
Intangible assets	152,266	152,266
Deferred tax asset, net	2,400,319	2,400,319
Security deposit	66,663	62,369
Total assets	<u>\$56,698,155</u>	<u>\$55,120,653</u>
Liabilities and Owner's Equity		
Current liabilities		
Accounts payable and accrued expenses	\$ 2,674,464	\$ 2,075,361
Accrued payroll	19,635,011	22,517,282
Income taxes payable	626,412	—
Deferred revenue	403,958	580,208
Deferred compensation plan	8,851,527	8,576,388
Total current liabilities	32,191,372	33,749,239
Deferred liabilities	62,352	62,352
Total liabilities	32,253,724	33,811,591
<i>Commitments and contingencies (Refer to Note 8)</i>		
Owner's equity		
Common stock, \$0.01 par value, 3,000 authorized shares, 100 issued and outstanding as of December 31, 2019 and June 30, 2019	1	1
Additional paid-in capital	5,049	5,049
Retained earnings	24,439,381	21,304,012
Total owner's equity	24,444,431	21,309,062
Total liabilities and owner's equity	<u>\$56,698,155</u>	<u>\$55,120,653</u>

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

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The Gladstone Companies, Inc.
Consolidated Statements of Operations
For the Six Months Ended December 31, 2019 and 2018 (unaudited)

	2019	2018
Revenues (Related Party)		
Investment advisory and loan servicing fees (Refer to Notes 1 and 7)	\$11,797,022	\$ 9,382,824
Incentive fees (Refer to Notes 1 and 7)	14,801,454	4,882,377
Administration fees	3,074,020	2,824,983
Investment banking fees	2,893,475	5,475,892
Annual review fees	262,989	308,668
Property management fees	159,977	184,769
Securities trade commissions	4,332,780	2,273,592
Other income	265,539	11,341
Total revenues	<u>37,587,256</u>	<u>25,344,446</u>
Operating expenses		
Salaries and employee benefits	27,542,938	18,139,771
Rent	406,604	322,162
Depreciation	65,248	53,323
Telecommunications	237,787	258,624
Office expenses	159,877	250,896
Professional services	334,453	283,376
Securities trade costs	4,200,284	2,302,135
Interest expense	—	193
Other operating expenses	564,891	575,970
Total expenses	<u>33,512,082</u>	<u>22,186,450</u>
Income from operations	4,075,174	3,157,996
Dividends from marketable securities	91,963	114,362
Realized gain on marketable securities	225,807	225,598
Unrealized loss on marketable securities	(178,738)	(780,238)
Net income before income taxes	4,214,206	2,717,718
Income tax provision	(1,078,837)	(689,375)
Net income	<u>\$ 3,135,369</u>	<u>\$ 2,028,343</u>
Net income per share attributable to common stock—basic and diluted	<u>\$ 31,353.69</u>	<u>\$ 20,283.43</u>
Weighted average shares of common stock outstanding—basic and diluted	<u>100</u>	<u>100</u>

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

The Gladstone Companies, Inc.
Consolidated Statements of Changes in Owner's Equity
For the Six Months Ended December 31, 2019 and 2018 (unaudited)

	Common Stock				Total Owner's Equity
	Number of Shares	\$0.01 Par Value	Additional Paid-in Capital	Earnings Retained	
Balance, June 30, 2018	100	1	\$ 5,049	\$16,951,337	\$ 16,956,387
Net income (unaudited)	—	—	—	2,028,343	2,028,343
Balance, December 31, 2018 (unaudited)	100	1	\$ 5,049	\$18,979,680	\$ 18,984,730
Net income (unaudited)	—	—	—	2,324,332	2,324,332
Balance, June 30, 2019	100	1	\$ 5,049	\$21,304,012	\$ 21,309,062
Net income (unaudited)	—	—	—	3,135,369	3,135,369
Balance, December 31, 2019 (unaudited)	100	1	\$ 5,049	\$24,439,381	\$ 24,444,431

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

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The Gladstone Companies, Inc.
Consolidated Statements of Cash Flows
For the Six Months Ended December 31, 2019 and 2018 (unaudited)

	2019	2018
Cash flows from operating activities		
Net income	\$ 3,135,369	\$ 2,028,343
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	65,248	53,323
Unrealized loss on marketable securities	178,738	780,238
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, related parties	(9,355,973)	1,745,130
(Increase) in prepaid expenses	(102,369)	(12,705)
(Increase) in security deposits	(4,294)	—
Increase in accounts payable and accrued expenses	599,103	114,286
(Decrease) in accrued payroll	(2,882,271)	(8,789,249)
Increase (decrease) in income taxes payable	626,412	(1,933,301)
(Decrease) in deferred revenue	(176,250)	(227,395)
Increase (decrease) in deferred compensation	275,139	(342,686)
Net cash used in operating activities	<u>(7,641,148)</u>	<u>(6,584,016)</u>
Cash flows from investing activities		
Investments in marketable securities	(315,134)	(437,552)
Purchases of furniture, fixtures, and equipment	(140,049)	(48,219)
Net cash used in investing activities	<u>(455,183)</u>	<u>(485,771)</u>
Net (decrease) in cash	(8,096,331)	(7,069,787)
Cash and cash equivalents, beginning of period	<u>33,511,153</u>	<u>28,778,588</u>
Cash and cash equivalents, end of period	<u><u>\$25,414,822</u></u>	<u><u>\$21,708,801</u></u>
Supplemental disclosure of cash flow information		
Interest paid	\$ —	\$ 193
Income taxes paid	\$ 403,407	\$ 2,740,825

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

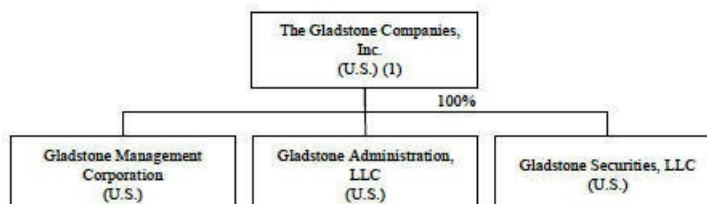
The Gladstone Companies, Inc.
Notes to Consolidated Financial Statements

1. Organization and Nature of Business

Description of the Company

The Gladstone Companies, Inc. (“TGC INC”) was incorporated on January 1, 2010. TGC INC is a wholly-owned subsidiary of The Gladstone Companies, Ltd. (formerly Gladstone Holding Corporation) (“TGC LTD”). TGC INC primarily does business through its indirect, wholly-owned subsidiaries, but owns certain investments directly. TGC INC and its subsidiaries are hereafter collectively referred to as the “Company.”

The following chart summarizes the Company’s organizational structure as of December 31, 2019 and June 30, 2019. The Company’s headquarters are in McLean, Virginia (a suburb of Washington, D.C.).



(1) Name changed from Gladstone Holding Corporation effective September 14, 2018

Nature of Business

The Company is a leading alternative asset manager and provider of other administrative and financial services. It currently primarily provides these services to four unconsolidated public investment funds (the “Existing Gladstone Funds”), which specialize in investments across four distinct areas:

- (1) Gladstone Investment Corporation (“Investment”), a publicly traded business development company (“BDC”) operating as a private equity fund, primarily financing and investing in lower middle market companies (Nasdaq: GAIN);
- (2) Gladstone Capital Corporation (“Capital”), a publicly traded BDC operating as a private debt fund, primarily lending to lower middle market companies (Nasdaq: GLAD);
- (3) Gladstone Commercial Corporation (“Commercial”), a publicly traded real estate fund operated as a REIT, primarily acquiring, owning and managing office and industrial properties leased to public and private companies (Nasdaq: GOOD); and,
- (4) Gladstone Land Corporation (“Land”), a publicly traded real estate fund operated as a REIT, primarily acquiring, owning and leasing farms and farm or natural resource-related property (Nasdaq: LAND).

The Company primarily generates its revenue from fees earned pursuant to advisory, administrative, broker-dealer and other agreements its subsidiaries have with the Existing Gladstone Funds and to other affiliated entities. These fees are generated through:

- Gladstone Management Corporation, an investment adviser registered with the SEC (the “Adviser Subsidiary”).
- Gladstone Securities, LLC, a broker-dealer registered with the Financial Industry Regulatory Authority (FINRA) and insured by the Securities Investor Protection Corporation (SIPC) (the “Broker-Dealer Subsidiary”), which provides distribution, investment banking, due diligence, dealer manager, mortgage placement, and other financial services.
- Gladstone Administration, LLC (the “Administrator Subsidiary”), which primarily provides administrative services to the Existing Gladstone Funds, including accounting, valuation, legal, compliance, and other services.

The Gladstone Companies, Inc.
Notes to Consolidated Financial Statements

The Company consolidates two additional subsidiaries which had no active business activities, Gladstone Participation Fund, LLC (“Participation”) and Gladstone Lending Corporation (“Lending”).

2. Summary of Significant Accounting Policies

Basis of Accounting

The Company’s consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). All adjustments of a normal recurring nature considered necessary for the fair statement of the consolidated financial statements have been made. The consolidated financial statements do not include all disclosures normally made in annual financial statements. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the fiscal year ended June 30, 2019.

Principles of Consolidation

The Company’s consolidated financial statements include the accounts of TGC INC and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could materially differ from those estimates.

Fair Value of Financial Instruments

The assets held in connection with the Company’s non-qualified elective deferred compensation plan (the “Deferred Compensation Plan”) and the corresponding liability to the participants are measured at fair value on a recurring basis on the consolidated balance sheet using quoted market prices, as further discussed in Note 5. The assets are treated as trading securities for accounting purposes, with unrealized gains and losses included in earnings. The Company recognized unrealized loss on its marketable securities in the amount of \$(178,738) and \$(780,238) for the six months ended December 31, 2019 and 2018, respectively.

The offsetting liability is adjusted at the end of each accounting period based on the fair value of the plan assets. The assets of the Deferred Compensation Plan are classified in Level 1 of the fair value hierarchy (the Company had no financial instruments classified as Level 2 or Level 3 as of or during the six months ended December 31, 2019 and 2018). There were no transfers in or out of Level 1 during the six months ended December 31, 2019 or 2018. The following table summarizes the Company’s held for trading assets as of December 31, 2019 and June 30, 2019.

The Gladstone Companies, Inc.
Notes to Consolidated Financial Statements

	Level 1 Investments			
	December 31, 2019		June 30, 2019	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$8,559,460	\$8,559,460	\$6,066,356	\$6,066,356
Mutual funds	153,413	153,324	1,268,796	1,244,057
Equities	—	—	1,047,867	1,265,975
Total	<u>\$8,712,873</u>	<u>\$8,712,784</u>	<u>\$8,383,019</u>	<u>\$8,576,388</u>

Fixed Assets

The following table summarizes the Company's fixed assets as of December 31, 2019 and June 30, 2019. No impairment was recorded during the six months ended December 31, 2019 or 2018 or the year ended June 30, 2019.

	December 31, 2019	June 30, 2019
Furniture, fixtures, and equipment	\$ 1,051,821	\$ 953,894
Software	41,873	17,644
Leasehold improvements	114,034	96,141
Fixed assets, cost	1,207,728	1,067,679
Less: accumulated depreciation and amortization	(878,257)	(813,009)
Fixed assets, net book value	<u>\$ 329,471</u>	<u>\$ 254,670</u>

Revenue Recognition

Investment Advisory and Loan Servicing Fees

Investment advisory fee revenue is earned from services provided by the Adviser Subsidiary to the Existing Gladstone Funds pursuant to the terms of an investment advisory agreement that exists between the Adviser Subsidiary and each of the Existing Gladstone Funds (each, an "Advisory Agreement"). Investment advisory fee revenue is recognized as the advisory services are provided, and any unpaid amounts are classified as accounts receivable, related party. The Company had investment advisory fee receivables of \$2,541,612 and \$1,406,830 at December 31, 2019 and June 30, 2019, respectively. Refer to Note 7 for further details on the terms of the Advisory Agreements.

Certain of Capital's and Investment's portfolios of loan investments are held in their respective wholly-owned subsidiaries, Gladstone Business Loan, LLC ("Business Loan") in the case of Capital, and Gladstone Business Investment, LLC ("Business Investment") in the case of Investment. Loan servicing fees represent additional amounts earned by the Adviser Subsidiary for acting as the servicer pursuant to the terms of the line of credit agreements between Business Loan and its creditor banks and

The Gladstone Companies, Inc.
Notes to Consolidated Financial Statements

Business Investment and its creditor banks. Since Capital and Investment own these loans indirectly (through their 100% ownership of Business Loan and Business Investment, respectively), all loan-servicing fees earned by the Adviser Subsidiary are credited directly against the investment advisory fees otherwise due and payable to the Adviser Subsidiary by Capital and Investment. Loan servicing fee revenue is recognized when it is earned, and any unpaid amounts are classified as accounts receivable, related party. The Company had loan servicing fee receivables of \$763,729 and \$761,298 at December 31, 2019 and June 30, 2019, respectively.

Incentive Fees

Incentive fees are earned by the Adviser Subsidiary pursuant to a given Advisory Agreement when an Existing Gladstone Fund meets certain income or realized capital gains thresholds. Refer to Note 7 for further details on the terms of the Advisory Agreements.

The Company does not record capital gains-based incentive fee income as earned until such capital gains are contractually due to the Company under the terms of the Advisory Agreements with Commercial, Capital, Investment or Land. To the extent that receipt of capital gains-based incentive fees give rise to an obligation under the Company's Capital Gain Carried Interest Plan, the Company records compensation expense when this obligation becomes estimable and probable.

Incentive fees are recognized as income when all contingencies, including realization of specified minimum hurdle rates, have been exceeded. Any calculated amounts above the required minimum hurdle rates, as specified in the Advisory Agreements, is allocated by the Existing Gladstone Funds to the Adviser Subsidiary. The incentive fees are not subject to reversal or clawback under the terms of the Advisory Agreements.

Any unpaid amounts are classified as accounts receivable, related party. The Company had income-based incentive fee receivables of \$12,008,911 and \$4,479,048 at December 31, 2019 and June 30, 2019, respectively.

Administration Fees

The Administrator Subsidiary has entered into administrative agreements with each of the Existing Gladstone Funds and its other affiliates (each an "Administrative Agreement"), pursuant to which it furnishes such funds and other companies with accounting, valuation, legal, compliance, and other services. Pursuant to the Administrative Agreements, the Existing Gladstone Funds and the Administrator Subsidiary's other affiliates collectively pay the costs and expenses of the Administrator Subsidiary to perform the administrative services, which are primarily rent and the salaries, benefits and expenses of the Administrator Subsidiary's employees, including the chief financial officer and treasurer, chief compliance officer, chief valuation officer, and general counsel and secretary (and the staffs of all of the foregoing) of each of the Existing Gladstone Funds and the Administrator Subsidiary's other affiliates.

Administration fee revenue is recognized when it is earned, and unpaid amounts are classified as accounts receivable, related party. Refer to Note 7 for details on the administration fees earned. The Company had administration fee receivables of \$1,931,380 and \$1,252,659 at December 31, 2019 and June 30, 2019, respectively.

Investment Banking Fees

Investment banking fees include fees (1) received by the Broker-Dealer Subsidiary for providing investment banking and due diligence services to certain portfolio companies of Capital and Investment, (2) received by the Adviser Subsidiary for providing management or advisory services to certain portfolio companies of Capital and Investment and (3) received by the Adviser Subsidiary for providing mortgage placement services to Commercial and Land. Such fees may be received in advance and, if so, are recorded as deferred revenue in the Consolidated Balance Sheets and are refundable until earned. Due to uncertainty surrounding the collectibility of the certain of these fees, they are recognized when they are collected. To the extent that the Adviser Subsidiary receives any fees directly from a portfolio company of either Capital or Investment for any such services, 100% of such fees are credited against the investment advisory fees otherwise due to the Adviser Subsidiary pursuant to the applicable Advisory Agreement.

Annual Review Fees

Annual review fee income, which is received by the Adviser Subsidiary from certain portfolio companies of Capital and Investment, includes amounts charged for recurring portfolio review and valuation services. Amounts are generally payable to the Adviser Subsidiary quarterly or annually in advance, but due to uncertainty surrounding the collectibility of the fees, they are recognized when they are collected, at which point they are deferred until they have been earned, generally over a period of one year.

The Gladstone Companies, Inc.
Notes to Consolidated Financial Statements

Property Management Fees

Property management fee income received by the Adviser Subsidiary includes amounts charged for recurring property management services provided to and paid by the properties and tenants of Commercial. Generally, amounts are payable annually in arrears and are recognized as they are earned.

Securities Trade Commissions

Securities trade commission income includes dealer manager and broker-dealer commissions received by the Broker-Dealer Subsidiary pursuant to its role in distributing certain shares of preferred stock of its affiliates through the independent broker-dealer network. Fees are generated and earned on a trade-date basis, when the Company's obligation to its customers is satisfied.

On May 31, 2018, the Broker-Dealer Subsidiary entered into an Amended and Restated Dealer Manager Agreement with Land, whereby the Broker-Dealer Subsidiary serves as Land's exclusive dealer manager in connection with its offering of up to 6,000,000 shares of its 6.0% Series B Cumulative Redeemable Preferred Stock. The Broker-Dealer Subsidiary will provide certain sales, promotional and marketing services to Land in connection with the offering and Land will pay the Broker-Dealer Subsidiary (1) selling commissions of up to 7.0% of the gross proceeds from sales of the preferred stock and (2) a dealer manager fee of up to 3.0% of the gross proceeds from sales. The Broker-Dealer Subsidiary may reallocate the selling commissions to participating broker-dealers in the offering and reduce or eliminate its fees under certain circumstances under the terms of the Amended and Restated Dealer Manager Agreement. Through December 31, 2019 and June 30, 2019, 4,755,869 and 2,643,468 shares, respectively, of the 6,000,000 shares had been sold.

Fee Credits

Fee credits historically consist of non-contractual, unconditional and irrevocable waivers of loan servicing fees, investment advisory fees and incentive fees otherwise due to the Adviser Subsidiary from the Existing Gladstone Funds under the Advisory Agreements. Such credits are either related to: (1) certain investment banking fees received by the Adviser Subsidiary from portfolio companies of Capital and Investment, (2) loan servicing fees received by the Adviser Subsidiary from Business Loan and Business Investment, (3) a portion of the annual review fees received by the Adviser Subsidiary from certain portfolio companies of Capital and Investment, (4) other amounts granted to allow the Existing Gladstone Funds to comply with the requirements of their credit facilities or maintain the desired level of distributions to their shareholders (see Note 7), and (5) a reduction in the investment advisory fees received in connection with syndicated loan investments held by Capital or Investment. Revenues are presented net of any related fee credits; refer to Note 7 for a reconciliation of the elements of investment advisory and incentive fees.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-13, "Financial Instruments - Credit Losses (Topic 326)" ("ASU 2016-13"). The new standard requires more timely recognition of credit losses on loans and other financial instruments that are not accounted for at fair market value through net income. The standard also requires the financial assets measured at amortized cost be presented at the net amounts anticipated to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. We will be required to measure all expected credit losses based on historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the financial assets. We are required to adopt ASU 2016-13 beginning with the fiscal year ending June 30, 2021; its adoption is not expected to have a material impact on our consolidated financial statements.

In March 2020, the FASB issued Accounting Standards Update 2020-04, "Reference Rate Reform (Topic 848)" ("ASU 2020-04"). The main provisions of this update provide optional expedients and exceptions for contracts, hedging relationships, and other transactions that reference the London Inter-bank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. ASU 2020-04 is effective for all entities as of March 12, 2020. We are required to adopt ASU 2020-04 beginning with the fiscal year ending June 30, 2020; its adoption is not expected to have a material impact on our consolidated financial statements.

3. Revolving Credit Facility

The Adviser Subsidiary and TGC INC maintain, as co-borrowers, a credit facility with Wells Fargo Bank, N.A., with a maturity date of January 15, 2021. Interest accrues at LIBOR plus 3.0% and is payable monthly. Under the credit facility availability under the line is \$2,000,000. TGC INC serves as the guarantor of this credit facility.

The credit facility contains various covenants. The Adviser Subsidiary is required to maintain net income after-taxes of not less than one dollar calculated on a rolling four quarter basis. The Adviser Subsidiary was in compliance with all covenants of the credit facility for the period from October 1, 2018 through December 31, 2019. No balances were outstanding under the credit facility as of December 31, 2019 or June 30, 2019.

4. Deferred Compensation Plan and Defined Contribution Plan

Effective October 1, 2004, the Board of Directors of the Company adopted the Deferred Compensation Plan (known as the Executive Nonqualified Excess Plan). The Deferred Compensation Plan is a nonqualified plan that permitted participants to defer all or a portion of their base salary and annual bonus. The Deferred Compensation Plan's assets are fair valued in accordance with ASC 820.

In October 2018, the Company terminated the Deferred Compensation Plan and ceased permitting participants to make further contributions into the plan.

The value of a participant's account is determined by the amounts deferred and the performance of investment benchmarks selected by the participant under the Deferred Compensation Plan. Each participant is fully vested in the amounts deferred. Participant deferrals are not directly invested; therefore, participants do not have an ownership interest in any securities.

The Gladstone Companies, Inc.
Notes to Consolidated Financial Statements

However, the Company has made investments intended to mirror the selected benchmarks in order to meet its future obligations under the Deferred Compensation Plan. As a result, the Deferred Compensation Plan's assets are generally close in amount to its obligations.

As of January 3, 2020, all remaining obligations were valued, the trust was liquidated, and the obligations were paid to participants in a subsequent payroll. These payments to participants will give rise to income tax deductions in the Company's current or future tax returns that were recognized as of December 31, 2019 and June 30, 2019 as deferred tax assets.

Additionally, the Company sponsors a non-discriminatory defined contribution plan as a fringe benefit to all employees. The assets and associated liabilities of this plan are assets and liabilities of such plan, and not assets and liabilities of the Company. The defined contribution plan allows participants to contribute as much as seventy-five percent of their salaries up to the maximum amount allowed under the Employee Retirement Income Security Act of 1974 ("ERISA"). The defined contribution plan allows the Company to make employer contributions, employer discretionary contributions, and safe harbor contributions. As of December 31, 2019 and June 30, 2019, the Company had accrued safe harbor contributions totaling \$425,000 and \$212,500, respectively. These amounts equaled a prorated expected annual contribution of three percent of each participants' salary, limited by the maximum contribution allowable per ERISA.

5. Income Taxes

The Company's net income is taxed at regular corporate tax rates for both U.S. Federal and U.S. State purposes.

The U.S. federal corporate tax rate for the six months ended December 31, 2019 and 2018 and for future years was 21%.

The current and prior period effective tax rates differ from the federal statutory tax rate of 21% due primarily to the effect of state taxes.

The Company evaluated the tax positions taken on Federal and state tax returns for all open tax years (June 30, 2016—June 30, 2019) and determined that no uncertain tax position liability exists as of December 31, 2019 or June 30, 2019.

The Gladstone Companies, Inc.
Notes to Consolidated Financial Statements

6. Related Party Transactions

The following tables list the investment advisory and loan servicing fees, incentive fees, and irrevocable, unconditional, and non-contractual fee waivers granted by the Adviser Subsidiary to the Existing Gladstone Funds (as further described below) for the six months ended December 31, 2019 and 2018. Refer to the Notes to the Audited Financial Statements for discussion of the basis for fees and credits.

Revenue – Investment Advisory and Loan Servicing Fees

2019	GLAD	GAIN	GOOD	LAND	Total
Base management fees	\$ 3,659,399	\$ 6,114,240	\$2,614,101	\$1,743,660	\$14,131,400
Loan servicing fees	2,712,978	3,387,129	—	—	6,100,107
Loan servicing fee credit	(2,712,978)	(3,387,129)	—	—	(6,100,107)
Credit for fees received from portfolio companies and other fee waivers	(656,128)	(1,424,508)	—	—	(2,080,636)
Fee reduction on senior syndicated loans	(253,742)	—	—	—	(253,742)
Investment advisory and loan servicing fee revenue	<u>\$ 2,749,529</u>	<u>\$ 4,689,732</u>	<u>\$2,614,101</u>	<u>\$1,743,660</u>	<u>\$11,797,022</u>

2018	GLAD	GAIN	GOOD	LAND	Total
Base management fees	\$ 3,601,126	\$ 6,502,413	\$2,498,309	\$1,429,368	\$14,031,216
Loan servicing fees	2,550,499	3,404,018	—	—	5,954,517
Loan servicing fee credit	(2,550,499)	(3,404,018)	—	—	(5,954,517)
Credit for fees received from portfolio companies and other fee waivers	(562,678)	(3,852,469)	—	(62,187)	(4,474,334)
Fee reduction on senior syndicated loans	(171,058)	—	—	—	(171,058)
Investment advisory and loan servicing fee revenue	<u>\$ 2,867,390</u>	<u>\$ 2,649,944</u>	<u>\$2,498,309</u>	<u>\$1,367,181</u>	<u>\$ 9,382,824</u>

Revenue – Incentive Fees

2019	GLAD	GAIN	GOOD	LAND	Total
Income-based incentive fees	\$ 2,883,607	\$ 2,257,421	\$1,932,967	\$ 846,573	\$ 7,920,568
Capital gains-based incentive fees	—	8,127,214	—	—	8,127,214
Incentive fee waiver	(1,246,328)	—	—	—	(1,246,328)
Incentive fee revenue	<u>\$ 1,637,279</u>	<u>\$10,384,635</u>	<u>\$1,932,967</u>	<u>\$ 846,573</u>	<u>\$14,801,454</u>

2018	GLAD	GAIN	GOOD	LAND	Total
Income-based incentive fees	\$ 2,652,326	\$ 2,032,000	\$1,612,709	\$ —	\$ 6,270,035
Capital gains-based incentive fees	—	—	—	778,077	778,077
Incentive fee waiver	(1,387,658)	—	—	(778,077)	\$ (2,165,735)
Incentive fee revenue	<u>\$ 1,237,668</u>	<u>\$ 2,032,000</u>	<u>\$1,612,709</u>	<u>\$ 0</u>	<u>\$ 4,882,377</u>

The Gladstone Companies, Inc.
Notes to Consolidated Financial Statements

Credits to Investment Advisory and Loan Servicing Fees and Incentive Fees

2019	GLAD	GAIN	GOOD	LAND	Total
Credit for fees received from portfolio companies and other fee waivers	\$ (656,128)	\$(1,424,508)	\$ —	\$ —	\$ (2,080,636)
Loan servicing fee credit	(2,712,978)	(3,387,129)	—	—	(6,100,107)
Fee reduction on senior syndicated loans	(253,742)	—	—	—	(253,742)
Incentive fee waiver	(1,246,328)	—	—	—	(1,246,328)
Total credits	<u>\$(4,869,176)</u>	<u>\$(4,811,637)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (9,680,813)</u>
2018	GLAD	GAIN	GOOD	LAND	Total
Credit for fees received from portfolio companies and other fee waivers	\$ (562,678)	\$(3,852,469)	—	\$ (62,187)	\$ (4,474,334)
Loan servicing fee credit	(2,550,499)	(3,404,018)	—	—	(5,954,517)
Fee reduction on senior syndicated loans	(171,058)	—	—	—	(171,058)
Incentive fee waiver	\$(1,387,658)	—	—	(778,077)	(2,165,735)
Total credits	<u>\$(4,671,893)</u>	<u>\$(7,256,487)</u>	<u>\$ 0</u>	<u>\$(840,264)</u>	<u>\$(12,768,644)</u>

The Gladstone Companies, Inc.
Notes to Consolidated Financial Statements

The table below lists the servicing fees earned by the Adviser Subsidiary for servicing Capital's (thus, Business Loan's) and Investment's (thus, Business Investment's) loan portfolios for the six months ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Portfolio:		
Business Loan (Capital)	\$2,712,978	\$2,550,499
Business Investment (Investment)	<u>3,387,129</u>	<u>3,404,018</u>
Total loan servicing fees	<u>\$6,100,107</u>	<u>\$5,954,517</u>

The Gladstone Companies, Inc.
Notes to Consolidated Financial Statements

The following table lists the administration fees earned from the Existing Gladstone Funds and three of its unconsolidated affiliates (David and Lorna Gladstone Foundation, Gladstone International Corporation and Gladstone Land Advisers, Inc.) for the six months ended December 31, 2019 and 2018, respectively:

	2019	2018
Administration Agreement with:		
Capital	\$ 737,251	\$ 661,351
Commercial	879,889	822,894
Investment	789,474	676,136
Land	651,668	649,423
David and Lorna Gladstone Foundation	7,352	9,876
Gladstone International Corporation	4,322	5,303
The Gladstone Companies, Ltd.	4,064	—
Total administration fees	<u>\$3,074,020</u>	<u>\$2,824,983</u>

7. Calculation of Net Income per Share

The following table sets forth the computation of basic and diluted net income per share of common shares for the six months ended December 31, 2019 and 2018 using the weighted average number of shares outstanding during the periods in accordance with ASC 260-10.

	2019	2018
Net income attributable to common shareholders	<u>\$3,135,369</u>	<u>\$2,028,343</u>
Denominator for average shares of common shares outstanding—basic and diluted	<u>100</u>	<u>100</u>
Net income per share attributable to common shares—basic and diluted	<u>\$31,353.69</u>	<u>\$20,283.43</u>

8. Commitments and Contingencies

The Adviser Subsidiary rents office space in multiple locations throughout the United States and has entered into operating leases for its office spaces. These rental lease agreements are generally subject to escalation provisions on base rental payments, as well as certain costs incurred by the property owners.

The Gladstone Companies, Inc.
Notes to Consolidated Financial Statements

The following table summarizes the contractual payments due under cancellable operating leases by fiscal year:

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2020	\$ 726,066
2021	741,186
2022	762,511
2023	780,338
2024	803,860
2025	686,587
Total contractual repayments	<u>\$4,500,548</u>

9. Subsequent Events

The Company evaluated all events that have occurred subsequent to December 31, 2019 through August 28, 2020, the date these financial statements were available for issuance.

Effective January 1, 2020, the Adviser Subsidiary further amended its Advisory Agreement with Land to make the annual base management fee equal to 0.50% (0.125% per quarter) of the prior calendar quarter's "Gross Tangible Real Estate" as defined in the agreement.

Effective January 15, 2020, the Revolving Credit Facility described in Note 4 was amended and restated to adjust the availability under the line to \$2 million through January 15, 2021.

Effective April 1, 2020, the Adviser Subsidiary amended its Advisory Agreement with Capital such that for the period from April 1, 2020 through March 31, 2021, the income-based incentive fee will be based on all of the pre-incentive fee net investment income generated quarterly in excess of a hurdle rate of 2.00% of net assets up to a threshold of 2.4375% of net assets (8% to 9.75% annualized) and 20% of the pre-incentive fee net investment income in excess of such 2.4375% threshold (9.75% annualized). Beginning again April 1, 2021, the basis for the income-based incentive fee will revert back to being based on all of the pre-incentive fee net investment income generated quarterly in excess of a hurdle rate of 1.75% of net assets up to a threshold of 2.1875% of net assets (7% to 8.75% annualized) and 20% of the pre-incentive fee net investment income in excess of such 2.1875% threshold (8.75% annualized).

Effective July 1, 2020, the Adviser Subsidiary amended its Advisory Agreement with Commercial to make the annual base management fee equal to 0.425% (0.10625% per quarter) of the prior calendar quarter's average "Gross Tangible Real Estate" as defined in the agreement.

Subsequent to December 31, 2019, the pandemic caused by the spread of COVID-19 has impacted most countries, communities, and markets. The extent to which the COVID-19 pandemic may impact our business, financial condition, liquidity, results of operations, or prospects will depend on numerous evolving factors that are out of our control and that we are not able to predict at this time.



7.0% Senior Secured Bonds

PRELIMINARY OFFERING CIRCULAR

PART III

Exhibits

Exhibit Index

- 1.1 [Form of Amended and Restated Dealer Manager Agreement](#)
- 2.1 [Certificate of Incorporation of The Gladstone Companies, Inc.*](#)
- 2.2 [Bylaws of The Gladstone Companies, Inc.*](#)
- 3.1 [Form of Common Stock Certificate*](#)
- 3.2 [Form of Indenture](#)
- 3.3 [Form of 7.0% Senior Bond](#)
- 3.4 [Form of Pledge and Security Agreement](#)
- 4.1 [Form of Subscription Agreement](#)
- 6.1 [Employment Agreement between Gladstone Management Corporation and David Gladstone dated as of April 22, 2004*](#)
- 6.2 [Employment Agreement between Gladstone Management Corporation and Terry L. Brubaker dated as of May 26, 2019*](#)
- 6.3 [Second Amended and Restated Investment Advisory and Management Agreement between Gladstone Capital Corporation and Gladstone Management Corporation dated as of April 14, 2020*](#)
- 6.4 [Administration Agreement between Gladstone Capital Corporation and Gladstone Administration LLC dated as of October 1, 2006*](#)
- 6.5 [Investment Advisory and Management Agreement between Gladstone Investment Corporation and Gladstone Management Corporation dated as of June 22, 2005*](#)
- 6.6 [Administration Agreement between Gladstone Investment Corporation and Gladstone Administration LLC dated as of June 22, 2005*](#)
- 6.7 [Sixth Amended and Restated Investment Advisory Agreement between Gladstone Commercial Corporation and Gladstone Management Corporation dated as of July 14, 2020](#)
- 6.8 [Administration Agreement between Gladstone Commercial Corporation and Gladstone Administration LLC dated as of January 1, 2007*](#)
- 6.9 [Fourth Amended and Restated Investment Advisory Agreement between Gladstone Land Corporation and Gladstone Management Corporation dated as of January 14, 2020*](#)
- 6.10 [Second Amended and Restated Administration Agreement between Gladstone Land Corporation and Gladstone Administration LLC dated as of February 1, 2013*](#)
- 6.11 [Administration Agreement by and between The Gladstone Companies, Inc., The Gladstone Companies, Ltd. and Gladstone Administration LLC dated as of December 1, 2019*](#)
- 6.12 [Form of Expense Sharing Agreement by and between The Gladstone Companies, Inc. and Gladstone Management Corporation*](#)
- 11.1 [Consent of PricewaterhouseCoopers LLP](#)
- 11.2 [Consent of Proskauer Rose LLP \(included as part of \[Exhibit 12.1\]\(#\)\)](#)
- 12.1 [Opinion of Proskauer Rose LLP](#)

* Previously filed with the Issuer's offering statement on Form 1-A (File No. 024-11232) on June 2, 2020.

SIGNATURES

Pursuant to the requirements of Regulation A, the issuer certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form 1-A and has duly caused this offering statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of McLean, in the Commonwealth of Virginia, on the 28th day of August, 2020.

THE GLADSTONE COMPANIES, INC.

By: /s/ David Gladstone
Name: David Gladstone
Title: President and Chief Executive Officer

This offering statement has been signed by the following persons in the capacities and on the dates indicated.

<u>/s/ David Gladstone</u> David Gladstone	Chairman, President and Chief Executive Officer (principal executive officer)	August 28, 2020
<u>/s/ Michael Malesardi</u> Michael Malesardi	Chief Financial Officer (principal financial and accounting officer)	August 28, 2020
<u>/s/ Terry Brubaker</u> Terry Brubaker	Director	August 28, 2020
<u>/s/ Michael LiCalsi</u> Michael LiCalsi	Director	August 28, 2020

**AMENDED AND RESTATED
DEALER MANAGER
AGREEMENT**

\$50,000,000 of 7.00% Senior Secured Bonds

[•], 2020

Timbrel Capital, LLC
2200 Century Parkway, Suite 500
Atlanta, GA 30345
Attn: Jean Merriman

Ladies and Gentlemen:

The Gladstone Companies, Inc., a Delaware corporation (the “*Company*”), is offering a maximum of \$50,000,000 of its 7.00% senior secured bonds (the “*Bonds*”), for sale to the public (the “*Offering*”), pursuant to Regulation A of the Securities Act of 1933, as amended. Except as described in the Offering Circular (as defined below) or in Section 5 hereof, the Bonds are to be sold pursuant to the Offering at a price of \$25.00 per Bond.

The Company hereby appoints Timbrel Capital, LLC, a Georgia LLC (the “*Dealer Manager*”), as its agent and principal distributor during the Offering Period (as defined below) for the purpose of selling for cash, on a “reasonable best efforts” basis, the Bonds through such wholesalers and securities dealers that the Dealer Manager may retain (individually, a “*Dealer*” and collectively, the “*Dealers*”), all of whom shall be members of the Financial Industry Regulatory Authority, Inc. (“*FINRA*”), pursuant to a Participating Broker-Dealer Agreement in the form attached to this Agreement as Exhibit A (the “*Participating Broker-Dealer Agreement*”). The Dealer Manager hereby accepts such distributorship and agrees to use its reasonable best efforts to sell the Bonds on said terms and conditions.

The minimum initial purchase by any one person shall be \$5,000, or 200 Bonds, except as otherwise indicated in the Offering Circular or determined by the Company in its discretion in consultation with the Dealer Manager. The Company shall have the right to approve any material modifications or addenda to the form of the Participating Broker-Dealer Agreement. Terms not defined herein shall have the same meaning as in the Offering Circular.

The term “*Offering Period*” shall mean that period during which Bonds may be offered for sale, commencing on the date the Offering Circular (as defined below) was qualified by the Securities and Exchange Commission (the “*SEC*”), during which period offers and sales of the Bonds shall occur continuously unless and until the Offering is terminated, except that the Dealer Manager and the Dealers shall immediately suspend or terminate the offering of the Bonds upon request of the Company at any time and shall resume offering the Bonds upon subsequent request of the Company. The Offering Period shall in all events terminate on the earlier of (1) September 30, 2023 (unless earlier terminated or extended by our Board of Directors) and (2) the date on which all \$50,000,000 of our Bonds offered pursuant to the Offering Circular are sold. Upon termination of the Offering Period, the Dealer Manager’s agency and this Agreement shall terminate without obligation on the part of the Dealer Manager or the Company except as set forth in this Agreement.

The Company has prepared and filed with the SEC an offering statement. Such offering statement reflects the issuance and sale by the Company of the Bonds in an offering exempt from the registration requirements set forth under the Securities Act of 1933, as amended, and the rules and regulations thereunder (the “*Securities Act*”) pursuant to Regulation A thereunder. Such offering statement, including all financial statements, exhibits and schedules thereto, as from time to time amended or supplemented, is herein referred to as the “*Offering Statement*,” and the offering circular constituting a part of such offering statement, together with any offering circular supplement filed with the SEC relating to the Bonds (as amended and supplemented, the “*Offering Circular Supplement*”), in each case, as from time to time amended or supplemented, is referred to herein as the “*Offering Circular*,” except that if any revised offering circular is provided to the Dealer Manager by the Company for use in connection with the Offering of the Bonds that is not required to be filed by the Company under applicable federal securities laws, the term “*Offering Circular*” shall refer to such revised offering circular from and after the time it is first provided to the Dealer Manager for such use. The Offering Statement at the time it was originally qualified is herein called the “*Original Offering Statement*.”

In connection therewith, the Company hereby agrees with the Dealer Manager, as follows:

1. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

As an inducement to the Dealer Manager to enter into this Agreement, the Company represents and warrants to the Dealer Manager that:

1.1 The Original Offering Statement has been qualified by the SEC under the Securities Act. The Company has complied to the SEC's satisfaction with all requests of the SEC for additional or supplemental information, if any.

1.2 The Offering Circular, when filed, complied in all material respects with the Securities Act and, if filed by electronic transmission pursuant to Electronic Data Gathering, Analysis and Retrieval System ("**EDGAR**") (except as may be permitted by Regulation S-T under the Securities Act), was identical to the copy thereof delivered to the Dealer Manager for use in connection with the issuance and sale of the Bonds. Each of the Offering Statement and any post-qualification amendment thereto, at the time it was qualified and at all subsequent times, complied and will comply in all material respects with the Securities Act and did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. On the date of the Offering Circular, as amended or supplemented, as applicable, the Offering Circular did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The representations and warranties set forth in the immediately preceding sentences do not apply to statements in or omissions from the Offering Statement or any post-qualification amendment thereto, or the Offering Circular, or any amendments or supplements thereto, made in reliance upon and in conformity with information relating to the Dealer Manager or any of the Dealers, either furnished by a Dealer in writing to the Dealer Manager or the Company, or furnished by the Dealer Manager in writing to the Company specifically for inclusion therein.

1.3 The Company has been duly incorporated and is validly existing as a corporation under the laws of the State of Delaware and has the power and authority to conduct its business as described in the Offering Circular. The Company is in good standing with the Secretary of State of the State of Delaware, with full power and authority to conduct its business as described in the Offering Circular. The Company has qualified to do business and is in good standing in every jurisdiction in which the ownership or leasing of its properties or the nature or conduct of its business, as described in the Offering Circular, requires such qualification, except where the failure to do so would not have a material adverse effect on the condition, financial or otherwise, results of operations or cash flows of the Company and its subsidiaries taken as a whole (a "**Material Adverse Effect**").

1.4 The Company intends to use the funds received from the sale of the Bonds as set forth in the Offering Circular.

1.5 As of the date hereof, no filing with, or consent, approval, authorization, license, registration, qualification, order or decree of any court, governmental authority or agency is required for the performance by the Company of its obligations under this Agreement or in connection with the issuance and sale by the Company of the Bonds, except such as may be required under the rules of FINRA or applicable state securities laws or where the failure to obtain such consent, approval, authorization, license, registration, qualification, order or decree of any court, governmental authority or agency would not have a Material Adverse Effect.

1.6 There are no actions, suits or proceedings pending or, to the knowledge of the Company, threatened against the Company at law or in equity or before or by any federal or state commission, regulatory body or administrative agency or other governmental body, domestic or foreign, which would reasonably be expected to have a Material Adverse Effect.

1.7 The execution and delivery of this Agreement, the consummation of the transactions herein contemplated and compliance with the terms of this Agreement by the Company will not conflict with or constitute a default under any charter, bylaw, indenture, mortgage, deed of trust, lease, rule, regulation, writ, injunction or decree of any government, governmental instrumentality or court, domestic or foreign, having jurisdiction over the Company, except (a) to the extent that the enforceability of the indemnity and/or contribution provisions contained in Section 6 of this Agreement may be limited under applicable securities laws; and (b) for such conflicts or defaults that would not reasonably be expected to have a Material Adverse Effect.

1.8 The Company has full legal right, power and authority to enter into this Agreement and to perform the transactions contemplated hereby, except to the extent that the enforceability of the indemnity and/or contribution provisions contained in Section 6 of this Agreement may be limited under applicable securities laws.

1.9 The Indenture has been duly authorized, executed and delivered and constitutes a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, subject, as to enforcement, to applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally and to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or law). The Bonds to be issued and sold by the Company hereunder have been duly and validly authorized and, when duly executed, authenticated, issued and delivered as provided in the Indenture against payment therefor as provided herein, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject, as to enforcement, to applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally and to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or law).

2. REPRESENTATIONS AND WARRANTIES OF THE DEALER MANAGER.

As an inducement to the Company to enter into this Agreement, the Dealer Manager represents and warrants to the Company that:

2.1 The Dealer Manager is, and during the term of this Agreement will be, a member of FINRA in good standing and a broker-dealer registered as such under the Securities Exchange Act of 1934, as amended, including the rules and regulations thereunder (the “**Exchange Act**”), and under the securities laws of the states in which the Bonds are to be offered and sold. The Dealer Manager and its employees and representatives possess all required licenses and registrations to act under this Agreement. The Dealer Manager will comply with all applicable laws, rules, regulations and requirements of the Securities Act, the Exchange Act, other federal securities laws, state securities laws and the rules of FINRA, specifically including, but not in any way limited to, FINRA’s conduct rules. Each Dealer and each salesperson acting on behalf of the Dealer Manager or a Dealer will be registered with FINRA and duly licensed by each state regulatory authority in each jurisdiction in which it, he or she will offer and sell Bonds.

2.2 The Dealer Manager was duly organized and is validly existing as a limited liability company in good standing under the laws of the State of Georgia, and has full legal right, power and authority to enter into this Agreement and to perform the transactions contemplated hereby, and the Dealer Manager has duly authorized, executed and delivered this Agreement.

2.3 This Agreement is a valid and binding agreement of the Dealer Manager, enforceable in accordance with its terms, except to the extent that the enforceability of the indemnity and contribution provisions contained in Section 6 of this Agreement may be limited under applicable securities laws.

2.4 The Dealer Manager represents and warrants to the Company that the information under the caption “Plan of Distribution” in the Offering Circular and all other information furnished to the Company by the Dealer Manager in writing expressly for use in the Offering Statement, any Offering Circular Supplement, or the Offering Circular, does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

2.5 The Dealer Manager has reasonable grounds to believe, based on information made available to it by the Company, that the Offering Circular discloses all material facts adequately and accurately and provides an adequate basis for evaluating an investment in the Bonds.

2.6 No consent, approval, authorization or other order of any governmental authority is required in connection with the execution or delivery by the Dealer Manager of this Agreement, except such as may be required under the Securities Act or applicable state securities laws.

2.7 There are no actions, suits or proceedings pending or, to the knowledge of the Dealer Manager, threatened against the Dealer Manager at law or in equity or before or by any federal or state commission, regulatory body or administrative agency or other governmental body, domestic or foreign, which could reasonably be expected to have a material adverse effect on the Dealer Manager or the ability of the Dealer Manager to perform its obligations under this Agreement or to participate in the Offering as contemplated by the Offering Circular.

2.8 The execution and delivery of this Agreement, the consummation of the transactions herein contemplated and compliance with the terms of this Agreement by the Dealer Manager will not conflict with or constitute a default under its organizational documents, operating agreement or other similar agreement, indenture, mortgage, deed of trust, lease, rule, regulation, writ, injunction or decree of any government, governmental instrumentality or court, domestic or foreign, having jurisdiction over the Dealer Manager, except to the extent that the enforceability of the indemnity and/or contribution provisions contained in Section 6 of this Agreement may be limited under applicable securities laws.

2.9 The Dealer Manager represents to the Company that it has established and implemented anti-money laundering compliance programs in accordance with applicable law, including applicable FINRA conduct rules and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the “**USA Patriot Act**”), specifically including, but not limited to, Section 352 of the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001 (the “**Money Laundering Abatement Act**,” and together with the USA Patriot Act, the “**AML Rules**”) reasonably expected to detect and cause the reporting of suspicious transactions in connection with the offering and sale of the Units. The Dealer Manager further represents that it is currently in compliance with all AML Rules and will require each Dealer to comply with all AML Rules, specifically including, but not limited to, the Customer Identification Program requirements under Section 326 of the Money Laundering Abatement Act, and the Dealer Manager hereby covenants to remain in compliance with such requirements, and to require each Dealer to remain in compliance with such requirements, and shall, upon request by the Company, provide a certification to the Company that, as of the date of such certification (i) each of the Dealer Manager’s and each Dealer’s AML Program is consistent with the AML Rules and (ii) each of the Dealer Manager and each Dealer is currently in compliance with all AML Rules, specifically including, but not limited to, the Customer Identification Program requirements under Section 326 of the Money Laundering Abatement Act.

2.10 The Dealer Manager represents that it has abided by and complied with (i) the privacy standards and requirements of the Gramm-Leach-Bliley Act of 1999 (“**GLB Act**”); (ii) the privacy standards and requirements of any other applicable federal or state law; and (iii) its own internal privacy policies and procedures, each as may be amended from time to time.

3. COVENANTS OF THE COMPANY.

The Company covenants and agrees with the Dealer Manager that:

3.1 It will deliver to the Dealer Manager such numbers of copies of the Offering Statement, including all amendments and exhibits thereto, and the Offering Circular, and any amendment or supplement thereto, as the Dealer Manager may reasonably request for the purposes contemplated by this Agreement and the federal and state securities laws. It will similarly furnish to the Dealer Manager and others designated by the Dealer Manager as many copies as the Dealer Manager may reasonably request in connection with the offering of the Bonds of any other printed sales literature or other materials; provided that the use of said sales literature and other materials have been first approved for use by the Company and all appropriate regulatory agencies. It also will furnish to the Dealer Manager and its designees copies of any material deemed necessary by the Dealer Manager and commercially reasonable for the Company to furnish, for due diligence purposes in connection with the Offering.

3.2 It will comply with all requirements imposed upon it by the rules and regulations of the SEC and by all applicable state securities laws and regulations to permit the continuance of offers and sales of the Bonds in accordance with the provisions hereof and as set forth in the Offering Circular, and will amend or supplement the Offering Circular in order to make the Offering Circular comply with the requirements of federal and other state securities laws and regulations, as may be necessary for the Offering.

3.3 It will: (a) file every amendment or supplement to the Offering Statement or the Offering Circular that may be required by the SEC and (b) if at any time the SEC shall suspend the qualification of the Offering Statement or any state securities administration shall issue any order or take other action to suspend or enjoin the sale of the Bonds, it will promptly notify the Dealer Manager and will use its best efforts to obtain the lifting of such order or to prevent such other action at the earliest possible time.

3.4 If at any time during the Offering Period any event occurs as a result of which, in the opinion of either the Company or the Dealer Manager, the Offering Circular or any supplement then in effect would include an untrue statement of a material fact or, in view of the circumstances under which they were made, omit to state any material fact necessary to make the statements therein not misleading, the Company will promptly notify the Dealer Manager thereof (unless the information shall have been received from the Dealer Manager) and will effect the preparation of a supplement or amendment to the Offering Circular which will correct such statement or omission.

3.5 The Company will be responsible for all expenses incident to the performance of the Company's obligations under this Agreement, including: (a) the preparation, filing and printing of the Offering Statement as originally filed and of each amendment thereto, (b) the preparation, printing and delivery to the Dealer Manager of this Agreement, the Participating Broker-Dealer Agreement and such other documents as may be required in connection with the offering, sale, issuance and delivery of the Bonds, (c) the fees and disbursements of the Company's legal counsel, independent public or certified public accountants and other advisers, (d) the printing and delivery to the Dealer Manager of copies of the Offering Circular, (e) the fees and expenses of any trustee or paying agent in connection with the Bonds, (f) the preparation, issuance and delivery of certificates, if any, for the Bonds, including any bond or other transfer taxes or duties payable upon the sale of the Bonds, and (g) the costs and expenses of the Company relating to investor presentations undertaken in connection with the marketing of the offering of the Bonds, including, without limitation, expenses associated with the production of slides and graphics, fees and expenses of any consultants engaged in connection with presentations with the prior approval of the Company, and travel and lodging expenses of the representatives of the Company and any such consultants.

3.6 Prior to the first issuance of the Bonds, the Company shall cause PricewaterhouseCoopers, LLP to deliver to the Dealer Manager a letter, in form and substance satisfactory to the Dealer Manager, containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters, delivered in accordance with Statement of Auditing Standards No. 76 (or any successor bulletin), with respect to the financial statements and certain financial and statistical information contained in the Offering Statement and Offering Circular.

4. COVENANTS OF THE DEALER MANAGER.

The Dealer Manager covenants and agrees with the Company that:

4.1 In connection with the offer and sale of the Bonds, the Dealer Manager will comply with all requirements imposed upon it by the federal securities laws, the sale of Bonds or its activities and by all applicable state securities laws and regulations and the rules of FINRA, as from time to time in effect, and by this Agreement, including the obligation to deliver a copy of the Offering Circular as required by the Securities Act or the Exchange Act. The Dealer Manager will not make any sales of the Bonds in any jurisdiction unless and until it has been advised that the Bonds are either registered in accordance with, or exempt from, the securities and other laws applicable thereto. The Dealer Manager shall, and each Dealer shall agree to, solicit purchases of the Bonds only in the jurisdictions in which the Dealer Manager and such Dealer are legally qualified to so act and in which solicitations can be made.

4.2 The Dealer Manager will make no representations concerning the Offering except as set forth in the Offering Circular.

4.3 The Dealer Manager will provide the Company with such information relating to the offer and sale of the Bonds by it as may be requested to enable the Company to prepare such reports of sale as may be required to be filed under applicable federal or state securities laws.

4.4 All engagements of the Dealers will be evidenced by a Participating Broker-Dealer Agreement with a copy of such agreement and related materials provided to the Company upon execution, except when the Dealer Manager obtains the prior written consent of the Company. When Dealers are used in this Offering, the Dealer Manager will use commercially reasonable efforts to cause such Dealers to comply with all their respective obligations pursuant to the Participating Broker-Dealer Agreement.

4.5 The Dealer Manager will comply in all material respects with the subscription procedures and “Plan of Distribution” set forth in the Offering Circular. Subscriptions using DRS Settlement (as defined below) will be submitted by the Dealer Manager and each Dealer to the Company only on the subscription agreement. The Dealer Manager understands and acknowledges, and each Dealer shall acknowledge if using DRS Settlement, that such subscription agreement must be executed and initialed by the subscriber as provided for by such subscription agreement.

4.6 The Company may also provide the Dealer Manager with certain supplemental sales material to be used by the Dealer Manager and the Dealers in connection with the solicitation of purchasers of the Bonds. In the event the Dealer Manager elects to use such supplemental sales material, the Dealer Manager agrees that such material shall not be used in connection with the solicitation of purchasers of the Bonds unless accompanied or preceded by the Offering Circular, as then currently in effect, and as it may be amended or supplemented in the future. The Dealer Manager agrees that it will not use any sales materials in conjunction with the offer and sale of the Bonds other than those either provided to the Dealer Manager by the Company or approved by the Company for use in the Offering. The use of any other sales material is expressly prohibited.

4.7 The Dealer Manager is, and during the term of this Agreement will be, (a) duly registered as a broker-dealer pursuant to the provisions of the Exchange Act, (b) prior to selling in any state or jurisdiction, a broker or dealer duly registered as such if the Dealer Manager’s activities in such state or jurisdiction require such registration or licensing, (c) a member of FINRA in good standing, and (d) otherwise duly registered or qualified as required by any applicable law in any and all other states where solicitation of offers to purchase the Bonds are made by the Dealer Manager. The Dealer Manager agrees to notify the Company immediately in writing if it ceases to be a member in good standing with FINRA or it is notified by FINRA that it is being investigated for any impropriety, it is subject to a FINRA suspension, (iii) any state investigates it for any impropriety, or (iv) its registration as a broker-dealer under the Exchange Act is terminated or suspended.

5. COMPENSATION OF DEALER MANAGER AND COMPANY EXPENSES.

5.1 Except as otherwise provided in the “Plan of Distribution” section of the Offering Circular, as compensation for the services rendered by the Dealer Manager, the Company agrees that it will pay to the Dealer Manager sales commissions in the amount of 6.0% of the \$25.00 per bond cash price for Bonds sold in the offering, plus a dealer manager fee in the amount of 3.0% of the \$25.00 per bond cash price for Bonds sold in the offering, and the Company will pay reduced selling commissions or may eliminate commissions on certain sales of Bonds, including the reduction or elimination of selling commissions in accordance with, and on the terms set forth in, the Offering Circular. Notwithstanding anything herein to the contrary, in no event shall any payments by the Company to the Dealer Manager under this Agreement exceed 7.75% of the aggregate proceeds from the sale of the Bonds.

5.2 The Company will not be liable or responsible to any Dealer for direct payment of commissions to any Dealer, it being the sole and exclusive responsibility of the Dealer Manager for payment of commissions to Dealers. Notwithstanding the above, at the discretion of the Company, the Company may act as agent of the Dealer Manager by making direct payment of commissions to Dealers on behalf of the Dealer Manager without incurring any liability.

5.3 Notwithstanding anything to the contrary herein, in the event the Offering terminates prior to completion, the Company will not pay any compensation to the Dealer Manager or any Dealer in connection with the Offering, except for Bonds actually sold and issued to investors.

5.4 Notwithstanding anything to the contrary contained herein, in the event that the Company pays any commission to the Dealer Manager for sale by a Dealer of one or more Bonds and the subscription is rescinded as to one or more of the Bonds covered by such subscription, the Company shall decrease the next payment of commissions or other compensation otherwise payable to the Dealer Manager by the Company under this Agreement by an amount equal to the commission rate established in Section 5.1 of this Agreement, multiplied by the number of Bonds as to which the subscription is rescinded. In the event that no payment of commissions or other compensation is due to the Dealer Manager after such withdrawal occurs, the Dealer Manager shall pay the amount specified in the preceding sentence to the Company within ten (10) days following receipt of notice by the Dealer Manager from the Company stating the amount owed as a result of rescinded subscriptions.

5.6 The parties hereto acknowledge that the Dealer Manager shall be responsible for all expenses incurred by the Dealer Manager in contracting with a third party to provide clearing services in connection with DTC Settlements (as defined below), and that such expenses shall not be reimbursed by the Company.

6. INDEMNIFICATION.

6.1 The Company will indemnify and hold harmless the Dealers and the Dealer Manager, their officers, directors and managers, and each person, if any, who controls such Dealer or the Dealer Manager within the meaning of Section 15 of the Securities Act (the “*Indemnified Persons*”) from and against any losses, claims, damages or liabilities (the “*Losses*”), joint or several, to which such Indemnified Persons may become subject, insofar as such Losses (or actions in respect thereof) arise out of or are based upon (a) any untrue statement or alleged untrue statement of a material fact contained in the Offering Statement or any post-qualification amendment thereto or in the Offering Circular, or (b) the omission or alleged omission to state in the Offering Statement (including the Offering Circular as a part thereof) or any post-qualification amendment thereto a material fact required to be stated therein or necessary to make the statements therein not misleading, or (c) any untrue statement or alleged untrue statement of a material fact contained in the Offering Circular or the omission or alleged omission to state therein a material act required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Company will reimburse the Indemnified Person, as appropriate, for any reasonable legal or other expenses reasonably incurred by the Indemnified Person in connection with investigating or defending such Loss. Notwithstanding the foregoing provisions of this Section 6.1, the Company will not be liable in any such case to the extent that any such Loss or expense arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with written information furnished (x) to the Company by the Dealer Manager or (y) to the Company or the Dealer Manager by or on behalf of any Dealer specifically for use in the preparation of the Offering Statement or any such post-qualification amendment thereto, or the Offering Circular, and, further, the Company will not be liable in any such case if it is determined that such Dealer or the Dealer Manager was at fault in connection with the Loss, expense or action. Notwithstanding the foregoing, the Company shall not indemnify or hold harmless an Indemnified Person for any Losses or expenses arising from or out of an alleged violation of federal or state securities laws by such party unless one or more of the following conditions are met: (a) there has been a successful adjudication on the merits of each count involving alleged securities law violations as to the particular Indemnified Person, (b) such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction as to the particular Indemnified Person and (c) a court of competent jurisdiction approves a settlement of the claims against a particular Indemnified Person and finds that indemnification of the settlement and the related costs should be made, and the court considering the request for indemnification has been advised of the position of the SEC and of the published position of any state securities regulatory authority in which securities of the Company were offered or sold as to indemnification for violations of securities laws.

6.2 The Dealer Manager will indemnify and hold harmless the Company, its officers and directors, and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act, from and against any Losses to which any of the aforesaid parties may become subject, insofar as such Losses (or actions in respect thereof) arise out of or are based upon (a) any untrue statement or alleged untrue statement of a material fact contained in the Offering Statement or any post-qualification amendment thereto or in the Offering Circular or (b) the omission or alleged omission to state in the Offering Statement (including the Offering Circular as a part thereof) or any post-qualification amendment thereto a material fact required to be stated therein or necessary to make the statements therein not misleading, (c) any untrue statement or alleged untrue statement of a material fact

contained in the Offering Circular or the omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, in the case of clauses (a)-(c) to the extent, but only to the extent, that such untrue statement or omission was made in reliance upon and in conformity with written information furnished to the Company by or on behalf of the Dealer Manager specifically for use with reference to the Dealer Manager in the preparation of the Offering Statement or any such post-qualification amendments thereof or any such preliminary Offering Circular or the Offering Circular or any such amendment thereof or supplement thereto, or (d) any use of sales literature not authorized or approved by the Company or any use of "broker-dealer use only" materials with potential investors or unauthorized verbal representations concerning the Bonds by the Dealer Manager, or (e) any untrue statement made by the Dealer Manager or its representatives or agents or omission to state a fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading in connection with the offer and sale of the Bonds, or (f) any failure to comply with applicable laws governing money laundry abatement and anti-terrorist financing efforts, including applicable FINRA Rules, SEC rules and the USA Patriot Act. The Dealer Manager will reimburse the aforesaid parties in connection with investigation or defending such Loss or action. This indemnity agreement will be in addition to any liability which the Dealer Manager may otherwise have.

6.3 Each Dealer severally will indemnify and hold harmless the Company, the Dealer Manager and each of their officers, directors, and managers, and each person, if any, who controls the Company and the Dealer Manager within the meaning of Section 15 of the Securities Act (each, a "**Dealer Indemnified Person**"), from and against any Losses to which the Dealer Indemnified Person may become subject, insofar as such Losses (or actions in respect thereof) arise out of or are based upon (a) any untrue statement or alleged untrue statement of a material fact contained in the Offering Statement or any post-qualification amendment thereto or in the Offering Circular, or (b) the omission or alleged omission to state in the Offering Statement (including the Offering Circular as a part thereof) or any post-qualification amendment thereto a material fact required to be stated therein or necessary to make the statements therein not misleading, (c) any untrue statement or alleged untrue statement of a material fact contained in the Offering Circular or the omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, in the case of clauses (a)-(c) to the extent, but only to the extent, that such untrue statement or omission was made in reliance upon and in conformity with written information furnished to the Company or the Dealer Manager by or on behalf of such Dealer specifically for use with reference to such Dealer in the preparation of the Offering Statement or any such post-qualification amendments thereof or the Offering Circular or any such amendment thereof or supplement thereto, or (d) any use of sales literature not authorized or approved by the Company or any use of "broker-dealer use only" materials with potential investors or unauthorized verbal representations concerning the Bonds by such Dealer or Dealer's representatives or agents, or (e) any untrue statement made by such Dealer or its representatives or agents or omission to state a fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading in connection with the offer and sale of the Bonds, or (f) any failure to comply with Section IX or Section XII of the Participating Broker-Dealer Agreement or any other material violation of the Participating Broker-Dealer Agreement, or (g) any failure to comply with applicable laws governing money laundry abatement and anti-terrorist financing efforts, including applicable FINRA Rules, SEC Rules and the USA Patriot Act. Each such Dealer will reimburse the Dealer Indemnified Person in connection with investigating or defending any such Loss or action. This indemnity agreement will be in addition to any liability which such Dealer may otherwise have.

6.4 Promptly after receipt by an indemnified party under this Section 6 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 6, notify in writing the indemnifying party of the commencement thereof and the omission so to notify the indemnifying party will relieve it from any liability under this Section 6 as to the particular item for which indemnification is then being sought, but not from any other liability which it may have to any indemnified party. In case any such action is brought against any indemnified party, and it notifies an indemnifying party of the commencement thereof, the indemnifying party will be entitled, to the extent it may wish, jointly with any other indemnifying party similarly notified, to participate in the defense thereof, with separate counsel. Such participation shall not relieve such indemnifying party of the obligation to reimburse the indemnified party for reasonable legal and other expenses (subject to Section 6.5) incurred by such indemnified party in defending itself, except for such expenses incurred after the indemnifying party has deposited funds sufficient to effect the settlement, with prejudice, of the claim in respect of which indemnity is sought. Any such indemnifying party shall not be liable to any such indemnified party on account of any settlement of any claim or action effected without the consent of such indemnifying party.

6.5 The indemnifying party shall pay all reasonable legal fees and expenses of the indemnified party in the defense of such claims or actions; provided, however, that the indemnifying party shall not be obliged to pay legal expenses and fees to more than one law firm in connection with the defense of similar claims arising out of the same alleged acts or omissions giving rise to such claims notwithstanding that such actions or claims are alleged or brought by one or more parties against more than one indemnified party. If such claims or actions are alleged or brought against more than one indemnified party, then the indemnifying party shall only be obliged to reimburse the expenses and fees of the one law firm that has been selected by a majority of the indemnified parties against which such action is finally brought; and in the event a majority of such indemnified parties is unable to agree on which law firm for which expenses or fees will be reimbursable by the indemnifying party, then payment shall be made to the first law firm of record representing an indemnified party against the action or claim. Such law firm shall be paid only to the extent of services performed by such law firm and no reimbursement shall be payable to such law firm on account of legal services performed by another law firm.

7. SURVIVAL OF PROVISIONS.

7.1 The respective agreements, representations and warranties of the Company and the Dealer Manager set forth in this Agreement shall remain operative and in full force and effect regardless of (a) any investigation made by or on behalf of the Dealer Manager or any Dealer or any person controlling the Dealer Manager or any Dealer or by or on behalf of the Company or any person controlling the Company, and (b) the acceptance of any payment for the Bonds.

7.2 The obligations of the Company to pay the Dealer Manager pursuant to Section 5.1 of this Agreement, and the provisions of Section 5.3, Section 5.4, Sections 6 through 8 and Sections 11 and 15 of this Agreement shall survive the termination of this Agreement.

8. APPLICABLE LAW AND VENUE.

This Agreement and its validity, interpretation and construction shall be governed by the laws of the State of Georgia. The Company, the Dealer Manager and each Dealer hereby agree that venue for any action brought in connection with this Agreement shall lie exclusively in Dekalb County, Georgia.

9. COUNTERPARTS.

This Agreement may be executed in any number of counterparts. Each counterpart, when executed and delivered, shall be an original contract, but all counterparts, when taken together, shall constitute one and the same agreement.

10. SUCCESSORS AND AMENDMENT.

10.1 This Agreement shall inure to the benefit of and be binding upon the Dealer Manager and the Company and their respective successors. Nothing in this Agreement is intended or shall be construed to give to any other person any right, remedy or claim, except as otherwise specifically provided herein.

10.2 This Agreement may be amended by the mutual written agreement of the Dealer Manager and the Company.

11. TERM.

11.1 This Agreement may be terminated by either party on thirty (30) days' written notice, with or without cause.

11.2 In any case, this Agreement shall terminate at the close of business on the effective date that the Offering is terminated. Upon expiration or termination of this Agreement, the Company shall pay to the Dealer Manager all commissions to which the Dealer Manager is or becomes entitled under Section 5 at such time as such commissions become payable.

11.3 In addition, the Dealer Manager, upon the expiration or termination of this Agreement, shall (a) promptly deposit any and all funds in its possession which were received from investors for the sale of Bonds into such account as the Company may designate; and (b) promptly deliver to the Company all records and documents in its possession which relate to the Offering which are not designated as dealer copies. The Dealer Manager, at its sole expense, may make and retain copies of all such records and documents, but shall keep all such information confidential.

11.4 The Dealer Manager shall use its best efforts to cooperate with the Company to accomplish any orderly transfer of management of the Offering to a party designated by the Company.

12. CONFIRMATIONS.

The Company hereby agrees to prepare and send confirmations to all purchasers of Bonds whose subscriptions for the purchase of Bonds are accepted by the Company.

13. SUITABILITY OF INVESTORS; COMPLIANCE WITH PRIVACY AND ANTI-MONEY LAUNDERING REGULATIONS.

13.1 The Dealer Manager will offer Bonds, and in its agreements with Dealers will require that the Dealers offer Bonds, only to persons who meet the financial qualifications set forth in the Offering Circular, if any, or in any suitability letter or memorandum sent to it by the Company and will only make offers to persons in the states in which it is advised in writing that the Bonds are qualified for sale or that such qualification is not required. In offering Bonds, the Dealer Manager will comply, and in its agreements with Dealers, the Dealer Manager will require that the Dealers comply, with the provisions of all applicable rules and regulations relating to suitability of investors, if any.

13.2 The Company, the Dealer Manager and each Dealer shall: (a) abide by and comply with (i) the privacy standards and requirements of the GLB Act; (ii) the privacy standards and requirements of any other applicable federal or state law, and (iii) its own internal privacy policies and procedures, each as may be amended from time to time; and (b) refrain from the use or disclosure of nonpublic personal information (as defined under the GLB Act) of all customers.

13.3 To the extent applicable, the Company, the Dealer Manager and each Dealer agree to comply with the USA Patriot Act and any applicable U.S. Department of Treasury regulations issued thereunder that require reasonable efforts to verify the identity of new customers, maintain customer records, and check the names of new customers against the list of Specially Designated Nationals and Blocked Persons. In addition, the Company, the Dealer Manager, and each Dealer agree to comply with all Executive Orders and federal regulations administered by the U.S. Department of Treasury Department's Office of Foreign Asset Control. Further, the Dealer Manager agrees, upon receipt of an "information request" issued under Section 314(a) of the USA Patriot Act, to provide the Financial Crimes Enforcement Network with information regarding: (i) the identity of a specified individual or organization; (ii) account number; (iii) all identifying information provided by the account holder; and (iv) the date and type of transaction. To the extent required by federal or state law, Dealer Manager from time to time will monitor account activity to identify patterns of unusual size or volume, geographic factors, and any other potential signals of suspicious activity, including possible money laundering or terrorist financing. The Company reserves the right to reject account applications from new customers who fail to provide necessary account information or who intentionally provide misleading information.

14. SUBMISSION OF ORDERS.

14.1 The Dealer Manager may authorize certain Dealers that have "net capital," as defined in the applicable federal securities regulations, of \$250,000 or more, to instruct their customers to make their checks for Bonds subscribed for payable directly to the Dealer. In such case, the Dealer will collect the proceeds of the subscribers' checks and issue a check made payable to the order of the Company, as described above, for the aggregate amount of the subscription proceeds or wire such funds to the Company. The Dealer Manager and any Dealer receiving a check that does not conform to the foregoing instructions shall promptly return such check directly to such subscriber. Checks received by the Dealer Manager or Dealer that conform to the foregoing instructions shall be transmitted for deposit pursuant to one of the methods described in this Section 14 and in accordance with the requirements set forth in Rule 15c2-4 promulgated under the Exchange Act.

14.2 It is understood and agreed that the Company reserves the right in its sole discretion to refuse to sell any of the Bonds to any person.

14.3 In connection with DRS Settlement (as defined below), those persons who purchase Bonds and intend to pay for the Bonds by check will be instructed by the Dealer Manager or the Dealer to make their checks payable to "The Gladstone Companies, Inc." Each person desiring to purchase Bonds through the Dealer Manager, or any other Dealer participating in the Offering, will be required to complete and execute the subscription agreement, if purchasing through DRS Settlement, or order form, if purchasing through DTC Settlement, described in the Offering Circular. In connection with DRS Settlement in which the purchaser pays for the Bonds by check, when a Dealer's internal supervisory procedures are conducted at the site at which the subscription agreement and check were initially received by such Dealer from the subscriber, the Dealer shall transmit the subscription agreement and check to UMB Bank, National Association (the "*Escrow Agent*") by the end of the next business day following receipt of the check and subscription agreement. When, pursuant to a Dealer's internal supervisory procedures, such Dealer's final internal supervisory procedures are conducted at a different location (the "*Final Review Office*"), such Dealer shall transmit the check and subscription agreement to the Final Review Office by the end of the next business day following such Dealer's receipt of the subscription agreement and check. The Final Review Office will, by the end of the next business day following its receipt of the subscription agreement and check, forward both the subscription agreement and check to the Escrow Agent. If any subscription agreement solicited by a Dealer participating in this Offering is rejected by the Dealer Manager or the Company, then the subscription agreement and all funds will be returned to the rejected subscriber within ten (10) days from the date of rejection.

14.4 The Company will sell the Bonds using two closing services provided by the Depository Trust Company ("*DTC*"). The first service is DTC closing ("*DTC Settlement*"), and the second service is Direct Registration Service ("*DRS Settlement*"). A sale of Bonds shall be deemed by the Company to be completed if and only if (i) the Company has received payment of the full purchase price of purchased Bonds, from an investor who satisfies the minimum purchase requirements set forth in the Offering Circular as determined by the Dealer Manager or other Dealer participating in this Offering, as applicable, in accordance with the provisions of this Agreement, (ii) the Company has accepted such subscription, and, if using DRS Settlement, a properly completed and executed subscription agreement, and (iii) such investor has been admitted as a bondholder of the Company. In addition, no sale of Bonds shall be completed until after the date on which the subscriber receives a copy of the Offering Circular. The Dealer Manager hereby acknowledges and agrees that the Company, in its sole and absolute discretion, may accept or reject any subscription, in whole or in part, for any reason whatsoever or no reason, and no dealer manager fee in the amount of up to 3.0% (as described in Section 5.1) will be paid to the Dealer Manager with respect to that portion of any subscription which is rejected.

14.5 Prior to each closing date related to the sale of the Bonds the Dealer Manager shall provide the Company with a detailed list of all orders reflecting the participating broker dealer, registered investment advisor, customer, order quantity and other information the Company may reasonably request.

15. NOTICE.

Any notice in this Agreement permitted to be given, made or accepted by either party to the other, must be in writing and may be given or served by (i) overnight courier, (ii) depositing the same in the United States mail, postpaid, certified, return receipt requested, (iii) electronic delivery or (iv) facsimile transfer. Notice deposited in the United States mail shall be deemed given when mailed. Notice given in any other manner shall be effective when received at the address of the addressee. For purposes hereof the addresses of the parties, until changed as hereafter provided, shall be as follows:

To Company: The Gladstone Companies, Inc.
1521 Westbranch Drive, Suite 100
McLean, Virginia 22102
Attention: David Gladstone, Chairman, Chief Executive Officer and President
Attention: Michael Malesardi, Chief Financial Officer
Fax: (703) 287-5801

To Dealer Manager: Timbrel Capital, LLC
2200 Century Parkway, Suite 500
Atlanta, GA 30345
Attention: Jean Merriman
cc: jsullivan@timbrel.com

With a copy to: The Gladstone Companies
1521 Westbranch Drive, Suite 100
McLean, Virginia 22102
Attention: Michael B. LiCalsi, General Counsel and Secretary
Fax: (703) 287-5899

16. SEVERABILITY.

In the event that any court of competent jurisdiction declares any provision of this Agreement invalid, such invalidity shall have no effect on the other provisions hereof, which shall remain valid and binding and in full force and effect, and to that end the provisions of this Agreement shall be considered severable.

17. NO WAIVER.

Failure by either party to promptly insist upon strict compliance with any of the obligations of the other party under this Agreement shall not be deemed to constitute a waiver of the right to enforce strict compliance with respect to any obligation hereunder.

18. ASSIGNMENT.

This Agreement may not be assigned by either party, except with the prior written consent of the other party. This Agreement shall be binding upon the parties hereto, their heirs, legal representatives, successors and permitted assigns.

19. ENTIRE AGREEMENT.

This Agreement constitutes the complete and exclusive statement of the agreement between the parties relating to the subject matter hereof and supersedes all prior written and oral statements or agreements with respect to such subject matter.

[SIGNATURE PAGE FOLLOWS]

If the foregoing correctly sets forth our understanding, please indicate your acceptance thereof in the space provided below for that purpose, whereupon this letter and your acceptance shall constitute a binding agreement between us as of the date first above written.

Very truly yours,

Name: David Gladstone
Title: Chairman, Chief Executive Officer and President

Accepted and agreed as of the date first above written.

Timbrel Capital, LLC

Name: Jean Merriman
Title: President

Signature Page to Dealer Manager Agreement

PARTICIPATING BROKER-DEALER AGREEMENT

\$50,000,000 of 7.00% Senior Secured Bonds

Ladies and Gentlemen:

Timbrel Capital, LLC, as the dealer manager ("**Dealer Manager**") for The Gladstone Companies, Inc., a Delaware corporation (the "**Company**"), invites you (the "**Dealer**") to participate in the distribution of the Company's 7.00% Senior Secured Bonds (the "**Bonds**"), subject to the following terms:

I. Dealer Manager Agreement

The Dealer Manager and the Company have entered into that certain Amended and Restated Dealer Manager Agreement, dated [●], 2020 (the "**Dealer Manager Agreement**"), in the form attached hereto as Exhibit A. By your acceptance of this Participating Broker-Dealer Agreement, you will become one of the Dealers referred to in such Dealer Manager Agreement between the Company and the Dealer Manager and will be entitled and subject to the indemnification provisions contained in such Dealer Manager Agreement, including specifically the provisions of Section 6.3 of such Dealer Manager Agreement wherein each Dealer severally agrees to indemnify and hold harmless the Company, the Dealer Manager and each officer, director, member and manager thereof, and each person, if any, who controls the Company and the Dealer Manager for the matters set forth in Section 6.3 of the Dealer Manager Agreement. Such indemnification obligations shall survive the termination of this Participating Broker-Dealer Agreement. Except as otherwise specifically stated herein, all terms used in this Participating Broker-Dealer Agreement have the meanings provided in the Dealer Manager Agreement. The Bonds are offered solely through broker-dealers which are members of the Financial Industry Regulatory Authority ("**FINRA**").

Dealer hereby agrees to use its reasonable best efforts to sell the Bonds for cash on the terms and conditions stated in the Offering Circular. Nothing in this Participating Broker-Dealer Agreement shall be deemed or construed to make Dealer an employee, agent, representative or partner of the Dealer Manager or of the Company, and Dealer is not authorized to act for the Dealer Manager or the Company or to make any representations on their behalf except as set forth in the Offering Circular and such other printed information furnished to Dealer by the Dealer Manager, and authorized by the Company in writing, to supplement the Offering Circular ("**Supplemental Information**").

II. Submission of Orders

Dealer hereby agrees to solicit, as an independent contractor and not as the agent of the Dealer Manager or of the Company (or their affiliates), persons acceptable to the Company to purchase the Bonds pursuant to the subscription agreement in the form attached to the Offering Circular and in accordance with the terms of the Offering Circular. Dealer hereby agrees to diligently make inquiries as required by this Agreement, as set forth in the Offering Circular, and as required by all applicable laws of all prospective investors in order to ascertain whether a purchase of the Bonds is suitable for each such investor.

If persons purchase Bonds through DRS Settlement via check, they will be instructed by the Dealer to make their checks payable to "The Gladstone Companies, Inc." Any Dealer receiving a check for the purchase of Bonds through DRS Settlement not conforming to the foregoing instructions shall return such check directly to such subscriber. Checks received by the Dealer which conform to the foregoing instructions shall be transmitted for deposit pursuant to one of the methods:

1. Where, pursuant to the Dealer's internal supervisory procedures, internal supervisory review is conducted at the same location at which subscription documents and checks are received from subscribers, checks will be transmitted by the end of the next business day following receipt by the Dealer for deposit directly with the Company in accordance with the procedures set forth in the Offering Circular.

2. Where, pursuant to the Dealer's internal supervisory procedures, final and internal supervisory review is conducted at a different location, checks will be transmitted by the end of the next business day following receipt by the Dealer to the office of the Dealer conducting such final internal supervisory review (the "**Final Review Office**"). The Final Review Office will in turn transmit, by the end of the next business day following receipt by the Final Review Office, such checks to the Company for deposit with the Company in accordance with the procedures set forth in the Offering Circular.

III. Pricing

Except as described in the Offering Circular, \$50,000,000 of the Bonds are intended to be offered to the public at the offering price of \$25.00 per Bond, payable in cash pursuant to the Offering. Except as otherwise indicated in the Offering Circular, determined by the Company in its sole discretion, or in any letter or memorandum sent to the Dealer by the Company or Dealer Manager, a minimum initial purchase of \$5,000, or 200 Bonds, is required.

IV. Covenants of Dealer

Dealer represents and warrants to the Company and the Dealer Manager and agrees that:

Prior to participating in the Offering, Dealer will have reasonable grounds to believe, based on information made available to Dealer by the Dealer Manager and/or the Company through the Offering Circular, that all material facts are adequately and accurately disclosed in the Offering Circular and provide a basis for evaluating an investment in the Company and the Bonds.

Dealer agrees not to rely upon the efforts of the Dealer Manager in determining whether the Company has adequately and accurately disclosed all material facts upon which to provide a basis for evaluating the Company to the extent required by federal or state laws or FINRA. Dealer further agrees to conduct its own investigation to make that determination independent of the efforts of the Dealer Manager.

Dealer agrees to retain in its records and make available to the Dealer Manager and to the Company for a period of at least six (6) years following the termination of the Offering, information establishing that each investor who purchases the Bonds solicited by Dealer is suitable for such investment.

Dealer agrees that, prior to accepting a subscription for the Bonds, it will inform the prospective investor of all pertinent facts relating to the illiquidity and lack of marketability of the Bonds, as appropriate, during the term of the investment.

Dealer hereby undertakes and agrees to comply with all obligations applicable to Dealer under all applicable laws, rules and regulations, including those set forth by FINRA. In soliciting persons to acquire the Bonds, Dealer further agrees to comply with any applicable requirements of the federal securities laws, applicable state securities laws, the rules and regulations promulgated thereunder and the rules of FINRA and, in particular, Dealer agrees that it will not give any information or make any representations other than those contained in the Offering Circular and in any supplemental sales literature furnished to Dealer by the Dealer Manager for use in making such solicitations.

Dealer shall deliver to each prospective investor, prior to any submission by such prospective investor, a written offer to buy any Bonds, a copy of the Offering Circular, and shall keep record of to whom, by what manner and on what date it delivered each such copy.

Dealer will not deliver to any offeree any written documents pertaining to the Company or the Bonds, other than the Offering Circular, and any other materials specifically designated for distribution to prospective investors that are supplied to Dealer by the Company or its affiliates. Without intending to limit the generality of the foregoing, Dealer shall not deliver to any prospective investor any material pertaining to the Company or any of its affiliates that has been furnished as "broker/dealer information only."

In its solicitation of offers for the Bonds, Dealer will comply with all applicable requirements of the Securities Act, the Exchange Act, as well as the published rules and regulations thereunder, and the rules and regulations of all state securities authorities, as applicable, to the best of its knowledge, after due inquiry and investigation and to the extent within its direct control.

Dealer is (and will continue to be) a member in good standing with FINRA, will abide by the rules and regulations of FINRA, is in full compliance with all applicable requirements under the Exchange Act, and is registered as a broker-dealer in all of the jurisdictions in which Dealer solicits offers to purchase the Bonds.

V. Dealers' Commissions

Except as otherwise provided in the Offering Circular and this Section V, the Dealer's sales commission applicable to the Bonds sold by Dealer which it is authorized to sell hereunder is 6.0% of the gross proceeds of Bonds sold by it and accepted and confirmed by the Company, which commission will be payable by the Dealer Manager. For these purposes, Bonds shall be deemed to be "sold" if and only if a transaction has closed with a subscriber for Bonds pursuant to all applicable Offering and subscription documents, the Company has accepted the subscription agreement of such subscriber, and such Bonds have been fully paid for and the Company has thereafter distributed the commission to the Dealer Manager in connection with such transaction. The Dealer affirms that the Dealer Manager's liability for commissions payable is limited solely to the proceeds of commissions receivable from the Company, and the Dealer hereby waives any and all rights to receive payment of commissions due until such time as the Dealer Manager is in receipt of the commission from the Company.

As set forth in the Offering Circular, to the extent the Dealer determines to reduce its sales commission below 6.0%, the public offering price per Bond will be decreased by an amount equal to such reduction. Examples of such reductions are reflected in the table below:

<i>Dealer Sales Commission</i>	<i>Public Offering Price Per Bond</i>
6.0%	\$ 25.00
5.5%	\$ 24.88
5.0%	\$ 24.75
4.5%	\$ 24.63
4.0%	\$ 24.50
3.5%	\$ 24.38
3.0%	\$ 24.25
2.5%	\$ 24.13
2.0%	\$ 24.00
1.5%	\$ 23.88
1.0%	\$ 23.75
0.5%	\$ 23.63
0.0%	\$ 23.50

Except as otherwise provided herein, all expenses incurred by Dealer in the performance of Dealer's obligations hereunder, including, but not limited to, expenses related to the Offering and any attorneys' fees, shall be at Dealer's sole cost and expense, and the foregoing shall apply notwithstanding the fact that the Offering is not consummated for any reason.

In addition, as set forth in the Offering Circular, the Dealer Manager may, in its sole discretion, reallocate a portion of its dealer manager fee to Dealers participating in the Offering of Bonds as marketing fees, reimbursement of costs and expenses of attending educational conferences or to defray other distribution-related expenses.

The parties hereby agree that the foregoing commission is not in excess of the usual and customary distributors' or sellers' commission received in the sale of securities similar to the Bonds, that Dealer's interest in the Offering is limited to such commission from the Dealer Manager and Dealer's indemnity referred to in Section 6 of the Dealer Manager Agreement, and that the Company is not liable or responsible for the direct payment of such commission to the Dealer. In addition, as set forth in the Offering Circular, the Dealer Manager may reimburse Dealer for reasonable bona fide accountable due diligence expenses incurred by such Dealer. The Dealer Manager shall have the right to require the Dealer to provide a detailed and itemized invoice as a condition to the reimbursement of any such due diligence expenses. Reimbursement requests for accountable bona fide due diligence expenses must be made by Dealer within three months of the date of sale of Bonds or such requests will not be honored by the Dealer Manager.

VI. Applicability of Indemnification

Each of the Dealer and Dealer Manager hereby acknowledges and agrees that it will be subject to the obligations set forth in, and entitled to the benefits of all the provisions of, the Dealer Manager Agreement, including but not limited to, the representations and warranties and the indemnification obligations contained in such Dealer Manager Agreement, including specifically the provisions of Section 6.3 of the Dealer Manager Agreement. Such indemnification obligations shall survive the termination of this Participating Broker-Dealer Agreement and the Dealer Manager Agreement.

VII. Payment

Payments of selling commissions will be made by the Dealer Manager to Dealer within 14 days of the receipt by the Dealer Manager of the gross commission payments from the Company. Dealer acknowledges that if the Company pays selling commissions to the Dealer Manager, the Company is relieved of any obligation for selling commissions to Dealer. The Company may rely on and use the preceding acknowledgment as a defense against any claim by Dealer for selling commissions the Company pays to Dealer Manager, but that Dealer Manager fails to remit to Dealer.

VIII. Right to Reject Orders or Cancel Sales

All orders, whether initial or additional, are subject to acceptance by and shall only become effective upon confirmation by the Company, which reserves the right to reject any order. Orders not accompanied by a subscription agreement signature page and the required check in payment for the Bonds may be rejected. Issuance of the Bonds will be made only after actual receipt of payment. If

any check is not paid upon presentment, or if the Company is not in actual receipt of clearinghouse funds or cash, certified or cashier's check or the equivalent in payment for the Bonds within 30 days of sale, the Company reserves the right to cancel the sale without notice. In the event an order is rejected, canceled or rescinded for any reason, Dealer agrees to return to the Dealer Manager any commission theretofore paid with respect to such order and, failing to do so, the Dealer Manager shall have the right to offset amounts owed against future commissions due and otherwise payable to Dealer.

IX. Offering Circular and Supplemental Information

Dealer is not authorized or permitted to give, and will not give, any information or make any representation concerning the Bonds except as set forth in the Offering Circular and any Supplemental Information. The Dealer Manager will supply Dealer with reasonable quantities of the Offering Circular, as well as any Supplemental Information, for delivery to investors, and Dealer will deliver a copy of the Offering Circular as required by the federal securities laws. The Dealer agrees that it will not send or give any Supplemental Information to an investor unless it has previously sent or given an Offering Circular to that investor or has simultaneously sent or given an Offering Circular with such Supplemental Information. Dealer agrees that it will not show or give to any investor or prospective investor or reproduce any material or writing that is supplied to it by the Dealer Manager and marked "dealer only" or otherwise bearing a legend denoting that it is not to be used in connection with the sale of Bonds to members of the public. Dealer agrees that it will not use in connection with the offer or sale of Bonds any material or writing that relates to another company supplied to it by the Company or the Dealer Manager bearing a legend that states that such material may not be used in connection with the offer or sale of any securities of the Company. Dealer further agrees that it will not use in connection with the offer or sale of Bonds any materials or writings that have not been previously approved by the Dealer Manager and the Company in writing. Each Dealer agrees that it will mail or otherwise deliver all Offering Circulars required for compliance with the provisions of applicable law. Regardless of the termination of this Agreement, Dealer will deliver an Offering Circular in transactions in the Bonds for a period of 90 days from the qualification date of the Offering Statement or such longer period as may be required under the federal securities laws.

X. Registration and Association Membership

Dealer's acceptance of this Participating Broker-Dealer Agreement constitutes a representation to the Company and the Dealer Manager that Dealer is a properly registered broker-dealer under the Exchange Act, is duly registered as a broker-dealer and authorized to sell Bonds under federal and state securities laws and regulations and in all states where it offers or sells Bonds, and that it is a member in good standing of FINRA. Dealer agrees to notify the Dealer Manager immediately in writing and this Participating Broker-Dealer Agreement shall automatically terminate if Dealer ceases to be a member in good standing of FINRA, is subject to a FINRA suspension, or its registration as a broker-dealer under the Exchange Act is terminated or suspended. Dealer hereby agrees to abide by all applicable FINRA Rules.

XI. Anti-Money Laundering Compliance Programs

Dealer's acceptance of this Agreement constitutes a representation to the Company and the Dealer Manager that Dealer has established and implemented anti-money laundering compliance programs in accordance with applicable law, including but not limited to applicable FINRA Conduct Rules, Exchange Act Regulations and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "**USA Patriot Act**"), specifically including, but not limited to, Section 352 of the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001 (the "**Money Laundering Abatement Act**," and together with the USA Patriot Act, and applicable FINRA Conduct Rules and Exchange Act Regulations, the "**AML Rules**") reasonably expected to detect and cause the reporting of suspicious transactions in connection with the offering and sale of the Bonds (the "**AML Program**"). Dealer further represents and warrants that it is currently in compliance with the AML Rules, specifically including, but not limited to, the Customer Identification Program requirements under Section 326 of the Money Laundering Abatement Act, and the Dealer hereby covenants to remain in compliance with such requirements. Dealer shall, at least annually and upon any other request of Dealer Manager or the Company, provide a certification to Dealer Manager and/or the Company that, as of the date of such certification (i) the Dealer's AML Program is consistent with the AML Rules and (ii) the Dealer is currently in compliance with all AML Rules, specifically including, but not limited to, the Customer Identification Program requirements under Section 326 of the Money Laundering Abatement Act. Further, Dealer agrees, upon receipt of an "information request" issued under Section 314 (a) of the USA Patriot Act to provide the Financial Crimes Enforcement Network with information regarding: (i) the identity of a specified individual or organization; (ii) account number, (iii) all identifying information provided by the account holder; and (iv) the date and type of transaction. The Dealer from time to time will monitor account activity to identify patterns of unusual size or volume, geographic factors, and any other potential signals of suspicious activity, including possible money laundering or terrorist financing.

Dealer agrees and acknowledges that each investor who purchases Bonds solicited by Dealer is a customer of Dealer, and not Dealer Manager, with respect to such transaction, and that it shall be Dealer's responsibility to perform all reviews required pursuant to the AML Rules. The Company reserves the right to reject any subscriptions from new customers who fail to provide necessary information or who intentionally provide misleading information.

XII. Limitation of Offer and Suitability

Dealer will offer Bonds only to persons who meet any applicable suitable requirements and will only make offers to persons in the states in which it is advised in writing that the Bonds are qualified for sale or that such qualification is not required. In offering Bonds, Dealer will comply with the provisions of the rules and requirements of FINRA, as well as all other applicable rules and regulations relating to suitability of investors, and the suitability standards set forth in the Offering Circular.

Prior to the sale of the Bonds, each Dealer shall inform each prospective purchaser of Bonds of pertinent facts relating to the Bonds including specifically the lack of liquidity and lack of marketability of the Bonds during the term of the investment.

XIII. Due Diligence and Adequate Disclosure

Dealer understands that the Company, Dealer Manager or third party due diligence providers may from time to time furnish Dealer with certain information which is non-public, confidential or proprietary in nature (the “***Due Diligence Information***”) in connection with its due diligence obligations under FINRA rules and the federal securities laws. Dealer agrees that the Due Diligence Information will be kept confidential and shall not, without our prior written consent, be disclosed by Dealer, or by Dealer’s affiliates, agents, representatives or employees, in any manner whatsoever, in whole or in part, and shall not be used by Dealer, its agents, representatives or employees, other than in connection with Dealer’s due diligence evaluation of the Offering. Dealer agrees to reveal the Due Diligence Information only to its affiliates, agents, representatives and employees who need to know the Due Diligence Information for the purpose of the due diligence evaluation. Further, Dealer and its affiliates, agents, representatives and employees will not disclose to any person, outside of the Dealer’s organization or as required by regulation or law, the fact that the Due Diligence Information has been made available to it

The term Due Diligence Information shall not include information which (i) is already in Dealer’s possession or in the possession of Dealer’s parent company or affiliates, provided that such information is not known by Dealer to be subject to another confidentiality agreement with or other obligation of secrecy to the Company or another party; (ii) is or becomes generally available to the public other than as a result of a disclosure by Dealer, its affiliates, or their respective directors, officers, employees, agents, advisors and representatives in violation of this agreement; (iii) becomes available to Dealer or its affiliates on a non-confidential basis from a source other than the Company or its advisors, provided that such source is not known by Dealer or its affiliates to be bound by a confidentiality agreement with or other obligation of secrecy to the Company or another party; or (iv) is independently developed by Dealer or by its affiliates without use of the Due Diligence Information.

Dealer agrees that its obligation of non-disclosure, non-use and confidentiality of the Due Diligence Information as set forth herein shall terminate two (2) years after the date on which the Due Diligence Information is received by Dealer.

XIV. Compliance with Record Keeping Requirements

Dealer agrees to comply with the record keeping requirements of the Exchange Act, including but not limited to, Rules 17a-3 and 17a-4 promulgated under the Exchange Act. Dealer further agrees to keep such records with respect to each customer who purchases Bonds, his suitability and the amount of Bonds sold and to retain such records for such period of time as may be required by the SEC, any state securities commission, FINRA or the Company.

XV. Customer Complaints

Each party hereby agrees to promptly provide to the other party copies of any written or otherwise documented complaints from customers of Dealer received by such party relating in any way to the Offering (including, but not limited to, the manner in which the Bonds are offered by the Dealer Manager or Dealer), the Bonds or the Company.

XVI. Termination and Amendments

Dealer will immediately suspend or terminate its offer and sale of Bonds upon the request of the Company or the Dealer Manager at any time and will resume its offer and sale of Bonds hereunder upon subsequent request of the Company or the Dealer Manager. Any party may terminate this Participating Broker-Dealer Agreement by written notice. Such termination shall be effective 48 hours after the mailing of such notice. This Participating Broker-Dealer Agreement and the exhibits hereto are the entire agreement of the parties and supersedes all prior agreements, if any, between the parties hereto.

This Participating Broker-Dealer Agreement may be amended at any time by the Dealer Manager by written notice to the Dealer, and any such amendment shall be deemed accepted and agreed to by Dealer upon placing an order for sale of Bonds after he has received such notice.

XVII. Privacy Laws

The Dealer Manager and Dealer (each referred to individually in this section as “party”) agree as follows:

1. Each party agrees to abide by and comply with (i) the privacy standards and requirements of the Gramm-Leach-Bliley Act of 1999 (“**GLB Act**”), (ii) the privacy standards and requirements of any other applicable Federal or state law, and (iii) its own internal privacy policies and procedures, each as may be amended from time to time.
2. Dealer agrees to provide privacy policy notices required under the GLB Act resulting from purchases of Bonds made by its customers pursuant to this Participating Broker-Dealer Agreement.
3. Each party agrees to refrain from the use or disclosure of nonpublic personal information (as defined under the GLB Act) of all customers who have opted out of such disclosures except as necessary to service the customers or as otherwise necessary or required by applicable law.

XVIII. Notice

Any notice in this Participating Broker-Dealer Agreement permitted to be given, made or accepted by either party to the other, must be in writing and may be given or served by (1) overnight courier, (2) depositing the same in the United States mail, postpaid, certified, return receipt requested, or (3) facsimile transfer. Notice deposited in the United States mail shall be deemed given when mailed. Notice given in any other manner shall be effective when received at the address of the addressee. For purposes hereof the addresses of the parties, until changed as hereafter provided, shall be as follows:

To Dealer Manager: Timbrel Capital, LLC
2200 Century Parkway, Suite 500
Atlanta, GA 30345
Attention: Jean Merriman
Fax:

To Dealer: Address Specified by Dealer on Dealer Signature Page

XIX. Attorney’s Fees, Applicable Law and Venue

In any action to enforce the provisions of this Participating Broker-Dealer Agreement or to secure damages for its breach, the prevailing party shall recover its costs and reasonable attorney’s fees. This Participating Broker-Dealer Agreement shall be construed under the laws of the Georgia and shall take effect when signed by Dealer and countersigned by the Dealer Manager. Dealer and Dealer Manager hereby acknowledge and agree that venue for any action brought hereunder shall lie exclusively in DeKalb County, Georgia. .

XX. Severability

In the event that any court of competent jurisdiction declares any provision of this Participating Broker-Dealer Agreement invalid, such invalidity shall have no effect on the other provisions hereof, which shall remain valid and binding and in full force and effect, and to that end the provisions of this Participating Broker-Dealer Agreement shall be considered severable.

XXI. No Waiver

Failure by either party to promptly insist upon strict compliance with any of the obligations of the other party under this Participating Broker-Dealer Agreement shall not be deemed to constitute a waiver of the right to enforce strict compliance with respect to any obligation hereunder.

XXII. Assignment

This Participating Broker-Dealer Agreement may not be assigned by either party, except with the prior written consent of the other party. This Participating Broker-Dealer Agreement shall be binding upon the parties hereto, their heirs, legal representatives, successors and permitted assigns.

XXIII. Authorization

Each party represents to the other that all requisite proceedings have been undertaken to authorize it to enter into and perform under this Participating Broker-Dealer Agreement as contemplated herein, and that the individual who has signed this Participating Broker-Dealer Agreement below on its behalf is a duly elected officer that has been empowered to act for and on behalf of such party with respect to the execution of this Participating Broker-Dealer Agreement.

[SIGNATURE PAGE FOLLOWS]

We have read the foregoing Agreement and we hereby accept and agree to the terms and conditions set forth therein.

THE DEALER MANAGER:

Timbrel Capital, LLC

By: _____

Name: Jean Merriman

Title: President

Participating Broker-Dealer Agreement Signature Page

We have read the foregoing Participating Broker-Dealer Agreement and the form Dealer Manager Agreement included as an exhibit thereto, and we hereby accept and agree to the terms and conditions therein set forth. We hereby represent that we will comply with the applicable requirements of the Securities Act, the Securities Act Rules and Regulations, the Exchange Act and the Exchange Act Rules and Regulations. We represent and warrant that we are duly registered as a broker-dealer under the provisions of the Exchange Act and the Exchange Act Rules and Regulations or we are exempt from such registration. We hereby agree to advise you of any changes to the information listed on this signature page during the term of this Participating Broker-Dealer Agreement. We hereby represent that we will comply with the Rules of FINRA, all rules and regulations promulgated by FINRA and all applicable laws, rules and regulations.

1. Person to receive notice pursuant to Section XVIII.

Name: _____

Company: _____

Address: _____

City, State and Zip Code: _____

Telephone No.: () _____ Fax No.: () _____

E-Mail: _____

AGREED TO AND ACCEPTED BY THE DEALER:

Name of Participating Broker-Dealer

Federal Identification Number

By: _____ Date: _____
Signature

Printed Name

Title

THE GLADSTONE COMPANIES, INC.

a Delaware corporation

AND

UMB BANK, NATIONAL ASSOCIATION

Trustee

INDENTURE

Dated as of [____], 2020

7.0% Senior Secured Bonds

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¹ This Table of Contents does not constitute part of the Indenture and shall not have any bearing on the interpretation of any of its terms or provisions.

INDENTURE

INDENTURE, dated as of [____], 2020, between THE GLADSTONE COMPANIES, INC., a Delaware corporation, and UMB BANK, NATIONAL ASSOCIATION, a national banking association, as trustee:

WHEREAS, for its lawful corporate purposes, the Company has duly authorized the execution and delivery of this Indenture to provide for the issuance of the Bonds, as defined below;

WHEREAS, to provide the terms and conditions upon which the Bonds are to be authenticated, issued and delivered, the Company has duly authorized the execution of this Indenture; and

WHEREAS, all things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done.

NOW, THEREFORE, in consideration of the premises and the purchase of the Bonds by the holders thereof, it is mutually covenanted and agreed as follows for the equal and ratable benefit of the holders of Bonds.

ARTICLE I DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.01 Definitions of Terms.

The terms defined in this Section (except as otherwise expressly provided in this Indenture or unless the context otherwise requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Section and shall include the plural as well as the singular. All other terms used in this Indenture that are defined in the Trust Indenture Act, or that are by reference in the Trust Indenture Act defined in the Securities Act (except as herein otherwise expressly provided or unless the context otherwise requires), shall have the meanings assigned to such terms in said Trust Indenture Act and in the Securities Act as in force at the date of the execution of this instrument.

“Affiliate” as applied to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Authenticating Agent” means an authenticating agent with respect to the Bonds appointed by the Trustee pursuant to Section 2.09.

“Bankruptcy Law” means Title 11, U.S. Code, or any similar federal or state law for the relief of debtors.

“Bonds” means the 7.0% Senior Secured Bonds of the Company authorized, authenticated and delivered under this Indenture.

“Bondholder”, **“holder of Bonds”**, **“registered holder”**, or other similar term, means the Person or Persons in whose name or names a particular Bond shall be registered on the books of the Trustee for that purpose in accordance with the terms of this Indenture.

“Bond Register” has the meaning given in Section 2.04.

“Bond Registrar” has the meaning given in Section 2.04.

“Bond Service Obligation” means the amount payable by the Company in principal and interest on the Bonds each Interest Accrual Period.

“Business Day” means each Monday, Tuesday, Wednesday, Thursday and Friday other than a day on which federal or state banking institutions in the City of New York, New York, are authorized or obligated by law, executive order or regulation to close.

“Closing” means each closing of sales of the Bonds.

“Collateral Documents” means (i) the Pledge and Security Agreement and (ii) any other agreements, documents or instruments, including any financing statements and amendments or supplements thereto, creating, perfecting or evidencing any Liens securing any Bonds, and any other obligation under this Indenture or the Collateral Documents.

“Commission” means the United States Securities and Exchange Commission.

“Company” means The Gladstone Companies, Inc., a Delaware corporation and, subject to the provisions of Article X, shall also include its successors and assigns.

“Company Assets” means, with respect to the Company, all assets and interests in assets of the Company, whether real, personal or mixed, whether directly owned or indirectly owned, including without limitation interests owned in Subsidiaries, whether now owned or existing or hereafter acquire or arising and wheresoever located.

“Corporate Trust Office” means the principal office of the Trustee at which at any time its corporate trust business shall be administered, which office at the date hereof is located at 928 Grand Blvd, 12th Floor, Kansas City, Missouri 64106, or such other address as the Trustee may designate from time to time by notice to the Holders and the Company, or the principal corporate trust office of any successor Trustee (or such other address as such successor Trustee may designate from time to time by notice to the Holders and the Company).

“Custodian” means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

“Default” means any event, act or condition that with notice or lapse of time, or both, would constitute an Event of Default.

“Defaulted Interest” has the meaning given in Section 2.02.

“Depository” means, with respect to the Bonds, DTC and any and all successors thereto appointed as Depository hereunder and having become such pursuant to the applicable provision of this Indenture.

“DTC” means The Depository Trust Company.

“Event of Default” means any event specified in Section 6.01, continued for the period of time, if any, therein designated.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

“GAAP” means the Generally Accepted Accounting Principles.

“Governmental Obligations” means securities that are (i) direct obligations (other than obligations subject to variation in principal repayment) of the United States of America for the payment of which its full faith and credit is pledged or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America that, in either case, are not callable or redeemable prior to maturity at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act) as custodian with respect to any such Governmental Obligation or a specific payment of principal of or interest on any such Governmental Obligation held by such custodian for the account of the holder of such depository receipt; *provided, however*, that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Governmental Obligation or the specific payment of principal of or interest on the Governmental Obligation evidenced by such depository receipt.

“Holder Redemption Event” has the meaning set forth in Section 3.04(a).

“Indebtedness” means, with respect to any Person and without duplication, any indebtedness of such Person, whether or not contingent, in respect of borrowed money or evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof) or representing the balance deferred and unpaid of the purchase price of any property (including capital lease obligations) or the expenditure for any services or representing any hedging obligations, including without limitation, any such balance that constitutes an accrued expense or an account or trade payable, if and to the extent any of the foregoing indebtedness (other than letters of credit and hedging obligations) would appear as a liability upon a balance sheet of such Person prepared in accordance with GAAP, and also includes, to the extent not otherwise included, (a) the guarantee of items that would be included within this definition, and (b) liability for items that would arise by operation of a Person’s status as a general partner of a partnership.

“Indenture” means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into in accordance with the terms hereof, including, for all purposes of this instrument and any such supplemental indenture, the provisions of the Trust Indenture Act that are deemed to be a part of and govern this instrument and any such supplemental indenture, respectively.

“Initial Interest Payment Date” means the Interest Payment Date that follows the first full month after the initial issuance of the Bonds.

“Interest Accrual Period” means, if interest has been paid, the applicable month immediately preceding an Interest Payment Date, or if interest has not been paid, from the date of issuance to the end of the first full month occurring thereafter.

“Interest Payment Date” means the first day of each month, beginning with the Initial Interest Payment Date and continuing until the Bonds have been repaid in full or are otherwise no longer Outstanding.

“Interest Record Date” means 5:00 p.m. New York City time on the 23^d day of the month immediately preceding the relevant Interest Payment Date.

“Lien” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code, or equivalent statutes, of any jurisdiction).

“Maturity Date” means the date on which the principal of the Bonds becomes due and payable, as set forth in Section 2.02(c).

“Officer’s Certificate” means a certificate signed by the principal executive officer, the principal financial officer or the principal accounting officer of the Company. The Certificate need not comply with the provisions of Section 13.07.

“Opinion of Counsel” means an opinion in writing of legal counsel, who may be an employee of or counsel for the Company that is delivered to the Trustee in accordance with the terms hereof.

“Outstanding” means, subject to the provisions of Section 8.04, as of any particular time, all Bonds theretofore authenticated and delivered by the Trustee under this Indenture, except (a) Bonds theretofore canceled by the Trustee or any Paying Agent, or delivered to the Trustee or any Paying Agent for cancellation or that have previously been canceled; (b) Bonds or portions thereof for the payment or redemption of which moneys or Governmental Obligations in the necessary amount shall have been deposited in trust with the Trustee or with any Paying Agent (other than the Company) or shall have been irrevocably set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent); *provided, however*, that if such Bonds or portions of such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article III or provision satisfactory to the Trustee shall have been made for giving such notice; and (c) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the terms of Section 2.06.

“Paying Agent” means the entity or entities appointed by the Company pursuant to Section 4.03.

“Person” means any individual, corporation, limited liability company, partnership, joint-venture, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Pledge and Security Agreement” means that certain Pledge and Security Agreement by and between the Company and the Trustee (in its capacity as trustee under this Indenture) in the form attached as Exhibit B hereto, as the same may be amended, modified or supplemented from time to time in the future, which agreement is a Collateral Document with respect to the Bonds issued hereunder.

“Predecessor Bond” of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond; and, for the purposes of this definition, any Bond authenticated and delivered under Section 2.06 in lieu of a lost, destroyed or stolen Bond shall be deemed to evidence the same debt as the lost, destroyed or stolen Bond.

“Repurchase Date” means the date designated for the repurchase or redemption of a Bond pursuant to Article III hereof.

“Repurchase Price” means:

(1) With respect to any Bond to be purchased pursuant to an Optional Redemption, the principal amount of such Bond plus interest accrued but unpaid during the Interest Accrual Period up to, but not including, the Repurchase Date for such Bond; and

(2) With respect to any Bond to be purchased in connection with a Holder Redemption Event, the principal amount of such Bond plus interest accrued but unpaid during the Interest Accrual Period up to, but not including, the Repurchase Date for such Bond,

in each case, plus interest accrued but unpaid during the Interest Accrual Period up to, but not including, the Repurchase Date for such Bond.

“Repurchase Request” means a written notice from a Bondholder to the Company stating that such Bondholder is making an irrevocable request for the Company to repurchase such Bondholder’s Bonds pursuant to Section 3.04.

“Responsible Officer” when used with respect to the Trustee means the Chairman of the Board of Directors, the President, any Vice President, the Secretary, the Treasurer, any trust officer, any corporate trust officer or any other officer or assistant officer of the Trustee customarily performing functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of his or her knowledge of and familiarity with the particular subject.

“Securities Act” means the Securities Act of 1933, as amended, or any successor statute or statutes thereto.

“Subsidiary” means, with respect to any Person, (i) any corporation at least a majority of whose outstanding Voting Stock shall at the time be owned, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, (ii) any general partnership, limited liability company, joint venture or similar entity, at least a majority of whose outstanding partnership or similar interests shall at the time be owned by such Person, or by one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries and (iii) any limited partnership of which such Person or any of its Subsidiaries is a general partner.

“Trust Indenture Act” means the Trust Indenture Act of 1939, as amended, and any successor statute or statutes thereto.

“**Trustee**” means UMB Bank, National Association, and, subject to the provisions of Article VII, shall also include its successors and assigns, and, if at any time there is more than one Person acting in such capacity hereunder, “Trustee” shall mean each such Person.

“**Voting Stock**”, as applied to stock of any Person, means shares, interests, participations or other equivalents in the equity interest (however designated) in such Person having ordinary voting power for the election of a majority of the directors (or the equivalent) of such Person, other than shares, interests, participations or other equivalents having such power only by reason of the occurrence of a contingency.

Section 1.02 Rules of Construction

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

- (1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;
- (2) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles in the United States of America, and, except as otherwise herein expressly provided, the term “generally accepted accounting principles” with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted in the United States of America at the date of such computation;
- (3) the words “herein”, “hereof” and “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision;
- (4) the word “or” is always used inclusively (for example, the phrase “A or B” means “A or B or both”, not “either A or B but not both”);
- (5) the masculine gender includes the feminine and the neuter; and
- (6) references to agreements and other instruments include subsequent amendments and supplements thereto.

Section 1.03 Form of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon an Opinion of Counsel, unless such officer knows, or in the exercise of reasonable care should know, that the opinion with respect to the matters upon which his certificate or opinion is based is erroneous. Any such Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company, a governmental official or officers or any other Person or Persons, stating that the information with respect to such factual matters is in the possession of the Company unless such counsel knows, or in the exercise of reasonable care should know, that the certificate, opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture or any Bond, they may, but need not, be consolidated and form one instrument.

ARTICLE II ISSUE, DESCRIPTION, TERMS, EXECUTION, REGISTRATION AND EXCHANGE OF SECURITIES

Section 2.01 Form of Bonds and Trustee's Certificate.

The Bonds may be issued in book-entry form, uncertificated form, or certificated form. Except for Bonds held by a Depositary through a global note, Bonds will only be certificated at the Company's discretion. In the event the Bonds are issued in certificated form, the Bonds and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A hereto. The Bonds may have such letters, numbers or other marks of identification or designation and such legends or endorsements printed, lithographed or engraved thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Indenture, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Bonds may be listed, or to conform to usage. The terms and conditions contained in the Bonds shall constitute, and are hereby expressly made, a part of this Indenture and, to the extent applicable, the Company and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby. However, to the extent any provision of any Bond conflicts with the express provisions of this Indenture, the provisions of this Indenture shall govern and be controlling.

The aggregate principal amount of Bonds that may be issued under this Indenture is \$50 million. Bonds shall be issued from time to time upon receipt by the Trustee of a written order of the Company certifying that a Closing has occurred, stating the terms of the Bonds and the principal amount of Bonds to be issued and that it has delivered to the Trustee the items required by Section 2.03. All Bonds issued under this Indenture shall rank pari passu. For Bonds issued, at the request of the Trustee, the Company shall deliver prior to issuance of such Bonds a Form W-9 for each registered holder of such Bonds and any other information required by law or as reasonable requested by the Paying Agent/Registrar to maintain the Bond Register and make the payments to the registered holders. The Paying Agent/Registrar may conclusively rely upon such information provided by the Company.

Section 2.02 Denominations, Provisions for Payment, Maturity.

(a) The Bonds shall be issuable as registered Bonds and in the denominations of Twenty-five U.S. dollars (\$25) or any integral multiple thereof. Each Bond shall bear interest from the date of issuance at an annual rate of 7.0% of the principal amount thereof, payable monthly in arrears on each Interest Payment Date. Interest payable shall be calculated using the Interest Accrual Period immediately preceding such Interest Payment Date. Each Bond shall be dated the date of its authentication by the Trustee. Interest on the Bonds shall be computed on the basis of a 360-day year consisting of twelve 30-day months. The interest installment on any Bond that is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name said Bond (or one or more Predecessor Bonds) is registered at the close of business on the Interest Record Date for such interest installment. In the event that any Bond is called for redemption and the redemption date is subsequent to an Interest Record Date with respect to any Interest Payment Date and prior to such Interest Payment Date, interest on such Bond will be paid upon presentation and surrender of such Bond as provided in Section 3.04. Notwithstanding any other provisions of this Section 2.02, with respect to Global Notes, payment of principal and any interest on the Bonds shall be made to a Depositary or its nominee, as the case may be, as the sole registered owner and holder of the Bonds for all purposes under this Indenture.

(b) Any interest on any Bond that is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called **Defaulted Interest**) shall forthwith cease to be payable to the registered holder on the relevant Interest Record Date by virtue of having been such holder; and such Defaulted Interest shall be paid by the Company, at its election, as provided in clause (1) or clause (2) below:

(1) The Company may make payment of any Defaulted Interest on Bonds to the Persons in whose names such Bonds (or their respective Predecessor Bonds) are registered at the close of business on a special record date for the payment of such Defaulted Interest, which shall be fixed in the following manner: the Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each such Bond and the date of the proposed payment, and at the same time the Company shall deposit with the Paying Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a special record date for the payment of such Defaulted Interest which shall not be more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such special record date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the special record date therefor to be mailed, first class postage prepaid, to each Bondholder at his or her address as it appears in the Bond Register (as hereinafter defined), not less than 10 days prior to such special record date. Notice of the proposed payment of such Defaulted Interest and the special record date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names such Bonds (or their respective Predecessor Bonds) are registered on such special record date.

(2) The Company may make payment of any Defaulted Interest on any Bonds in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Bonds may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee. Subject to the foregoing provisions of this Section, each Bond delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Bond shall carry the rights to interest accrued and unpaid, and to accrue, that were carried by such other Bond.

(c) The Maturity Date for the Bonds is September 30, 2025. The Company shall pay all Outstanding principal, accrued but unpaid interest and any other amounts owed under the terms of the Bonds (through the Maturity Date) on the Maturity Date unless otherwise repurchased or redeemed prior to such date.

Section 2.03 Execution and Authentication.

If the Bonds are certificated, the Bonds shall be signed on behalf of the Company by an authorized signatory. Signatures may be in the form of a manual or facsimile signature. The Company may use the facsimile signature of any Person who shall have been an authorized signatory, notwithstanding the fact that at the time the Bonds shall be authenticated and delivered or disposed of such Person shall have ceased to be an authorized signatory of the Company. The Bonds may contain such notations, legends or endorsements required by law, stock exchange rule or usage. A Bond shall not be valid until authenticated manually by an authorized signatory of the Trustee, or by an Authenticating Agent. Such signature shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered hereunder and that the holder is entitled to the benefits of this Indenture. At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Bonds executed by the Company to the Trustee for authentication, together with a written order of the Company for the authentication and delivery of such Bonds, signed by an authorized signatory of the Company and the Trustee in accordance with such written order shall authenticate and deliver such Bonds.

Prior to the initial issuance of any Bonds, in accepting the additional responsibilities under this Indenture in relation to such Bonds and any Bonds to be issued thereafter, the Trustee shall be entitled to receive (i) an Opinion of Counsel stating that (a) the Company is permitted by law to enter into this Indenture, (b) the form and terms of the Bonds have been established in conformity with the provisions of this Indenture, the Regulation A Offering Statement on Form 1-A filed with the SEC on [], 2020 (the **“Offering Circular”**), all Commission requirements, and other applicable laws and regulations, and (c) that all Bonds, when issued by the Company and if applicable, authenticated by the Trustee will constitute valid and legally binding obligations of the Company enforceable in accordance with their terms, subject to any Bankruptcy Law or other insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors’ rights and to general equity principles (regardless of whether enforcement is sought in a proceeding in equity or at law) and (ii) an Officer’s

Certificate stating that all conditions precedent provided for in this Indenture relating to the issuance of the Bonds have been complied with and that, to the best of the knowledge of the signers of such Officer's Certificate, no Event of Default with respect to any of the Bonds shall have occurred and be continuing. Additionally, prior to the issuance of any Bonds after the initial issuance, the Company shall deliver to the Trustee an Officer's Certificate stating that all conditions precedent provided for in this Indenture relating to the issuance of the Bonds have been complied with and that, to the best of the knowledge of the signers of such Officer's Certificate, no Event of Default with respect to any of the Bonds shall have occurred and be continuing. The Trustee may conclusively rely upon the Opinion of Counsel and Officer's Certificate in authenticating the Bonds (if applicable) and accepting the responsibility under this Indenture. The Trustee shall not be required to authenticate such Bonds if the issue of such Bonds pursuant to this Indenture will affect the Trustee's own rights, duties or immunities under the Bonds and this Indenture or otherwise in a manner that is not reasonably acceptable to the Trustee.

Section 2.04 Registration of Transfer and Exchange.

(a) Bonds may be exchanged upon presentation thereof at the office or agency of the Bond Registrar (as defined herein), for other Bonds of authorized denominations, and for a like aggregate principal amount, upon payment of a sum sufficient to cover any tax or other governmental charge in relation thereto, all as provided in this Section. In respect of any Bonds so surrendered for exchange, the Company shall execute, the Trustee shall authenticate and such office or agency shall deliver in exchange therefor the Bond or Bonds that the Bondholder making the exchange shall be entitled to receive, bearing numbers not contemporaneously outstanding.

(b) The Company shall keep, or cause to be kept, at its office or agency designated for such purpose by the Company, a register or registers (herein referred to as the "**Bond Register**") in which, subject to such reasonable regulations as it may prescribe, the Bond Registrar shall register the Bonds and the transfers of Bonds as in this Article provided and which at all reasonable times shall be open for inspection by the Trustee. The registrar for the purpose of registering Bonds and transfer of Bonds as herein provided shall be appointed as authorized by an authorized signatory of the Company (the "**Bond Registrar**"). The initial Bond Registrar is UMB Bank, National Association. Upon surrender for transfer of any certificated Bond at the office or agency of the Bond Registrar or upon receipt of the written request of the registered holder of any uncertificated Bonds together with all documentation required by law or a reasonably requested by the Bond Registrar, the Company shall execute, the Trustee shall authenticate and such office or agency shall deliver in the name of the transferee or transferees a new Bond as the Bond presented for a like aggregate principal amount. All uncertificated and certificated Bonds presented or surrendered for exchange or registration of transfer (or with respect to uncertificated Bonds, requested to be transferred), as provided in this Section, shall be accompanied (if so required by the Company or the Bond Registrar) by a written instrument or instruments of transfer, in form satisfactory to the Bond Registrar, duly executed by the registered holder or by such holder's duly authorized attorney in writing.

For the avoidance of doubt, in purchasing any uncertificated Bonds, the bondholders of such uncertificated Bonds and the Company expressly acknowledge and agree that the transfer requirements with respect to certificated Bonds may be imposed for the transfer of any uncertificated Bonds and the transfer of any uncertificated Bonds shall be in accordance with any Commission regulations or other applicable laws, if any.

(c) No service charge shall be made for any exchange or registration of transfer of Bonds, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge in relation thereto, other than exchanges pursuant to Section 2.04, Section 3.03(b) and Section 9.04 not involving any transfer. The Company shall not be required (i) to issue, exchange or register the transfer of any Bonds during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of less than all the Outstanding Bonds and ending at the close of business on the day of such mailing, nor (ii) to register the transfer or exchange any Bonds called for redemption.

(d) The transfer and exchange of beneficial interests in the Bonds represented by global notes will be effected through the respective Depositary, in accordance with the procedures of the Depositary.

(e) At any time prior to cancellation of a Bond, if any beneficial interest in a Bond represented by a global note is exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Bond, the registered holder of the such Bond will provide written direction to the Trustee to reduce the principal amount represented by such Bond held by the Depositary and an endorsement will be made on such Bond by the Trustee or by the respective Depositary to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Bond, the registered holder of such Bond will provide written direction to the Trustee to increase such other Bond and an endorsement will be made on such Bond by the Trustee or by the respective Depositary. The Trustee may conclusively rely upon any such written direction from the registered holders received in accordance with this Section.

Section 2.05 [Intentionally Deleted]

Section 2.06 Mutilated, Destroyed, Lost or Stolen Bonds.

In case any certificated Bond shall become mutilated or be destroyed, lost or stolen, the Company (subject to the next succeeding sentence) shall execute, and upon the Company's request the Trustee (subject as aforesaid) shall authenticate and deliver, a new Bond bearing a number not contemporaneously outstanding, in exchange and substitution for the mutilated Bond, or in lieu of and in substitution for the Bond so destroyed, lost or stolen. In every case the applicant for a substituted Bond shall furnish to the Company and the Trustee such security or indemnity as may be required by them to save each of them harmless, and, in every case of destruction, loss or theft, the applicant shall also furnish to the Company and the Trustee evidence to their satisfaction of the destruction, loss or theft of the applicant's Bond and of the ownership thereof. The Trustee may authenticate any such substituted Bond and deliver the same upon the written request or authorization of any officer of the Company. Upon the issuance of any substituted Bond, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith. In case any Bond that has matured or is about to mature shall become mutilated or be destroyed, lost or stolen, the Company may, instead of issuing

a substitute Bond, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Bond) if the applicant for such payment shall furnish to the Company and the Trustee such security or indemnity as they may require to save them harmless, and, in case of destruction, loss or theft, evidence to the satisfaction of the Company and the Trustee of the destruction, loss or theft of such Bond and of the ownership thereof. Every replacement Bond issued pursuant to the provisions of this Section shall constitute an additional contractual obligation of the Company whether or not the mutilated, destroyed, lost or stolen Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Bonds duly issued hereunder. All Bonds shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Bonds, and shall preclude (to the extent lawful) any and all other rights or remedies, notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

Section 2.07 Cancellation.

All certificated Bonds surrendered for the purpose of payment, redemption, exchange or registration of transfer shall, if surrendered to the Company or the Paying Agent, be delivered to the Trustee for cancellation, or, if surrendered to the Trustee, shall be cancelled by it, and no Bonds shall be issued in lieu thereof except as expressly required or permitted by any of the provisions of this Indenture. The Trustee may dispose of canceled Bonds in accordance with its standard procedures and deliver a certificate of disposition to the Company. If the Company shall otherwise acquire any of the Bonds, however, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Bonds unless and until the same are delivered to the Trustee for cancellation.

Section 2.08 Benefits of Indenture.

Nothing in this Indenture or in the Bonds, express or implied, shall give or be construed to give to any Person, other than the parties hereto and the holders of the Bonds any legal or equitable right, remedy or claim under or in respect of this Indenture, or under any covenant, condition or provision herein contained; all such covenants, conditions and provisions being for the sole benefit of the parties hereto and of the holders of the Bonds.

Section 2.09 Authenticating Agent.

So long as any of the Bonds remain Outstanding there may be an Authenticating Agent for any or all Bonds which the Trustee shall have the right to appoint. Said Authenticating Agent shall be authorized to act on behalf of the Trustee to authenticate Bonds issued upon exchange, transfer or partial redemption thereof, and Bonds so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Each Authenticating Agent shall be acceptable to the Company and shall be a corporation that has a combined capital and surplus, as most recently reported or determined by it, sufficient under the laws of any jurisdiction under which it is organized or in which it is doing business to conduct a trust business, and that is otherwise authorized under such laws to conduct such business and is subject to supervision or examination by Federal or State authorities. If at

any time any Authenticating Agent shall cease to be eligible in accordance with these provisions, it shall resign immediately. Any Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee and to the Company. The Trustee may at any time (and upon request by the Company shall) terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent and to the Company. Upon resignation, termination or cessation of eligibility of any Authenticating Agent, the Trustee may appoint an eligible successor Authenticating Agent acceptable to the Company. Any successor Authenticating Agent, upon acceptance of its appointment hereunder, shall become vested with all the rights, powers and duties of its predecessor hereunder as if originally named as an Authenticating Agent pursuant hereto.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided that such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

Section 2.10 Global Form of Bonds

If the Company issues the Bonds in global form, the Company may issue a Bond in global form only to a Depositary. A Depositary may transfer a Bond only to its nominee or to a successor Depositary. A Bond shall represent the amount of the securities specified therein. A Bond may have variations that the Depositary requires or that the Company considers appropriate for such a security.

Prior to due presentment of the Bond(s) for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the person in whose name such Bond(s) is registered as the owner of such Bonds for the purpose of receiving payment of principal of and interest on such Bond(s) and for all other purposes whatsoever, whether or not such Bond(s) be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

Beneficial owners of part or all of a Bond are subject to the rules of the Depositary as in effect from time to time. The Company, the Trustee and any agent of the Company or Trustee shall not be responsible for any acts or omissions of a Depositary, for any Depositary records of beneficial ownership interests or for any transactions between the Depositary and beneficial owners.

Section 2.11 Book-Entry Registration for Uncertificated Bonds

Except for certificated Bonds or bonds held with a Depositary, the Bond Registrar shall maintain a book-entry registration and transfer system through the establishment and maintenance of the Bond Register for the benefit of Bondholders as the sole method of recording the ownership and transfer of ownership interests in such Bonds. The registered owners established by the Bond Registrar in connection with the purchase or transfer of the Bonds shall be deemed to be the

Bondholders of the Bonds Outstanding for all purposes under this Indenture. The Company (or its duly authorized agent) shall promptly notify the Bond Registrar of the acceptance of a subscriber's purchase of a Bond and, upon receipt of such notice, the Bond Registrar shall establish an account for such Bond by recording a credit to its book-entry registration and transfer system to the account of the related Bondholder for the principal amount of such Bond owned by such Bondholder and issue a confirmation to the Bondholder, with a copy being delivered to the Trustee, on behalf of the Company. The Bond Registrar shall make appropriate credit and debit entries within each account to record all of the applicable actions under this Indenture that relate to the ownership of the related Bonds and issue confirmations to the related Bondholders as set forth herein, with copies being delivered to the Trustee, on behalf of the Company. The Trustee may review the book-entry registration and transfer system as it deems necessary to ensure the Bond Registrar's compliance with the terms of the Indenture.

Section 2.12 CUSIP Numbers

The Company may obtain and use one or more CUSIP numbers for the Bonds (if then generally in use) and may also obtain and use different CUSIP numbers for Bonds that have different issuance dates. If CUSIP numbers are so obtained, the Trustee shall use CUSIP numbers in notices of redemption or purchase as a convenience to Bondholders; provided, however, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Bonds or as contained in any notice of a redemption or purchase, and any such redemption or purchase shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee of any change in the CUSIP numbers.

ARTICLE III REDEMPTION OF SECURITIES

Section 3.01 Optional Redemption

The Company may redeem some or all of the Bonds at any time, or from time to time, on or after September 30, 2023 at the applicable Repurchase Price. Unless the Company defaults in payment of the applicable Repurchase Price, on and after the Repurchase Date, interest will cease to accrue on the Bonds or portions of the Bonds called for redemption.

In addition, the Company may redeem all of the Bonds at any time, or from time to time, in the event that the board of directors of the Company, in its sole discretion, determines that the proceeds from the sale of the Bonds are insufficient for the intended use of proceeds as set forth in the Offering Circular, if such intended use of proceeds is no longer viable, or such other determination that a redemption is in the Company's best interests. Such a redemption will be at the applicable Repurchase Price.

A redemption pursuant to either of the provisions of this Section 3.01 is herein referred to as an "Optional Redemption".

Section 3.02 Notice of Redemption.

(a) If the Company elects to redeem Bonds pursuant to an Optional Redemption, the Company shall notify the Trustee in writing of the Repurchase Date, the applicable Repurchase Price and the principal amount of Bonds to be redeemed. The Company shall give notice of redemption to the Trustee not less than ten (10) days and not more than sixty (60) days before the Repurchase Date, together with such documentation and records as shall enable the Trustee to select the Bonds to be redeemed.

(b) In addition, the Company shall, or shall cause the Trustee to, give notice of such redemption to holders of the Bonds to be redeemed by mailing, first class postage prepaid, a notice of such redemption not less than five (5) days and not more than sixty (60) days before the date fixed for redemption to such holders at their last addresses as they shall appear upon the Bond Register unless a shorter period is specified in the Bonds to be redeemed. Any notice that is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the registered holder receives the notice. In any case, failure duly to give such notice to the holder of any Bond designated for redemption in whole or in part, or any defect in the notice, shall not affect the validity of the proceedings for the redemption of any other Bonds. In the case of any redemption of Bonds prior to the expiration of any restriction on such redemption provided in the terms of such Bonds or elsewhere in this Indenture, the Company shall furnish the Trustee with an Officer's Certificate evidencing compliance with any such restriction. Each such notice of redemption shall specify the date fixed for redemption and the Repurchase Price at which Bonds are to be redeemed, and shall state that payment of the Repurchase Price of such Bonds to be redeemed will be made at the office or agency of the Company in the City of McLean, Virginia or such other location designated by the Company, upon presentation and surrender of such Bonds, that interest accrued to the date fixed for redemption will be paid as specified in said notice, that from and after said date interest will cease to accrue, and the CUSIP number of the Bonds and state that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in the notice or printed on the Bonds. If less than all the Bonds are to be redeemed, the notice to the holders of Bonds to be redeemed in whole or in part shall specify the particular Bonds to be so redeemed. In case any Bond is to be redeemed in part only, the notice that relates to such Bond shall state the portion of the principal amount thereof to be redeemed and shall state that on and after the redemption date, upon surrender of such Bond, a new Bond or Bonds in principal amount equal to the unredeemed portion thereof will be issued.

(c) If less than all the Bonds are to be redeemed, the Company shall give the Trustee at least fifteen (15) days' notice (unless a shorter period is satisfactory to the Trustee) in advance of the date fixed for redemption as to the aggregate principal amount of Bonds to be redeemed, and thereupon the Trustee shall select in a manner that complies with the requirements, if any, of any applicable stock exchange or which the Bonds are listed and that the Trustee deems appropriate and fair in its discretion and that may provide for the selection of a portion or portions (equal to twenty-five U.S. dollars (\$25) or any integral multiple thereof) of the principal amount of such Bonds of a denomination larger than \$25, the Bonds to be redeemed and shall thereafter promptly notify the Company in writing of the numbers of the Bonds to be redeemed, in whole or in part. The Company may, if and whenever it shall so elect, by delivery of instructions signed on its behalf by an authorized signatory of the Company, instruct the Trustee or the Paying Agent to call all or any part of the Bonds for redemption and to give notice of redemption in the manner set forth in this Section, such notice to be in the name of the Company or its own name as the Trustee or such Paying Agent as it may deem advisable. In any case in which notice of redemption is to be given by the Trustee or any such Paying Agent, the Company shall deliver or cause to be delivered to, or permit to remain with, the Trustee or such Paying Agent, as the case may be, such Bond Register, transfer books or other records, or suitable copies or extracts therefrom, sufficient to enable the Trustee or such Paying Agent to give any notice by mail that may be required under the provisions of this Section.

Section 3.03 Payment upon Redemption

(a) If the giving of notice of redemption shall have been completed as above provided, the Bonds or portions of Bonds to be redeemed specified in such notice shall become due and payable on the date and at the place stated in such notice at the applicable Repurchase Price, together with interest accrued to the Repurchase Date and interest on such Bonds or portions of Bonds shall cease to accrue on and after the Repurchase Date, unless the Company shall default in the payment of such Repurchase Price and accrued interest with respect to any such Bond or portion thereof. On presentation and surrender of such Bonds on or after the Redemption Date at the place of payment specified in the notice, said Bonds shall be paid and redeemed at the applicable Repurchase Price, together with interest accrued thereon to the date fixed for redemption (but if the Redemption Date is an Interest Payment Date, the interest installment payable on such date shall be payable to the registered holder at the close of business on the applicable Interest Record Date pursuant to Section 2.02).

(b) Upon presentation of any Bond that is to be redeemed in part only, the Company shall execute and the Trustee shall authenticate and the office or agency where the Bond is presented shall deliver to the holder thereof, at the expense of the Company, a new Bond of authorized denominations in principal amount equal to the unredeemed portion of the Bond so presented.

Section 3.04 Redemption upon Death

(a) Subject to subsection (b) below, within 45 days of the death of a holder who is a natural person or a Person who beneficially holds Bonds represented by a global note (a “**Holder Redemption Event**”), the estate of such Person, such Person, or legal representative of such Person, may request the Company to repurchase, in whole but not in part, without penalty, the Bonds held or beneficially held by such Person (including Bonds of such Person held or beneficially held in his or her individual retirement accounts), as the case may be, by delivering to the Company a Repurchase Request; provided, however, that in the case of a Repurchase Request by a Person who beneficially holds represented by a global certificate, such Repurchase Request shall be valid only if delivered through the Depositary, in its capacity as the registered holder of the global certificate with respect to which such beneficial holder holds his or her beneficial interest in a Bond.

In the event a Bond or beneficial interest in a global certificate is held together by two or more natural persons (regardless of whether held as joint tenants, co-tenants or otherwise), the estate or legal representative of either of these persons shall not have the right to request that the Company repurchase such Bond or beneficial interest in a global note unless each such co-holder or co-beneficial holder of such Bond is deceased. A holder or beneficial holder that is not an individual natural person does not have the right to request repurchase under this Section.

(b) Upon receipt of a Repurchase Request under subsection (a) above, the Company shall designate a Repurchase Date for the Bonds to be repurchased and notify the Trustee of such Repurchase Date, which date shall not be later than the 15th day of the month next following the month in which the Company receives facts or certifications establishing to the reasonable satisfaction of the Company the occurrence of a Holder Redemption Event. On the Repurchase Date, the Company shall pay the applicable Repurchase Price to such Paying Agent for payment to the estate of the holder, in accordance with the terms of the Bond being repurchased and such Paying Agent shall pay out such Repurchase Price upon the surrender of the Bond to the Trustee. No interest shall accrue on a Bond to be repurchased under this Section for any period of time on or after the Repurchase Date for such Bond, provided that the Company has timely tendered the Repurchase Price to such Paying Agent.

ARTICLE IV COVENANTS

Section 4.01 Payment of Principal, Premium and Interest.

The Company will duly and punctually pay or cause to be paid the principal of (and premium, if any), interest and any other amounts due on the Bonds at the time and place and in the manner provided herein and established with respect to such Bonds.

Section 4.02 Maintenance of Office or Agency.

So long as the Bonds remain Outstanding, the Company agrees to cause to be maintained an office of the Bond Registrar, where (i) Bonds may be presented for payment, (ii) Bonds may be presented as herein above authorized for registration of transfer and exchange, and an office of the Company where notices and demands to or upon the Company in respect of the Bonds and this Indenture may be given or served, such designation to continue with respect to such office or agency until the Company shall, by written notice signed by an authorized signatory of the Company and delivered to the Trustee, designate some other office or agency in the City of McLean, Virginia for such purposes or any of them.

Section 4.03 Paying Agents.

(a) The Company hereby appoints UMB Bank, National Association as the initial Paying Agent. If the Company shall appoint one or more Paying Agents for the Bonds, other than the Trustee, the Company will cause each such Paying Agent to execute and deliver to the Trustee an instrument in which such agent shall agree, subject to the provisions of this Section:

(1) that it will hold all sums held by it as such agent for the payment of the principal of (and premium, if any) or interest on the Bonds (whether such sums have been paid to it by the Company or by any other obligor of such Bonds) in trust for the benefit of the Persons entitled thereto;

(2) that it will give the Trustee notice of any failure by the Company (or by any other obligor of such Bonds) to make any payment of the principal of (and premium, if any) or interest on the Bonds when the same shall be due and payable;

(3) that it will, at any time during the continuance of any failure referred to in the preceding paragraph (a) (2) above, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent; and

(4) that it will perform all other duties of Paying Agent as set forth in this Indenture.

(b) If the Company shall act as its own Paying Agent with respect to the Bonds, it will on or before each due date of the principal of (and premium, if any) or interest on Bonds, set aside, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay such principal (and premium, if any) or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee of such action, or any failure (by it or any other obligor on such Bonds) to take such action. Whenever the Company shall have one or more Paying Agents, it will, prior to each due date of the principal of (and premium, if any) or interest, deposit with the Paying Agent a sum sufficient to pay the principal (and premium, if any) or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal, premium or interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of this action or failure so to act.

(c) Notwithstanding anything in this Section to the contrary,

(1) the agreement to hold sums in trust as provided in this Section is subject to the provisions of Section 11.05, and

(2) the Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same terms and conditions as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Section 4.04 Appointment to Fill Vacancy in Office of Trustee.

The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 7.11, a Trustee, so that there shall at all times be a Trustee hereunder.

Section 4.05 Compliance with Consolidation Provisions.

The Company will not, while any of the Bonds remain Outstanding, consolidate with or merge into any other Person, in either case where the Company is not the survivor of such transaction, or sell, convey, transfer or otherwise dispose of its property as an entirety or substantially as an entirety to any other Person unless the provisions of Article X hereof are complied with.

Section 4.06 Liens.

The Company will not allow or permit a Lien on any Company Assets senior to that of the most senior security interest of the Bondholders under the Collateral Documents without the approval or permission of the holders of at least a majority in principal amount of the Bonds at the time Outstanding by execution of an intercreditor agreement between the Trustee, Company and any such creditor in a form satisfactory to the holders of at least a majority in principal amount of the Bonds at the time Outstanding.

Section 4.07 Payment of Taxes and Other Claims.

The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent: (i) all taxes, assessments and governmental charges levied or imposed upon the Company or upon the income, profits or Company Assets and (ii) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a Lien upon any Company Asset; provided, however, that the Company will not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings or for which the Company has set apart and maintained an adequate reserve.

Section 4.08 Disclosure Requirements; Annual Reports

If, at any time, the Company is no longer obligated to file reports pursuant to Regulation A under the Securities Act and file an exit report on Form 1-Z, as soon as practicable, but in no event later than one hundred twenty (120) days after the close of the Company's fiscal year, the Company will mail or make available, by any reasonable means, to each Bondholder as of a date selected by the board of directors of the Company, an annual report containing financial statements for such fiscal year, presented in accordance with GAAP, including a balance sheet and statements of operations, owners' equity and cash flows, with such statements having been audited by an accounting firm selected by the board of directors of the Company. The Company shall be deemed to have made such report available to each Bondholder in compliance of this Section 4.08 if the Company has either (i) filed such report with the Commission via its Electronic Data Gathering, Analysis and Retrieval (EDGAR) system and such report is publicly available on such system or (ii) made such report available on any website the Company maintains and available for viewing by the Bondholders. The Trustee shall have no obligation to monitor the Company's compliance with its obligations in this Section 4.08.

Section 4.09 Further Assurances; Recording

The Company is, simultaneous with the execution of this Indenture, executing the Pledge and Security Agreement to pledge, assign and grant to the Trustee, on behalf of the Bondholders, a security interest in all of the Company's right, title and interest, whether now owned or hereafter acquired, in and to the Collateral (as defined in the Pledge and Security Agreement).

The Bondholders, in purchasing the Bonds, hereby authorize and direct the Trustee to enter into the Pledge and Security Agreement.

The Company will cause this instrument and all supplemental indentures and other instruments of further assurance and other security documents, including all financing statements covering security interests in personal property, to be promptly recorded, registered, and filed, and will execute and file such financing statements and continuation statements, and the Company will cause to be kept recorded, registered, and filed, and, when necessary, to re-record, re-register, and re-file, the same, all in such manner and in such places as may be required by law fully to preserve and protect the rights of the Bondholders and the Trustee. The Trustee shall not be responsible for the sufficiency of accuracy of any financing statements initially filed to perfect security interests granted under this Indenture, the Pledge and Security Agreement or any supplemental indentures nor for the maintenance or continuation of such financing statements. The Company shall be responsible for the costs incurred in the preparation and filing of all continuation statements hereunder.

**ARTICLE V
BONDHOLDERS' LISTS AND REPORTS BY THE COMPANY AND THE TRUSTEE**

Section 5.01 Company to Furnish Trustee Names and Addresses of Bondholders.

The Company will furnish or cause to be furnished to the Trustee at such times as the Trustee may request in writing within 30 days after the receipt by the Company of any such request, a list of the names and addresses of the registered holders of the Bonds as of a date not more than 15 days prior to the time such list is furnished of the registered owners; *provided, however*, that no such list need be furnished for any Bonds for which the Trustee shall be the Bond Registrar.

Section 5.02 Preservation of Information; Communications with Bondholders.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of the holders of Bonds contained in the most recent list furnished to it as provided in Section 5.01 and as to the names and addresses of holders of Bonds received by the Trustee in its capacity as Bond Registrar (if acting in such capacity).

(b) The Trustee may destroy any list furnished to it as provided in Section 5.01 upon receipt of a new list so furnished.

(c) Bondholders may communicate as provided in Section 312(b) of the Trust Indenture Act with other Bondholders with respect to their rights under this Indenture or under the Bonds.

Section 5.03 Reports by the Company.

(a) The Company shall provide to the Trustee:

(1) within 45 days after filing with the SEC, paper copies or, if such documents are readily available on the Commission's website, notification of the availability of, the annual reports and of the information, documents, and other reports (or copies of such portions of any of the foregoing as the Commission may by rules and regulations prescribe) that the Company is required to file with the Commission pursuant to Regulation A under the Securities Act or by rule or regulation of the Commission;

(2) so long as not contrary to the then-current recommendations of the American Institute of Certified Public Accountants, annual financial statements delivered pursuant to clause (1) above shall be accompanied by a written statement of the Company's independent public accountants to the effect that, in making the examination necessary for certification of such financial statements, nothing has come to their attention which would lead them to believe that the Company has violated the provisions of Section 4.01 of this Indenture or, if any such violation has occurred, specifying the nature and period of existence thereof, it being understood that such accountants shall not be liable directly or indirectly to any Person for any failure to obtain knowledge of any such violation; and

(3) annually, within 120 days following June 30th while any Bonds are Outstanding, a written statement of certain of the officers of the Company certifying that to their knowledge the Company is in compliance with the Indenture, or else specifying any Event of Default and the nature and status thereof. The Company shall also deliver to the Trustee a written notification of any uncured Event of Default within 30 days after the Company becomes aware of such uncured Event of Default.

(b) The Company, or such other entity as the Company shall designate as Bond Registrar, shall provide the Trustee at intervals of not more than six months with management reports providing the Trustee with such information regarding the accounts maintained by the Company for the benefit of the Bondholders as the Trustee may reasonably request, which information shall include at least the following for the relevant time interval from the date of the immediately preceding report: (i) the outstanding balance of each account at the end of the period; (ii) interest credited for the period; (iii) repayments, repurchases and redemptions, if any, made during the period and (iv) the Interest Rate paid on each Bond in such account maintained by the Bond Registrar during the period.

ARTICLE VI
REMEDIES OF THE TRUSTEE AND BONDHOLDERS ON EVENT OF DEFAULT

Section 6.01 Events of Default.

(a) Whenever used herein, “Event of Default” means any one or more of the following events that has occurred and is continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) the Company defaults in the payment of any installment of interest upon any of the Bonds as and when the same shall become due and payable, and continuance of such default for a period of 90 days;

(2) the Company defaults in the payment of the principal of (or premium, if any, on) any of the Bonds as and when the same shall become due and payable, and continuance of such default for a period of 90 days, whether at maturity, upon redemption, by declaration or otherwise;

(3) the Company fails to observe or perform any other of its covenants or agreements contained in this Indenture for a period of 120 days after the date on which written notice of such failure, requiring the same to be remedied and stating that such notice is a “Notice of Default” hereunder, shall have been given to the Company by the Trustee, by registered or certified mail, or to the Company and the Trustee by the holders of at least 25% in principal amount of the Bonds at the time Outstanding;

(4) the Company pursuant to or within the meaning of any Bankruptcy Law

(i) commences a voluntary case,

(ii) consents to the entry of an order for relief against it in an involuntary case,

(iii) consents to the appointment of a Custodian of it or for all or substantially all of its property, or

(iv) makes a general assignment for the benefit of its creditors;

(5) a court of competent jurisdiction enters an order under any Bankruptcy Law that

(i) is for relief against the Company in an involuntary case,

(ii) appoints a Custodian of the Company or for all or substantially all of its property, or

(iii) orders the liquidation of the Company,

and the orders remain unstayed and in effect for 90 days; or

(6) entry by any court having jurisdiction over the Company of a final and non-appealable judgment or order for the payment of money in excess of \$50,000,000.00, singly or in the aggregate for all such final judgments or orders against the Company or any Subsidiary.

(b) In each and every such case, unless the principal of all the Bonds shall have already become due and payable, either the Trustee or the holders of a majority in aggregate principal amount of the Bonds then Outstanding hereunder, by notice in writing to the Company (and to the Trustee if given by such Bondholders), may declare the principal of (and premium, if any, on) and accrued and unpaid interest on all the Bonds to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable.

(c) At any time after the principal, premium, if any, and all unpaid interest on the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the holders of a majority in aggregate principal amount of the Bonds then Outstanding hereunder, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if:

(1) the Company has paid or deposited with the Trustee a sum sufficient to pay all matured installments of interest upon all the Bonds and the principal of (and premium, if any, on) any and all Bonds that shall have become due otherwise than by acceleration (with interest upon such principal and premium, if any, and, to the extent that such payment is enforceable under applicable law, upon overdue installments of interest, at the rate per annum expressed in the Bonds to the date of such payment or deposit) and the amount payable to the Trustee under Section 7.07, and

(2) any and all Events of Default under the Indenture, other than the nonpayment of principal on Bonds that shall not have become due by their terms, shall have been remedied or waived as provided in Sections 6.06 and 6.07.

No such rescission and annulment shall extend to or shall affect any subsequent default or impair any right consequent thereon.

(d) In case the Trustee shall have proceeded to enforce any right with respect to Bonds under this Indenture and such proceedings shall have been discontinued or abandoned because of such rescission or annulment or for any other reason or shall have been determined adversely to the Trustee, then and in every such case, subject to any determination in such proceedings, the Company and the Trustee shall be restored respectively to their former positions and rights hereunder, and all rights, remedies and powers of the Company and the Trustee shall continue as though no such proceedings had been taken.

Section 6.02 Collection of Indebtedness and Suits for Enforcement by Trustee.

(a) The Company covenants that

(1) in case it shall default in the payment of any installment of interest on any of the Bonds, as and when the same shall have become due and payable, and such default shall have continued for a period of 90 days, or

(2) in case it shall default in the payment of the principal of (or premium, if any, on) any of the Bonds when the same shall have become due and payable, whether upon maturity or upon redemption, and such default shall have continued for a period of 90 days,

then, upon demand of the Trustee or the Bondholders of a majority in aggregate principal amount of the Bonds, the Company will pay to the Trustee, for the benefit of the holders of the Bonds, the whole amount that then shall have become due and payable on all such Bonds for principal (and premium, if any) or interest, or both, as the case may be, with interest upon the overdue principal (and premium, if any) and (to the extent that payment of such interest is enforceable under applicable law) upon overdue installments of interest at the rate per annum expressed in the Bonds; and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, and the amount payable to the Trustee under Section 7.07.

(b) If the Company shall fail to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any action or proceedings at law or in equity for the collection of the sums so due, including but not limited to exercising its rights under any Collateral Documents, and unpaid and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Company or other obligor upon the Bonds and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or other obligor upon the Bonds, wherever situated. In addition to any action or proceeding at law or in equity, the Trustee shall have the right to cause the Company to cause the sale of all the Company Assets and may collect the moneys received from such sales, following the payment of any indebtedness and any fees, costs or expenses of such sales.

(c) In case of any receivership, insolvency, liquidation, bankruptcy, reorganization, readjustment, arrangement, composition or judicial proceedings affecting the Company, or its creditors or property, the Trustee shall have power to intervene in such proceedings and take any action therein that may be permitted by the court and shall (except as may be otherwise provided by law) be entitled to file such proofs of claim and other papers and documents as may be necessary or advisable in order to have the claims of the Trustee and of the holders of Bonds allowed for the entire amount due and payable by the Company under the Indenture at the date of institution of such proceedings and for any additional amount that may become due and payable by the Company after such date, and to collect and receive any moneys or other property payable or deliverable on any such claim, and to distribute the same after the deduction of the amount payable to the Trustee under Section 7.07; and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized by each of the holders of Bonds to make such payments to the Trustee, and, in the event that the Trustee shall consent to the making of such payments directly to such Bondholders, to pay to the Trustee any amount due it under Section 7.07.

(d) All rights of action and of asserting claims under this Indenture, or under any of the terms established with respect to the Bonds, may be enforced by the Trustee without the possession of any of such Bonds, or the production thereof at any trial or other proceeding relative thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for payment to the Trustee of any amounts due under Section 7.07, be for the ratable benefit of the holders of the Bonds. In case of an Event of Default hereunder, the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in the Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law. Nothing contained herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Bondholder any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any holder thereof or to authorize the Trustee to vote in respect of the claim of any Bondholder in any such proceeding.

Section 6.03 Application of Moneys Collected.

Any moneys collected by the Trustee pursuant to this Article together with any funds held by the Trustee shall be applied in the following order, at the date or dates fixed by the Trustee:

FIRST: To the payment of costs and expenses of collection and of all amounts payable to the Trustee under Section 7.07;

SECOND: To the payment of the amounts then due and unpaid upon Bonds of principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Bonds for principal (and premium, if any) and interest, respectively; and

THIRD: Upon written direction of the Company, to the payment of the remainder, if any, to the Company or any other Person as directed by the Company.

Section 6.04 Limitation on Suits.

No holder of any Bond shall have any right by virtue or by availing of any provision of this Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Indenture or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such holder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof specifying such Event of Default, as hereinbefore provided;

(2) the holders of not less than 25% in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to institute such action, suit or proceeding in its own name as trustee hereunder;

(3) such holder or holders shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby;

(4) the Trustee has not received from holders of a majority in principal amount of the Bonds then Outstanding a direction inconsistent with the request (it being understood and intended that no one or more of such Bondholders shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other of such Bondholders, or to obtain or to seek to obtain priority or preference over any other of such Bondholders or to enforce any rights under the Indenture, except in the manner herein provided and for equal and ratable benefit of all Bondholders); and

(5) the Trustee for 90 days after its receipt of such notice, request and offer of indemnity, shall have failed to institute any such action, suit or proceeding.

The right of any holder of any Bond to receive payment of the principal of (and premium, if any) and interest on such Bond, as therein provided, on the respective due dates expressed in such Bond (or in the case of redemption, on the redemption date), or to institute suit for the enforcement of any such payment on or after such respective dates or redemption date, shall not be impaired or affected without the consent of such holder and by accepting a Bond hereunder it is expressly understood, intended and covenanted by the taker and holder of every Bond with every other such taker and holder and the Trustee, that no one or more holders shall have any right in any manner whatsoever by virtue or by availing of any provision of this Indenture to affect, disturb or prejudice the rights of the holders of any other of such Bonds, or to obtain or seek to obtain priority over or preference to any other such holder, or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all holders of Bonds. For the protection and enforcement of the provisions of this Section, each and every Bondholder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

Section 6.05 Rights and Remedies Cumulative; Delay or Omission Not Waiver.

(a) All powers and remedies given by this Article to the Trustee or to the Bondholders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any other powers and remedies available to the Trustee or the holders of the Bonds, by judicial proceedings, execution upon the Collateral Documents, or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Indenture or otherwise established with respect to such Bonds.

(b) No delay or omission of the Trustee or of any holder of any of the Bonds to exercise any right or power accruing upon any Event of Default occurring and continuing as aforesaid shall impair any such right or power, or shall be construed to be a waiver of any such default or on acquiescence therein; and, subject to the provisions of Section 6.04, every power and remedy given by this Article or by law to the Trustee or the Bondholders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Bondholders.

Section 6.06 Control by Bondholders.

The holders of a majority in aggregate principal amount of the Bonds at the time Outstanding, determined in accordance with Section 8.01, shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee; provided, however, that such direction shall not be in conflict with any rule of law or with this Indenture, and the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction. Subject to the provisions of Section 7.01, the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall, by a Responsible Officer or Officers of the Trustee or its counsel, determine that the proceeding so directed would involve the Trustee in personal liability. Subject to Article VII, before proceeding to exercise any right or power under this Indenture at the direction of the Bondholders, the Trustee is entitled to receive from those Bondholders security or indemnity satisfactory to the Trustee against the costs, expenses and liabilities which it might incur in complying with any direction.

Section 6.07 Waiver of Past Defaults

The holders of a majority in aggregate principal amount of the Bonds at the time Outstanding affected thereby, determined in accordance with Section 8.01, may on behalf of the holders of all of the Bonds waive any past default in the performance of any of the covenants contained herein and its consequences, except a default in the payment of the principal of (or premium, if any) or interest on any of the Bonds as and when the same shall become due by the terms of such Bonds otherwise than by acceleration (unless such default has been cured and a sum sufficient to pay all matured installments of interest and principal and any premium has been deposited with the Trustee (in accordance with Section 6.01(c)) or in respect of a covenant or provision hereof which under Article IX cannot be modified or amended without the consent of the holder of each Bond then Outstanding and affected. Upon any such waiver, the default covered thereby shall be deemed to be cured for all purposes of this Indenture and the Company, the Trustee and the holders of the Bonds shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 6.08 Undertaking to Pay Costs.

All parties to this Indenture agree, and each holder of any Bonds by such holder's acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding more than 10% in aggregate principal amount of the Bonds then Outstanding, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal of (or premium, if any) or interest on any Bond, on or after the respective due dates expressed in such Bond or established pursuant to this Indenture.

**ARTICLE VII
CONCERNING THE TRUSTEE**

Section 7.01 Certain Duties and Responsibilities of Trustee.

(a) Prior to the occurrence of an Event of Default and after the curing of all Events of Default, the Trustee shall undertake to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants shall be read into this Indenture against the Trustee. In case an Event of Default has occurred (that has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) prior to the occurrence of an Event of Default and after the curing or waiving of all such Events of Default that may have occurred: the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall only be responsible for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Responsible Officers of the Trustee, unless it shall be proved that the Trustee was grossly negligent in ascertaining the pertinent facts;

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of not less than a majority in principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture with respect to the Bonds; and

(4) None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Indenture or adequate indemnity against such risk is not reasonably assured to it.

Section 7.02 Notice of Defaults.

(a) The Trustee shall not be required to take notice or be deemed to have notice of any Default or Event of Default hereunder, unless a Responsible Officer of the Trustee shall be specifically notified in writing of such default or Event of Default by the Company, or the holders of at least 25% in principal amount of all Bonds then Outstanding, and in the absence of such notice so delivered, the Trustee may conclusively assume there is no default except as aforesaid.

(b) If an Event of Default occurs hereunder of which the Trustee has notice or is deemed to have notice in accordance with Section 7.02(a), the Trustee shall promptly give the holders notice of such Event of Default; provided, however, that in the case of any Event of Default of the character specified in clause (3) of Section 6.01(a), no such notice to holders shall be given until at least 30 days after the occurrence thereof.

Section 7.03 Certain Rights of Trustee.

Except as otherwise provided in Section 7.01:

(a) The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) Any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an instrument signed in the name of the Company, by an authorized signatory thereof (unless other evidence in respect thereof is specifically prescribed herein);

(c) The Trustee may consult with counsel of its selection and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection from any liability in respect of any action taken or suffered or omitted hereunder in good faith and in reliance thereon;

(d) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Bondholders, pursuant to the provisions of this Indenture, unless such Bondholders shall have offered to the Trustee security or indemnity reasonably satisfactory to it against the costs, expenses and liabilities that may be incurred therein or thereby; nothing contained herein shall, however, relieve the Trustee of the obligation, upon the occurrence of an Event of Default (that has not been cured or waived) to exercise such of the rights and powers vested in it by this Indenture, and to use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of their own affairs;

(e) The Trustee shall not be liable for any action taken or omitted to be taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture;

(f) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond, security, or other papers or documents, unless requested in writing so to do by the holders of not less than a majority in principal amount of the Bonds then Outstanding (determined as provided in Section 8.04); provided, however, that if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of this Indenture, the Trustee may require reasonable indemnity against such costs, expenses or liabilities as a condition to so proceeding. The reasonable expense of every such examination shall be paid by the Company or, if paid by the Trustee, shall be repaid by the Company upon demand;

(g) None of the provisions of this Indenture shall require the Trustee to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not assured to it;

(h) In no event shall the Trustee, including its Responsible Officers, be responsible or liable for special, indirect, or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action;

(i) The Trustee shall not be required to give any bond or surety in respect of the performance of its powers or duties;

(j) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder should it act as Paying Agent or Registrar at any time and each agent, custodian and other person employed by the Trustee to act hereunder; and

(k) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or gross negligence on the part of any agent or attorney appointed with due care by it hereunder.

Section 7.04 Trustee Not Responsible for Recitals or Issuance or Bonds.

(a) The recitals contained herein and in the Bonds shall be taken as the statements of the Company, and the Trustee assumes no responsibility for the correctness of the same.

(b) The Trustee makes no representations as to the validity, adequacy or sufficiency of this Indenture, of the Bonds and Collateral Documents.

(c) The Trustee shall not be accountable for the use or application by the Company of any of the Bonds or of the proceeds of such Bonds, or for the use or application of any moneys paid over by the Trustee in accordance with any provision of this Indenture, or for the use or application of any moneys received by any Paying Agent other than the Trustee.

Section 7.05 May Hold Bonds.

The Trustee or any Paying Agent or Bond Registrar, in its individual or any other capacity, may become the owner or pledgee of Bonds with the same rights it would have if it were not Trustee, Paying Agent or Bond Registrar.

Section 7.06 Moneys Held in Trust.

Subject to the provisions of Section 11.05, all moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any moneys received by it hereunder except such as it may agree with the Company to pay thereon.

Section 7.07 Compensation and Reimbursement.

(a) The Company covenants and agrees to pay to the Trustee, and the Trustee shall be entitled to, such reasonable compensation (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust), as the Company and the Trustee may from time to time agree in writing, for all services rendered by it in the execution of the trusts hereby created and in the exercise and performance of any of the powers and duties hereunder of the Trustee (including, without limitation, fees for extraordinary services rendered), and, except as otherwise expressly provided herein, the Company will pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all Persons not regularly in its employ and the reimbursement of all extraordinary expenses incurred) except any such expense, disbursement or advance as may arise from its gross negligence or bad faith, as determined by a court of competent jurisdiction. The fees, charges and expenses specified herein are for the typical and customary services as trustee. Fees for additional or extraordinary services not now part of the customary services provided, such as special services during default or additional government reporting requirements will be charged at the then current rates for such services.

The Company also covenants to indemnify the Trustee (and its officers, agents, directors and employees) for, and to hold it harmless against, any loss, claims, damages, liability or expense incurred without gross negligence or bad faith on the part of the Trustee, as determined by a court of competent jurisdiction, and arising out of or in connection with the acceptance or administration of this trust and the performance of its duties hereunder and the taking of any enforcement actions under the Collateral Documents, including the costs and expenses of defending itself against any claim of liability in the premises.

(b) The obligations of the Company under this Section to compensate and indemnify the Trustee and to pay or reimburse the Trustee for expenses, disbursements and advances shall constitute additional indebtedness hereunder. Such additional indebtedness shall be secured by a Lien prior to that of the Bonds upon all property and funds held or collected by the Trustee as such.

(c) The obligations of the Company under this Section 7.07 shall survive the satisfaction and discharge of this Indenture or the earlier resignation or removal of the Trustee or the Collateral Agent.

Section 7.08 Reliance on Officer's Certificate.

Except as otherwise provided in Section 7.01, whenever in the administration of the provisions of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or omitting to take any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of gross negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officer's Certificate delivered to the Trustee and such certificate, in the absence of gross negligence or bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken, suffered or omitted to be taken by it under the provisions of this Indenture upon the faith thereof.

Section 7.09 Disqualification; Conflicting Interests.

If the Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, it shall, within 90 days after ascertaining that it has a conflicting interest, or within 30 days after receiving written notice from the Company that it has a conflicting interest, either eliminate such conflicting interest or resign in the manner and with the effect specified in Section 7.11.

Section 7.10 Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee with respect to the Bonds issued hereunder which shall at all times be a corporation organized and doing business under the laws of the United States of America or any State or Territory thereof or of the District of Columbia, or a corporation or other Person permitted to act as trustee by the Commission, authorized under such laws to exercise corporate trust powers, have at all times met the regulatory established net-capital, maintain at least Five Million U.S. Dollars (\$5,000,000) of fidelity insurance per account, and subject to supervision or examination by Federal, State, Territorial, or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Company may not, nor may any Person directly or indirectly controlling, controlled by, or under common control with the Company, serve as Trustee. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, the Trustee shall resign immediately in the manner and with the effect specified in Section 7.11.

Section 7.11 Resignation and Removal; Appointment of Successor.

(a) The Trustee or any successor hereafter appointed, may at any time resign by giving written notice thereof to the Company and by transmitting notice of resignation by mail, first class postage prepaid, to the Bondholders, as their names and addresses appear upon the Bond Register. Upon receiving such notice of resignation, the Company shall promptly appoint a successor trustee

by written instrument, in duplicate, executed by order of an authorized signatory of the Company, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor trustee. If no successor trustee shall have been so appointed and have accepted appointment within 30 days after the mailing of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor trustee, or any Bondholder who has been a bona fide holder of a Bond or Bonds for at least six months may on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(b) In case at any time any one of the following shall occur:

(1) the Trustee shall fail to comply with the provisions of Section 7.09 after written request therefor by the Company or by any Bondholder who has been a bona fide holder of a Bond or Bonds for at least six months; or

(2) the Trustee shall cease to be eligible in accordance with the provisions of Section 7.10 and shall fail to resign after written request therefor by the Company or by any such Bondholder; or

(3) the Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or commence a voluntary bankruptcy proceeding, or a receiver of the Trustee or of its property shall be appointed or consented to, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case, the Company may remove the Trustee with respect to all Bonds and appoint a successor trustee by written instrument, in duplicate, executed by order of an authorized signatory of the Company, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee, or, unless, in the case of a failure to comply with Section 7.09, any Bondholder who has been a bona fide holder of a Bond or Bonds for at least six months may, on behalf of that holder and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee.

(c) The holders of a majority in aggregate principal amount of the Bonds at the time Outstanding may at any time remove the Trustee by so notifying the Trustee and the Company and may appoint a successor Trustee with the consent of the Company.

(d) Any resignation or removal of the Trustee and appointment of a successor trustee with respect to the Bonds pursuant to any of the provisions of this Section shall become effective upon acceptance of appointment by the successor trustee as provided in Section 7.12.

Section 7.12 Acceptance of Appointment by Successor.

(a) In case of the appointment hereunder of a successor trustee with respect to all Bonds, every such successor trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor trustee all the rights, powers, and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor trustee all property and money held by such retiring Trustee hereunder.

(b) Upon request of any such successor trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor trustee all such rights, powers and trusts referred to in paragraph (a) of this Section.

(d) No successor trustee shall accept its appointment unless at the time of such acceptance such successor trustee shall be qualified and eligible under this Article.

(e) Upon acceptance of appointment by a successor trustee as provided in this Section, the Company shall transmit notice of the succession of such trustee hereunder by mail, first class postage prepaid, to the Bondholders, as their names and addresses appear upon the Bond Register. If the Company fails to transmit such notice within ten days after acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be transmitted at the expense of the Company.

Section 7.13 Merger, Conversion, Consolidation or Succession to Business.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided that such corporation shall be qualified under the provisions of Section 7.09 and eligible under the provisions of Section 7.10, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding. In case any Bonds shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Bonds so authenticated with the same effect as if such successor Trustee had itself authenticated such Bonds.

**ARTICLE VIII
CONCERNING THE BONDHOLDERS****Section 8.01 Evidence of Action by Bondholders.**

Whenever in this Indenture it is provided that the holders of a majority or specified percentage in aggregate principal amount of the Bonds may take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action), the fact that at the time of taking any such action the holders of such majority or specified percentage have joined therein may be evidenced by any instrument or any number of instruments of similar tenor executed by such holders in Person or by agent or proxy appointed in writing. If the Company shall solicit from the Bondholders any request, demand, authorization, direction,

notice, consent, waiver or other action, the Company may, at its option, as evidenced by an Officer's Certificate, fix in advance a record date for the determination of Bondholders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other action, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other action may be given before or after the record date, but only the Bondholders of record at the close of business on the record date shall be deemed to be Bondholders for the purposes of determining whether Bondholders of the requisite proportion of Bonds then Outstanding have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other action, and for that purpose the Bonds then Outstanding shall be computed as of the record date; provided, however, that no such authorization, agreement or consent by such Bondholders on the record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date.

Section 8.02 Proof of Execution by Bondholders.

Subject to the provisions of Section 7.01, proof of the execution of any instrument by a Bondholder (such proof will not require notarization) or his agent or proxy and proof of the holding by any Person of any of the Bonds shall be sufficient if made in the following manner:

- (a) The fact and date of the execution by any such Person of any instrument may be proved in any reasonable manner acceptable to the Trustee.
- (b) The ownership of Bonds shall be proved by the Bond Register of such Bonds or by a certificate of the Bond Registrar thereof.
- (c) The Trustee may require such additional proof of any matter referred to in this Section as it shall deem necessary.

Section 8.03 Who May be Deemed Owners.

Prior to the due presentment for registration of transfer of any Bond, the Company, the Trustee, any Paying Agent and any Bond Registrar may deem and treat the Person in whose name such Bond shall be registered upon the books of the Company as the absolute owner of such Bond (whether or not such Bond shall be overdue and notwithstanding any notice of ownership or writing thereon made by anyone other than the Bond Registrar) for the purpose of receiving payment of or on account of the principal of (and premium, if any) and (subject to Section 2.02) interest on such Bond and for all other purposes; and neither the Company nor the Trustee nor any Paying Agent nor any Bond Registrar shall be affected by any notice to the contrary.

Section 8.04 Certain Bonds Owned by Company Disregarded.

In determining whether the holders of the requisite aggregate principal amount of Bonds have concurred in any direction, consent or waiver under this Indenture, the Bonds that are owned by the Company or any other obligor or by any Person directly or indirectly controlling or controlled by or under common control with the Company or any other obligor shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, except that for the purpose of determining whether the Trustee shall be protected in relying on any such direction,

consent or waiver, only Bonds that the Trustee actually knows are so owned shall be so disregarded. The Bonds so owned that have been pledged in good faith may be regarded as Outstanding for the purposes of this Section, if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any such other obligor. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

Section 8.05 Actions Binding on Future Bondholders.

At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 8.01, of the taking of any action by the holders of the majority or percentage in aggregate principal amount of the Bonds specified in this Indenture in connection with such action, any holder of a Bond that is shown by the evidence to be included in the Bonds the holders of which have consented to such action may, by filing written notice with the Trustee, and upon proof of holding as provided in Section 8.02, revoke such action so far as concerns such Bond. Except as aforesaid any such action taken by the holder of any Bond shall be conclusive and binding upon such holder and upon all future holders and owners of such Bond, and of any Bond issued in exchange therefor, on registration of transfer thereof or in place thereof, irrespective of whether or not any notation in regard thereto is made upon such Bond. Any action taken by the holders of the majority or percentage in aggregate principal amount of the Bonds specified in this Indenture in connection with such action shall be conclusively binding upon the Company, the Trustee and the holders of all the Bonds.

**ARTICLE IX
SUPPLEMENTAL INDENTURES**

Section 9.01 Supplemental Indentures without the Consent of Bondholders.

In addition to any supplemental indenture otherwise authorized by this Indenture, the Company and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto, without the consent of the Bondholders, for one or more of the following purposes:

- (1) to cure any ambiguity, defect, or inconsistency or to correct any scrivener's error or other mistake herein or in the Bonds;
- (2) to comply with Article X;
- (3) to provide for uncertificated Bonds in addition to or in place of certificated Bonds;
- (4) to add to the covenants, restrictions, conditions or provisions relating to the Company for the benefit of the holders of all of the Bonds, to make the occurrence, or the occurrence and the continuance, of a default in any such additional covenants, restrictions, conditions or provisions an Event of Default, or to surrender any right or power herein conferred upon the Company;

(5) to add to, delete from, or revise the conditions, limitations, and restrictions on the authorized amount, terms, or purposes of issue, authentication, and delivery of Bonds (prior to the issuance thereof), as herein set forth;

(6) to make any change that does not adversely affect the rights of any Bondholder in any material respect;

(7) to provide for the issuance of and establish the form and terms and conditions of the Bonds, to establish the form of any certifications required to be furnished pursuant to the terms of this Indenture or Bonds, or to add to the rights of the holders of any Bonds;

(8) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 7.12; or

(9) to comply with any requirements of the Commission or any successor.

The Trustee is hereby authorized to join with the Company in the execution of any such supplemental indenture, and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee shall not be obligated to enter into any such supplemental indenture that affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Any supplemental indenture authorized by the provisions of this Section may be executed by the Company and the Trustee without the consent of the holders of any of the Bonds at the time Outstanding, notwithstanding any of the provisions of Section 9.02.

Section 9.02 Supplemental Indentures with Consent of Bondholders.

With the consent (evidenced as provided in Section 8.01) of the holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, the Company and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or of modifying in any manner not covered by Section 9.01 the rights of the holders of the Bonds under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of the holders of each Bond then Outstanding and affected thereby:

(1) extend the maturity of the principal of, or any installment of principal of or interest on, any Bond, or reduce the principal amount thereof, or reduce the rate of interest or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, or reduce the amount of the principal of any other Bond which would be due and payable upon a declaration of acceleration of the maturity thereof pursuant to Section 6.01 or change the coin or currency in which any Bond or any premium or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the maturity thereof (or, in the case of redemption, on or after the redemption date), or

(2) reduce the percentage in principal amount of the Bonds then Outstanding, the consent of whose holders is required for any such supplemental indenture, or the consent of whose holders is required for any waiver of certain defaults hereunder and their consequences provided for in this Indenture, or

(3) modify any of the provisions of this Section or Section 6.07 relating to waivers of default, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the holder of each Bond then Outstanding and affected thereby; provided, however, that this clause shall not be deemed to require the consent of any holder with respect to changes in the references to “the Trustee” and concomitant changes in this Section, or the deletion of this proviso, in accordance with the requirements of Sections 7.12 and 9.01(8).

Section 9.03 Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture pursuant to the provisions of this Article or of Section 10.01, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitations of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the holders of Bonds shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 9.04 Bonds Affected by Supplemental Indentures.

Bonds affected by a supplemental indenture, authenticated and delivered after the execution of such supplemental indenture pursuant to the provisions of this Article or of Section 10.01, may bear a notation in form approved by the Company, provided such form meets the requirements of any exchange upon the Bonds may be listed, as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Bonds so modified as to conform, in the opinion of an authorized signatory of the Company, to any modification of this Indenture contained in any such supplemental indenture may be prepared by the Company, authenticated by the Trustee and delivered in exchange for the Bonds then Outstanding.

Section 9.05 Execution of Supplemental Indentures.

Upon the request of the Company and upon the filing with the Trustee of evidence of the consent of Bondholders required to consent thereto as aforesaid, the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee’s own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion but shall not be obligated to enter into such supplemental indenture. Prior to the execution of any supplemental indenture or amendment to the indenture, the Trustee, shall receive from the Company an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant to this Article is authorized or permitted by, and conforms to, the terms of this Article and that it is proper for the Trustee under the provisions of this Article to join in the execution thereof.

Promptly after the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of this Section, the Trustee shall transmit by mail, first class postage prepaid, a notice, setting forth in general terms the substance of such supplemental indenture, to the Bondholders as their names and addresses appear upon the Bond Register. Any failure of the Trustee to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

ARTICLE X SUCCESSOR ENTITY

Section 10.01 Company May Consolidate, Etc.

The Company shall not merge or consolidate with or into any other Person (other than a merger of a wholly owned Subsidiary of the Company into the Company), or sell, lease or convey all or substantially all of its assets (provided that, for the avoidance of doubt, a pledge of assets pursuant to any secured debt instrument of the Company or its Subsidiaries shall not be deemed to be any such sale, lease or conveyance) in any one transaction or series of related transactions unless:

(1) the Company shall be the surviving Person (the “**Surviving Person**”) or the Surviving Person (if other than the Company) formed by such merger or consolidation or to which such sale, lease or conveyance is made shall be a corporation, limited liability company or other entity organized and existing under the laws of the United States of America, any state thereof or the District of Columbia;

(2) the Surviving Person (if other than the Company) expressly assumes, by supplemental indenture in form reasonably satisfactory to the Trustee, executed and delivered to the Trustee by such Surviving Person, the due and punctual payment of the principal of, and premium, if any, and interest on, all the Bonds, and the due and punctual performance and observance of all the covenants and conditions of this Indenture to be kept or performed by the Company;

(3) immediately after giving effect to such transaction or series of related transactions, no Default or Event of Default shall have occurred and be continuing; and

(4) the Company shall deliver, or cause to be delivered, to the Trustee, an Officer’s Certificate and an Opinion of Counsel, each stating that such transaction and the supplemental indenture, if any, in respect thereto, comply with this Section 10.01 and that all conditions precedent in this Indenture relating to such transaction have been complied with.

For the purposes of this Section 10.01, the sale, transfer, lease, conveyance or other disposition of all the property of one or more Subsidiaries of the Company, which property, if held by the Company instead of such Subsidiaries, would constitute all or substantially all the property of the Company on a consolidated basis, shall be deemed to be the transfer of all or substantially all the property of the Company.

ARTICLE XI
SATISFACTION AND DISCHARGE; REDEMPTION

Section 11.01 Satisfaction and Discharge.

This Indenture will be discharged and will cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of Bonds herein expressly provided for), and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when:

- (1) all Bonds theretofore authenticated and delivered (other than (i) any Bonds that shall have been destroyed, lost or stolen and that shall have been replaced or paid as provided in Section 2.06 and (ii) Bonds for whose payment money or noncallable Governmental Obligations have theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 11.05) have been delivered to the Trustee for cancellation;
- (2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and
- (3) the Company has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all the conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Trustee under Section 7.07 and, if money shall have been deposited with the Trustee pursuant to subclause (ii) of clause (1) of this Section, the obligations of the Trustee under Sections 11.03 and 11.05 shall survive.

Section 11.02 Deposited Moneys to be Held in Trust.

All moneys or Governmental Obligations deposited with the Trustee pursuant to Section 11.01 shall be held in trust and shall be available for payment as due, either directly or through any Paying Agent (including the Company acting as its own Paying Agent), to the holders of the Bonds for the payment or redemption of which such moneys or Governmental Obligations have been deposited with the Trustee.

Section 11.03 Payment of Moneys Held by Paying Agents.

In connection with the satisfaction and discharge of this Indenture all moneys or Governmental Obligations then held by any Paying Agent under the provisions of this Indenture shall, upon demand of the Company, be paid to the Trustee and thereupon such Paying Agent shall be released from all further liability with respect to such moneys or Governmental Obligations.

Section 11.04 Repayment to Company.

Any moneys or Governmental Obligations deposited with any Paying Agent or the Trustee, or then held by the Company, in trust for payment of principal of (or premium, if any) or interest on the Bonds that are not applied but remain unclaimed by the holders of such Bonds for at least two years after the date upon which the principal of (and premium, if any) or interest on such Bonds shall have respectively become due and payable, or such other shorter period set forth in applicable escheat or abandoned property law, shall be repaid to the Company on May 31 of each year or (if then held by the Company) shall be discharged from such trust; and thereupon the Paying Agent and the Trustee shall be released from all further liability with respect to such moneys or Governmental Obligations, and the holder of any of the Bonds entitled to receive such payment shall thereafter, as an unsecured general creditor, look only to the Company for the payment thereof as an unsecured general creditor, unless an abandoned property law designates another Person.

Section 11.05 Reinstatement

If the Trustee (or other qualifying trustee or any Paying Agent appointed as provided herein) is unable to apply any moneys or Government Obligations in accordance with this Article XI by reason of any legal proceeding or any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's obligations under this Indenture and the Bonds shall be revived and reinstated as though no such deposit had occurred, until such time as the Trustee (or other qualifying trustee or Paying Agent) is permitted to apply all such moneys and Government Obligations in accordance with this Article XI; *provided, however*, that if the Company makes any payment of the principal of or premium, if any, or interest if any, on the Bonds following the reinstatement of its obligations as aforesaid, the Company shall be subrogated to the rights of the Bondholders to receive such payment from the funds held by the Trustee (or other qualifying trustee or Paying Agent).

ARTICLE XII
IMMUNITY OF ORGANIZERS, MEMBERS, OFFICERS AND MANAGERS

Section 12.01 No Recourse.

No recourse under or upon any obligation, covenant or agreement of this Indenture, or of any Bond, or for any claim based thereon or otherwise in respect thereof, shall be had against any organizer, member, officer or manager, past, present or future as such, of the Company or of any predecessor or successor entity, either directly or through the Company or any such predecessor or successor entity, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Indenture and the obligations issued hereunder are solely corporate obligations, and that no such personal liability whatever shall attach to, or is or shall be incurred by, the stockholders, organizers, members, directors, officers or managers as such, of the Company or of any predecessor or successor entity, or any of them, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Indenture or in any of the Bonds or implied therefrom; and that any and all such personal liability of every name and nature, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against, every such organizer, member, officer or manager as such, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Indenture or in any of the Bonds or implied therefrom, are hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issuance of such Bonds.

ARTICLE XIII
MISCELLANEOUS PROVISIONS

Section 13.01 Effect on Successors and Assigns.

All the covenants, stipulations, promises and agreements in this Indenture contained by or on behalf of the Company shall bind its successors and assigns, whether so expressed or not.

Section 13.02 Actions by Successor.

Any act or proceeding by any provision of this Indenture authorized or required to be done or performed by any board, committee or officer of the Company shall and may be done and performed with like force and effect by the corresponding board, committee or officer of any corporation that shall at the time be the lawful successor of the Company.

Section 13.03 Surrender of Company Powers.

The Company by instrument in writing executed by authority of an authorized signatory and delivered to the Trustee may surrender any of the powers reserved to the Company, and thereupon such power so surrendered shall terminate both as to the Company and as to any successor corporation.

Section 13.04 Notices

Except as otherwise expressly provided herein any notice or demand that by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the holders of Bonds to or on the Company may be given or served by being deposited first class postage prepaid in a post-office letterbox addressed (until another address is filed in writing by the Company with the Trustee), as follows: 1521 Westbranch Drive, Suite 100, McLean, Virginia 22102. Any notice, election, request or demand by the Company or any Bondholder to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes, if given or made in writing at the Corporate Trust Office of the Trustee.

Section 13.05 Governing Law.

This Indenture and each Bond shall be governed by and construed in accordance with the laws of the State of New York.

Section 13.06 Treatment of Bonds as Debt.

It is intended that the Bonds will be treated as indebtedness and not as equity for federal income tax purposes. The provisions of this Indenture shall be interpreted to further this intention.

Section 13.07 Compliance Certificates and Opinions.

(a) Upon any application or demand by the Company to the Trustee to take any action under any of the provisions of this Indenture, the Company, shall furnish to the Trustee an Officer's Certificate stating that all conditions precedent provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent have been complied with, except that in the case of any such application or demand as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or demand, no additional certificate or opinion need be furnished.

(b) Each certificate or opinion provided for in this Indenture and delivered to the Trustee with respect to compliance with a condition or covenant in this Indenture shall include

- (1) a statement that the Person making such certificate or opinion has read such covenant or condition;
- (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;
- (3) a statement that, in the opinion of such Person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and
- (4) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with.

Section 13.08 Payments on Business Days.

Except as set forth in an Officer's Certificate, or established in one or more indentures supplemental to this Indenture, in any case where the date of maturity of interest or principal of any Bond or the date of redemption of any Bond shall not be a Business Day, then payment of interest or principal (and premium, if any) may be made on the next succeeding Business Day with the same force and effect as if made on the nominal date of maturity or redemption, and no interest shall accrue for the period after such nominal date.

Section 13.09 Counterparts.

This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument. Counterparts may be delivered via facsimile or electronic mail and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

Section 13.10 Separability.

In case any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Indenture or of such Bonds, but this Indenture and such Bonds shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein or therein.

Section 13.11 Electronic Storage.

The parties agree that the transaction described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

[Remainder of page intentionally left blank. Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed all as of the day and year first above written.

THE GLADSTONE COMPANIES, INC.
a Delaware corporation

By: _____
Name: _____
Title: _____

UMB BANK, NATIONAL ASSOCIATION, as Trustee

By: _____
Name: _____
Title: _____

[Signature page to Indenture]

EXHIBIT A
(Form of 7.0% Senior Secured Bond)
(Filed as Exhibit 3.3 to the Company's Offering Statement)

EXHIBIT B
(Form of Pledge and Security Agreement)
(Filed as Exhibit 3.4 to the Company's Offering Statement)

THE GLADSTONE COMPANIES, INC.
7.0% Senior Secured Bonds

CUSIP No. 37653L AA3
 ISIN No. US37653LAA35

No. [•]

No. of 7.0% Senior Secured Bonds (the “Bonds”): [•]
 Principal Amount of the Bonds: \$[•]

THE GLADSTONE COMPANIES, INC., a Delaware corporation (the “Company”), for value received, promises to pay to [•], or its registered assigns, the principal sum of up to \$[•], as more particularly stated and revised from time to time by the Schedule of Exchanges of Interests in the Bonds attached hereto, on the Maturity Date (as defined herein).

Interest Payment Dates: Monthly payments commencing [•] and occurring on the first day of each month thereafter until the Bonds are no longer outstanding. The initial interest payment for all Bonds shall be the Interest Payment Date that follows the first full calendar month after the initial issuance of the Bonds.

Interest Record Dates: 5:00 p.m. New York City time on the 23rd day of the month immediately preceding the relevant Interest Payment Date.

Reference is made to the further provisions of this Certificate contained herein, which will for all purposes have the same effect as if set forth at this place.

IN WITNESS WHEREOF, the Company has caused this Certificate to be signed manually or by facsimile by its duly authorized officer.

Dated: [•]

THE GLADSTONE COMPANIES, INC.,
 a Delaware corporation

By: _____
 Name: _____
 Title: _____

TRUSTEE’S CERTIFICATE OF AUTHENTICATION

The Bonds as the 7.0% Senior Secured Bonds described in the within mentioned Indenture. Dated: [•].

UMB Bank, National Association, as Trustee

By: _____
 Name: _____
 Title: _____

SCHEDULE OF EXCHANGES OF BONDS

The following exchanges of a part of this Certificate for an interest in another certificate or exchanges of a part of another certificate for an interest in this Certificate have been made:

<u>Date of Exchange</u>	<u>Amount of Decrease in Principal Amount of this Certificate</u>	<u>Amount of Increase in Principal Amount of this Certificate</u>	<u>Principal Amount of this Certificate Following such Decrease (or Increase)</u>	<u>Signature of Authorized Office or Trustee of Registrar</u>
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7.0% Senior Secured Bonds

This Certificate is governed by that certain indenture by and between UMB Bank, National Association (the “**Trustee**”) and the Company, dated as of [], 2020 (the “**Indenture**”), as amended or supplemented from time to time, relating to the offer of \$50,000,000 in the aggregate of Bonds of the Company. Capitalized terms used herein shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

SECTION 1. Interest. The Company promises to pay interest on the principal amount of the Bonds at 7.0% per annum from the date of issuance, up to but not including September 30, 2025 (the “**Maturity Date**”). The Company will pay interest due on the Bonds on the Interest Payment Dates. Interest on the Bonds will accrue, if interest has been paid, from the most recent Interest Payment Date for which interest has been paid on such Bond, or if interest has not been paid, from the date of issuance. The Company shall pay interest on overdue principal and premium, if any, from time to time on demand to the extent lawful at the interest rate applicable to the Bonds; it shall pay interest on overdue installments of interest from time to time on demand at the same rate to the extent lawful. Interest on the Bonds shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

SECTION 2: Principal Maturity. The Company shall pay all Outstanding principal, accrued but unpaid interest and any other amounts owed under the terms of the Bonds (through the Maturity Date) on the Maturity Date unless the Bonds are otherwise repurchased or redeemed prior to such date.

SECTION 3. Method of Payment. The Company will pay interest on the Bonds to the Persons who are registered holders of Bonds at the close of business on the Interest Record Date for such interest installment, even if such Bonds are canceled after such Record Date and on or before such Interest Payment Date, except as provided in Section 2.02 of the Indenture with respect to Defaulted Interest. The Bonds will be issued in denominations of \$25 and integral multiples of \$25 in excess thereof. The Company shall pay principal, premium, if any, and interest on the Bonds in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Principal, premium, if any, interest any other amounts due on the Bonds will be payable at the office or agency of the Company maintained for such purpose except that, at the option of the Company, the payment of interest may be made by check mailed to the holders of Bonds at their respective addresses set forth in the Bond Register. Until otherwise designated by the Company, the Company’s office or agency will be the office of the Trustee maintained for such purpose.

SECTION 4. Paying Agent and Registrar. Initially, UMB Bank, National Association will act as paying agent and registrar. The Company may change the paying agent or registrar without notice to the holders of the Bonds. Except as provided in the Indenture, the Company or any of its Subsidiaries may act in any such capacity.

SECTION 5. Indenture. The Company issued the Bonds under the Indenture. The terms of the Bonds include those stated in the Indenture for a complete description of the terms of the Bonds. The Bonds are subject to all such terms, and holders of Bonds are referred to the Indenture. To the extent any provision of this Certificate conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling.

SECTION 6. Optional Redemption. The Company may redeem some or all of the Bonds at any time, or from time to time, on or after September 30, 2023 at the applicable Repurchase Price. Unless the Company defaults in payment of the applicable Repurchase Price, on and after the Repurchase Date, interest will cease to accrue on the Bonds or portions of the Bonds called for redemption. In addition, the Company may redeem all of the Bonds at any time, or from time to time, in the event that the board of directors of the Company, in its sole discretion, determines that the proceeds from the sale of the Bonds are insufficient for the intended use of proceeds as set forth in the Offering Circular, if such intended use of proceeds is no longer viable, or such other determination that a redemption is in the Company’s best interests. Such a redemption will be at the applicable Repurchase Price.

SECTION 7. Repurchase at Option of Holder. The Company will repurchase any Bonds pursuant to Section 3.04 of the Indenture at a price that is equal to the principal amount of such Bond plus interest accrued but unpaid during the Interest Accrual Period up to, but not including, the Repurchase Date for such Bond.

SECTION 8. Denominations, Transfer Exchange. The Bonds are in registered form without coupons in denominations of \$25 and integral multiples of \$25 in excess thereof. The transfer of Bonds may be registered and Bonds may be exchanged as provided in the Indenture. The Bond Registrar and the Trustee may require a holder of Bonds, among other things, to furnish appropriate endorsements and transfer documents, and the Company may require a holder of Bonds to pay any taxes and fees required by law or permitted by the Indenture. The Company and the Bond Registrar are not required to transfer or exchange any Bonds selected for redemption. Also, the Company and the Bond Registrar are not required to transfer or exchange any Bonds for a period of 15 days before the day of the mailing of a notice of redemption of less than all the Outstanding Bonds and ending at the close of business on the day of such mailing.

SECTION 9. Persons Deemed Owners. The registered holder of Bonds may be treated as its owner for all purposes.

SECTION 10. Amendment, Supplement and Waiver. Any past Default may be waived with the consent of the holders of a majority of the Bonds then Outstanding. Without notice to or consent of any holder of Bonds, the parties thereto may amend or supplement the Indenture and the Bonds as provided in the Indenture.

SECTION 11. Defaults and Remedies. If an Event of Default occurs and is continuing, the Trustee or the holders of not less than a majority of the then outstanding Bonds may declare the principal of, premium, if any, and accrued and unpaid interest on the Bonds to be due and payable immediately in accordance with the provisions of Section 6.01 of the Indenture. Holders of Bonds may not enforce the Indenture or the Bonds except as provided in the Indenture. Subject to certain limitations in the Indenture, holders of a majority of the then outstanding Bonds may direct the Trustee in its exercise of any trust or power. The holders of a majority of the Bonds then outstanding by notice to the Trustee may on behalf of the holders of all of the Bonds waive any past Default and its consequences under the Indenture except a Default in the payment of principal of, or interest on, any Bond.

SECTION 12. Restrictive Covenants. The Indenture contains certain covenants as set forth in Article IV of the Indenture.

SECTION 13. No Recourse Against Others. No recourse for the payment of the principal of, premium, if any, or interest on any of the Bonds or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company in the Indenture, or in any of the Bonds or because of the creation of any indebtedness represented thereby, shall be had against any stockholder, organizer, member, director, officer or manager of the Company or of any predecessor or successor Person thereof. Each holder, by accepting the Bonds, waives and releases all such liability. Such waiver and release are part of the consideration for issuance of the Bonds.

SECTION 14. Authentication. This Certificate shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

SECTION 15. Abbreviations. Customary abbreviations may be used in the name of a holder of Bonds or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entirety), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

SECTION 16. CUSIP and ISIN Numbers. The Company has caused the CUSIP and ISIN numbers to be printed on this Certificate and the Trustee may use the CUSIP or ISIN numbers in notices of redemption as a convenience to holders of Bonds. No representation is made as to the accuracy of such numbers either as printed on this Certificate or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

SECTION 17. Registered Form. The Bonds are in registered form within meaning of Treasury Regulations Section 1.871-14(c)(1)(i) for U.S. federal income and withholding tax purposes.

SECTION 18. Governing Law. This Bond and this Certificate shall be governed by, and construed in accordance with, the laws of the State of New York.

The Company will furnish to any holder of Bonds upon written request and without charge a copy of the Indenture.

PLEDGE AND SECURITY AGREEMENT

This PLEDGE AND SECURITY AGREEMENT (this “Agreement”) is entered into as of [____], 2020, by and between The Gladstone Companies, Inc., a Delaware corporation (the “Grantor”), and UMB Bank, National Association, in its capacity as trustee under the Indenture (as defined below) and collateral agent hereunder (the “Trustee”), for the benefit of the holders of the Bonds (as defined below) issued by Grantor from time to time under the Indenture.

INTRODUCTION

WHEREAS, the Indenture contemplates and permits the grant of collateral security for the Bonds, with such grant of collateral security to be accomplished pursuant to this Agreement; and

WHEREAS, the Grantor is entering into this Agreement to state the terms under which it has granted a security interest in those assets specified herein to secure (i) the due and punctual payment by the Grantor of the principal and interest on the Bonds when and as due and (ii) each other payment required to be made by the Grantor under the Indenture to the Holders with respect to the Bonds, when and as due (collectively, the “Secured Obligations”).

AGREEMENT

NOW THEREFORE, the Grantor and the Trustee hereby agree as follows:

Article 1 Definitions

1.1. Terms Defined in the Indenture. All capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Indenture.

1.2. Terms Defined in UCC. Terms defined in the Uniform Commercial Code in effect in the State of New York (the “UCC”) that are not otherwise defined in this Agreement or the Indenture shall have the meanings assigned to such terms in the UCC.

1.3. Other Definitions. As used in this Agreement, and in addition to the terms defined elsewhere in this Agreement, the following terms shall have the following meanings:

“Bonds” means the 7.0% Senior Secured Bonds of the Grantor authorized, authenticated and delivered under the Indenture from time to time.

“Collateral” means, collectively, the Equity Interests together with all proceeds, profits, interests, capital accounts, accounts, contract rights, deposits, funds, dividends, distributions, rights to dividends, rights to distributions, including both distributions of money and of property, and other rights, claims and interests relating to or arising out of the Equity Interests, whether now owned or hereafter acquired.

“Equity Interests” means the common stock, limited partnership interest, limited liability company membership interest or other equity interest in the each of the Future Gladstone Funds and all securities instruments or other rights convertible into or exercisable for the foregoing that the Grantor now owns or hereinafter acquires. For the avoidance of doubt, Equity Interests excludes any general partnership interests in any of the Future Gladstone Funds.

“Future Gladstone Funds” means the funds that the Grantor expects to launch using the proceeds from the sale of the Bonds: Gladstone Retail Corporation, a corporation to be formed in Maryland that is expected to be a real estate investment trust that invests in retail properties; Gladstone Farming L.P., a limited partnership to be formed in Delaware that is expected to be a privately offered fund that invests in agricultural operations in the United States; and Gladstone Partners L.P., a Delaware limited partnership that is expected to a privately offered fund.

“Governmental Authority” means any country or nation, or any state or other political subdivision thereof or any entity exercising executive, legislative or judicial, regulatory or administrative functions of or pertaining to government.

“Holder” means a holder of record of one or more Bonds.

“Indenture” means that certain Indenture dated as of [•], 2020 between the Grantor and the Trustee.

“Material Adverse Effect” means a material adverse effect on (a) the business, assets, operations or condition (financial or otherwise) of the Grantor or (b) the validity or enforceability of this Agreement or the Indenture or the rights or remedies of the Trustee or the Holders.

“Person” means any individual, corporation, limited liability company, partnership, joint venture, joint stock company, trust, unincorporated organization or government or Governmental Authority.

“Pledged Collateral” means, collectively, the Collateral pledged pursuant to this Agreement.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

Article 2

Grant of Security Interest and Pledge; Collateral Agent

2.1 Grant of Security Interest and Pledge. To secure the prompt and complete payment and performance of the Secured Obligations, the Grantor, subject to the terms and conditions of this Agreement, hereby pledges, assigns and grants to the Trustee, on behalf of and for the benefit of the Holders, a security interest (which interest shall constitute a first priority security interest) in all of Grantor’s right, title and interest, whether now owned or hereafter acquired, in and to the Collateral.

2.2 Collateral Agent. The Trustee serves as trustee under the Indenture and hereby agrees to serve as collateral agent under this Agreement for the benefit of the Holders. The Trustee shall not be in a position of a member, stockholder or partner of any Future Gladstone Fund, but rather is granted, on behalf of the Holders, a lien on and security interest in the Grantor's Equity Interests in the Future Gladstone Funds including, without limitation, any and all of the Collateral.

2.3 Voting Rights; Distributions, Etc. So long as no Event of Default (and the expiration of any cure period related thereto) shall have occurred and be continuing:

(a) the Grantor shall be entitled to exercise any and all voting and/or other consensual rights and powers relating or pertaining to the Collateral or any part thereof, provided, however, that no vote shall be cast or right exercised or other action taken which would (x) impair the Collateral or any portion thereof or the rights and remedies of the Trustee under the Collateral Documents, or (y) have or would reasonably be expected to have a material adverse effect on the Collateral or any material part thereof or (z) result in any violation of the provisions of this Agreement, the Indenture or any other Collateral Document; and

(b) except to the extent limited by this Agreement, the Indenture or any other Collateral Document, the Grantor shall be entitled to receive and retain any and all cash dividends or cash distributions payable on the Collateral, but any and all equity interests and/or liquidating dividends, distributions in property, returns of capital, or other distributions made on or in respect of the Collateral, whether resulting from a subdivision, combination, or reclassification of the outstanding ownership units or other interests of the Future Gladstone Funds or received in exchange for the Collateral or any part thereof or as a result of any merger, consolidation, acquisition, or other exchange of assets to which any Future Gladstone Fund may be a party or otherwise, and any and all cash and other property received in redemption of or in exchange for any Collateral (either upon call for redemption or otherwise) shall be and become part of the Collateral pledged hereunder;

Upon the occurrence and during the continuance of an Event of Default, all rights of the Grantor to exercise the voting and/or other consensual rights and powers that the Grantor is entitled to exercise pursuant to clause (a) hereof and/or to receive the payments that the Grantor is authorized to receive and retain pursuant to clause (b) hereof shall cease, and all such rights shall thereupon become vested in the Trustee for the benefit of the Holders; provided, that nothing herein shall obligate the Trustee to exercise such voting and/or other consensual rights, all such action in such regard being solely in the Trustee's discretion.

Article 3
Representations and Warranties of Grantor

The Grantor represents and warrants to the Trustee as follows:

3.1. Title; Liens. The Grantor is and will be the record and beneficial owner of the Collateral as of the date hereof. All of the Collateral is and will be owned by the Grantor free and clear of all Liens, except for the security interest granted to the Trustee on behalf of the Holders hereunder and Liens permitted under **Section 4.1.4**, and there are and will be no outstanding warrants, options or other rights to purchase, or shareholder, voting trust or similar agreements outstanding with respect to, or property that is convertible into, or that requires the issuance of sale of, any Equity Interests.

3.2. Authorization and Enforceability. The execution and delivery by the Grantor of this Agreement have been duly authorized by proper corporate proceedings. The Grantor has full corporate power and authority to grant to the Trustee the security interest in the Collateral pursuant hereto. This Agreement constitutes a legal, valid and binding obligation of the Grantor which is enforceable against the Grantor except as enforceability may be limited by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization or similar laws relating to or affecting the enforcement of creditors' rights generally, (ii) general equitable principles (whether considered in a proceeding in equity or at law), and (iii) requirements of reasonableness, good faith and fair dealing.

3.3. Valid Security Interest. Upon the Grantor's filing of a Uniform Commercial Code financing statement with the Secretary of State of the State of Delaware, this Agreement creates and grants a valid lien on and perfected security interest in the Collateral and the proceeds thereof, subject to no prior security interest, lien, charge or encumbrance, or to any agreement purporting to grant to any third party a security interest in the property or assets of the Grantor which would include the Collateral.

3.4. No Conflicts or Violation. Neither the execution and delivery by the Grantor of this Agreement, the creation and perfection of the security interest in the Collateral granted hereunder, nor compliance with the terms and provisions hereof, will violate (i) any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Grantor, (ii) the Grantor's certificate of incorporation or bylaws, or (iii) the provisions of any indenture, instrument or agreement to which the Grantor is a party or is subject, or by which it or its property may be bound or affected, or conflict with or constitute a default thereunder, or result in or require the creation or imposition of any Lien in or on the property of the Grantor pursuant to the terms of any such indenture, instrument or agreement (other than any Lien of the Trustee on behalf of the Holders), except in the case of clauses (i) and (iii) such violations, which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

3.5. Governmental Approvals. Other than the filing of a Uniform Commercial Code financing statement with the Secretary of State of the State of Delaware, no authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory body required for the due execution, delivery or performance by the Grantor of their respective obligations under the Indenture or any Collateral Documents remains unobtained or unfulfilled.

3.6. Offices. The Grantor's mailing address, and the principal location of their place of business or chief executive office, is The Gladstone Companies, Inc., 1521 Westbranch Drive, Suite 100, McLean, Virginia 22102.

3.7. No Financing Statements or Security Agreements. No financing statement or security agreement describing all or any portion of the Collateral which has not lapsed or been terminated naming the Grantor as debtor has been filed or is of record in any jurisdiction except financing statements (i) naming the Trustee on behalf of the Holders as the secured party and (ii) in respect of Liens permitted by the Indenture or under **Section 4.1.4**.

3.8. No Proceedings. There is no order, judgment, decree, injunction, stipulation or consent order of or with any Governmental Authority to which the Grantor is subject, and there is no action, suit, arbitration, regulatory proceeding or investigation pending, before any court, regulatory body, administrative agency or other tribunal or governmental instrumentality, against the Grantor or its direct or indirect subsidiaries that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect. Furthermore, there is no action, suit, arbitration, regulatory proceeding or investigation pending, before any court, regulatory body, administrative agency or other tribunal or governmental instrumentality (A) asserting the invalidity of the Indenture or any Collateral Documents or (B) seeking to prevent the issuance of Bonds or the consummation of the transactions contemplated by the Indenture or any offering statement under which Bonds are being offered and sold.

3.9. Investment Company Act. The Grantor is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

3.10. Accuracy of Information. All information heretofore furnished by or on behalf of the Grantor in connection with the Collateral Documents, or any transaction contemplated thereby, is true and accurate in all material respects (without omission of any information necessary to prevent such information from being materially misleading).

Article 4 **Covenants of the Grantor**

From the date of this Agreement and thereafter until this Agreement is terminated, the Grantor agrees:

4.1. General

4.1.1 Inspection. The Grantor will permit the Trustee (i) to inspect the Pledged Collateral, (ii) to examine and make copies of the records of the Grantor relating to the Pledged Collateral and (iii) to discuss the Pledged Collateral and the related records of the Grantor with, and to be advised as to the same by, the officers and employees of the Grantor and its subsidiaries, all at such reasonable times and intervals as the Trustee may determine, upon reasonable notice by the Trustee to the Grantor and all at the Grantor's expense.

4.1.2 Records and Reports; Notice of Default. The Grantor shall keep and maintain complete, accurate and proper books and records with respect to the Collateral and shall furnish to the Trustee such reports relating to the Collateral as the Trustee shall from time to time reasonably request.

4.1.3 Financing Statements. The Grantor hereby authorizes the Trustee to file (provided the Trustee shall have no obligation to do so), and will execute and file and record and deliver to the a copy to the Trustee of all financing statements describing the Pledged Collateral and other documents and take such other actions as may from time to time required by law or as may reasonably be requested by the Trustee, subject in all cases to Liens permitted under the Indenture and any Collateral Documents, or any other agreement describing the rights of the Trustee (on behalf of the Holders) relative to other creditors of the Grantor.

4.1.4 Liens. The Grantor will not create, incur, or suffer to exist any Lien on the Collateral except Liens satisfy the following conditions (i) such Lien is permitted pursuant to the Indenture, this Agreement or any other agreement describing the rights of the Trustee relative to other creditors of the Grantor, (ii) such Lien is created under any debt or obligation pari passu or subordinate in right of payment or priority to the Bonds, and (iii) such Lien is promptly disclosed in writing to the Trustee and the Holders of the Bonds.

4.1.5 Disposition of Collateral Outside Ordinary Course. The Grantor shall not sell or otherwise dispose of the Collateral outside of the ordinary course of business without the prior consent of the Trustee (provided the Trustee shall have no obligation to consent absent the receipt of the consent or at the direction of the Holders of at least a majority in principal amount of the then-outstanding Bonds).

4.1.6 Change in Corporate Existence, Type or Jurisdiction of Organization, Location, Name. The Grantor shall: (a) preserve its existence and entity structure as in effect on the date of this Agreement; (b) not change its name or jurisdiction of organization; (c) not maintain its chief executive office at a location other than a location specified in **Section 3.6**; unless, the Grantor shall have given the Trustee not less than ten days' prior written notice of such event or occurrence and the Grantor shall have either (x) certified to the Trustee that such event or occurrence will not adversely affect the validity, perfection or priority of the Trustee's security interest in the Collateral, or (y) taken such steps as are necessary or advisable to properly maintain the validity, perfection and priority of the Trustee's security interest in the Collateral owned by the Grantor.

4.2. Certificated and Uncertificated Securities. Upon request, the Grantor shall promptly deliver to the Trustee any original certificates or instruments representing the Pledged Collateral. In addition, the Grantor shall permit the Trustee from time to time to cause the appropriate issuers (and, if held with a securities intermediary, such securities intermediary) of uncertificated securities or other types of securities not represented by certificates or other written instrument which are Pledged Collateral to mark their books and records with the numbers and face amounts of all such uncertificated securities or such other types of securities and all replacements thereof to reflect the Lien of the Trustee granted pursuant to this Agreement.

4.3. No Interference. The Grantor agrees that it will not interfere with any right, power and remedy of the Trustee provided for in this Agreement or now or hereafter existing at law or in equity or by statute or otherwise, or the exercise or beginning of the exercise by the Trustee of any one or more of such rights, powers or remedies.

Article 5

Remedies Upon Default

5.1. Remedies. Upon the occurrence of an Event of Default under, and as defined in, the Indenture, the Trustee may, and at the direction of the Holders of at least a majority in principal amount of the then-outstanding Bonds shall, exercise any or all of the following rights and remedies (in addition to the rights and remedies under any other Article of this Agreement or the Indenture):

5.1.1 Those rights and remedies available to a secured party under the UCC (whether or not the UCC applies to the affected Pledged Collateral) or under any other applicable law (including, without limitation, any law governing the exercise of a right of setoff or bankers' lien) when a debtor is in default under a security agreement.

5.1.2 Concurrently with written notice to the Grantor, transfer and register in its name or in the name of its nominee the whole or any part of the Pledged Collateral, to exchange certificates or instruments representing or evidencing Pledged Collateral for certificates or instruments of smaller or larger denominations, to exercise the voting and all other rights as a holder with respect thereto, to collect and receive all cash dividends, interest, principal and other distributions made thereon and to otherwise act with respect to the Pledged Collateral as though the Trustee was the outright owner thereof.

The Trustee, on behalf of the Holders, may comply with any applicable state or federal law requirements in connection with a disposition of the Pledged Collateral, and such compliance will not be considered to adversely affect the commercial reasonableness of any sale of the Pledged Collateral. The Trustee shall have the right upon any such public sale or sales and, to the extent permitted by law, upon any such private sale or sales, to purchase for the benefit of the Trustee and the Holders, the whole or any part of the Pledged Collateral so sold, free of any right of equity redemption, which equity redemption the Grantor hereby expressly releases.

Until the Trustee is able to effect a sale, lease, or other disposition of Pledged Collateral, the Trustee shall have the right to hold or use Pledged Collateral, or any part thereof, to the extent that it deems appropriate for the purpose of preserving Pledged Collateral or its value or for any other purpose deemed appropriate by the Trustee. The Trustee may, if it so elects, seek the appointment of a receiver or keeper to take possession of Pledged Collateral and to enforce any of the Trustee's remedies (for the benefit of the Trustee and Holders), with respect to such appointment without prior notice or hearing as to such appointment.

Notwithstanding the foregoing, neither the Trustee nor any Holder shall be required to (i) make any demand upon, or pursue or exhaust any of their rights or remedies against, the Grantor, any other obligor, guarantor, pledgor or any other Person with respect to the payment of the Secured Obligations or to pursue or exhaust any of their rights or remedies with respect to any Pledged Collateral therefor or any direct or indirect guarantee thereof, (ii) marshal the Pledged Collateral or any guarantee of the Secured Obligations or to resort to the Pledged Collateral or any such guarantee in any particular order, or (iii) effect a public sale of any Pledged Collateral.

The Grantor recognizes that the Trustee may be unable to effect a public sale of any or all the Pledged Collateral and may be compelled to resort to one or more private sales thereof in accordance with this **Section 5.1**. The Grantor also acknowledges that any private sale may result in prices and other terms less favorable to the seller than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall not be deemed to have been made in a commercially unreasonable manner solely by virtue of such sale being private. The Trustee shall be under no obligation to delay a sale of any of the Pledged Collateral for the period of time necessary to permit the Grantor or the issuer of the Pledged Collateral to register such securities for public sale under the Securities Act of 1933, or under applicable state securities laws, even if the Grantor and the issuer would agree to do so.

5.2. Grantor's Obligations Upon Default. Upon the request of the Trustee after the occurrence and during the continuation of an Event of Default, the Grantor shall:

5.2.1 Assemble and make available to the Trustee the Pledged Collateral and all books and records relating thereto at any place or places specified by the Trustee; and/or

5.2.2 Take, or cause an issuer of Pledged Securities to take, any and all actions necessary to register or qualify the Pledged Collateral to enable the Trustee to consummate a public sale or other disposition of such Pledged Securities.

Article 6

Waivers, Amendments and Remedies

No delay or omission of the Trustee or the Holders to exercise any right or remedy granted under this Agreement shall impair such right or remedy or be construed to be a waiver of any Event of Default or an acquiescence therein, and any single or partial exercise of any such right or remedy shall not preclude any other or further exercise thereof or the exercise of any other right or remedy. No waiver, amendment or other variation of the terms, conditions or provisions of this Agreement whatsoever shall be valid unless in writing signed by the Trustee and the Grantor. All rights and remedies contained in this Agreement or by law afforded shall be cumulative and all shall be available to the Trustee and the Holders until the Secured Obligations have been paid in full.

Article 7
Proceeds; Collection of Distributions

7.1. Collection of Distributions. Subject to any provisions of the Indenture, this Agreement or any other Collateral Documents, including any intercreditor agreement or other agreement describing the rights of the Trustee relative to other creditors of the Grantor, the Trustee may at any time after the occurrence and during the continuation of an Event of Default, by giving the Grantor written notice, elect to require that any dividends or distributions paid on the Collateral be paid directly to the Trustee for the benefit of the Holders. In such event, the Grantor shall, and shall permit the Trustee to, promptly notify the applicable issuer of the Trustee's interest therein and direct such issuer to make payment of all amounts then or thereafter paid directly to the Trustee. Upon receipt of any such notice from the Trustee, the Grantor shall thereafter hold in trust for the Trustee, on behalf of the Holders, all dividend or distributions received by it with respect to the Collateral and immediately and at all times thereafter deliver to the Trustee all such amounts in the same form as so received, whether by cash, check, draft or otherwise, with any necessary endorsements. The Trustee shall hold and apply funds so received as provided by the terms of **Section 7.2**.

7.2. Special Collateral Account. Subject in all cases to any provisions of the Indenture, this Agreement or any other Collateral Documents, including any intercreditor agreement or other agreement describing the rights of the Trustee relative to other creditors of the Grantor, after the occurrence and during the continuation of an Event of Default, all future cash proceeds of the Pledged Collateral shall be deposited with the Trustee and shall be applied by the Trustee to payment of the Secured Obligations as provided under Section 6.03 of the Indenture.

Article 8
The Trustee

8.1. Collateral Agent. UMB Bank, National Association has been appointed collateral agent for the Holders hereunder. It is expressly understood and agreed by the parties to this Agreement that any authority conferred upon the Trustee hereunder is subject to the terms of the delegation of authority made by the Holders to the Trustee pursuant to the Indenture, and that the Trustee has agreed to act (and any successor Trustee shall act) as such hereunder only on the express conditions contained in the Indenture and this **Article 8**. Any successor Trustee appointed pursuant to the Indenture shall be entitled to all the rights, interests and benefits of the Trustee hereunder.

8.2. No Implied Duty. The Trustee shall not have any fiduciary duties nor will it have responsibilities or obligations other than those expressly assumed by it in this Agreement and the Indenture. The Trustee shall not be required to take any action that is contrary to applicable law or any provision of this Agreement and the Indenture.

8.3. Appointment of Agents and Advisors. The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, accountants, appraisers or other experts or advisors selected by it in good faith as it may reasonably require and will not be responsible for any misconduct or negligence on the part of any of them.

8.4. Solicitation of Instructions.

8.4.1 The Trustee may at any time solicit written confirmatory instructions, or an order of a court of competent jurisdiction, as to any action that it may be requested or required to take, or that it may propose to take, in the performance of any of its obligations under this Agreement or the Indenture.

8.4.2 No written direction given to the Trustee that in the sole judgment of the Trustee imposes, purports to impose or might reasonably be expected to impose upon the Trustee any obligation or liability not set forth in or arising under this Agreement, or the Indenture will be binding upon the Trustee unless the Trustee elects, at its sole option, to accept such direction.

8.5. Limitation of Liability. The Trustee will not be responsible or liable for any action taken or omitted to be taken by it hereunder or under the Indenture, except for its own gross negligence, bad faith or willful misconduct as determined by a court of competent jurisdiction. In acting as collateral agent under this Agreement, the Trustee shall be entitled to all rights, protections, immunities granted to it under Article VII of the Indenture. In no event shall the Trustee be responsible or liable to any party for special, indirect, or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action;

8.6. Entitled to Rely. The Trustee may seek and rely upon, and shall be fully protected in relying upon, any judicial order or judgment, upon any advice, opinion or statement of legal counsel, independent consultants and other experts selected by it in good faith, and upon any certification, instruction, notice or other writing delivered to it by the Grantor in compliance with the provisions of this Agreement or the Indenture, without being required to determine the authenticity thereof or the correctness of any fact stated therein or the propriety or validity of service thereof. The Trustee may act in reliance upon any instrument comporting with the provisions of this Agreement or the Indenture, or any signature reasonably believed by it to be genuine and may assume that any Person purporting to give notice or receipt or advice or make any statement or execute any document in connection with the provisions hereof or the Indenture has been duly authorized to do so.

8.7. Actions by Trustee. In the event any provision of this Agreement requires the approval, consent, or action by the Trustee, the Trustee shall have no obligation to act, approve or provide its consent absent the receipt of written direction and indemnity satisfactory to it from the Holders of a majority in aggregate principal amount of the Bonds Outstanding, and will be fully protected if it does so, and any action taken, suffered or omitted pursuant to hereto or thereto shall be binding on the Holders.

8.8. Security or Indemnity in Favor of the Trustee The Trustee will not be required to advance or expend any funds or otherwise incur any financial liability in the performance of its duties or the exercise of its powers or rights hereunder unless it has been provided with security or indemnity reasonably satisfactory to it against any and all liability or expense which may be incurred by it by reason of taking or continuing to take such action.

8.8.1 The Grantor agrees to defend, protect, indemnify and hold the Trustee harmless from and against any and all claims, damages, losses, liabilities, obligations, penalties, fees, costs and expenses (including, without limitation, reasonable legal fees, costs, expenses, and disbursements of Trustee's counsel) to the extent that they arise out of or otherwise result from this Agreement (including, without limitation, enforcement of this Agreement), except claims, losses or liabilities resulting solely and directly from Trustee's bad faith, gross negligence or willful misconduct, as determined by a final judgment of a court of competent jurisdiction.

8.8.2 The Grantor agrees to upon demand pay to the Trustee the amount of any and all compensation for its services and costs and expenses, including the reasonable fees, costs, expenses and disbursements of counsel for the Trustee and of any experts and agents (including, without limitation, any collateral agent which may act as agent of the Trustee), which the Trustee may incur in connection with (i) the preparation, negotiation, execution, delivery, recordation, administration, amendment, waiver or other modification or termination of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any Collateral, (iii) the exercise or enforcement of any of the rights of the Trustee hereunder (including attorneys' fees in connection therewith), or (iv) the failure by the Grantor to perform or observe any of the provisions hereof.

8.9. Rights of the Trustee. In the event there is any bona fide, good faith disagreement resulting in adverse claims being made in connection with Pledged Collateral held by the Trustee, and the terms of this Agreement or the Indenture do not unambiguously mandate the action the Trustee is to take or not to take in connection therewith under the circumstances then existing, or the Trustee is in doubt as to what action it is required to take or not to take hereunder or under the Indenture, it will be entitled to refrain from taking any action (and will incur no liability for doing so) until directed otherwise in writing by the Holders of a majority in aggregate principal amount of the Bonds Outstanding (and indemnified to its satisfaction) or by order of a court of competent jurisdiction.

8.10. Limitations on Duty of Trustee in Respect of Collateral

8.10.1 Beyond the exercise of reasonable care in the custody of Pledged Collateral in its possession, the Trustee will have no duty as to any Pledged Collateral in its possession or control or in the possession or control of any agent or bailee or any income thereon or as to preservation of rights against prior parties or any other rights pertaining thereto and the Trustee will not be responsible for filing any financing or continuation statements or recording any documents or instruments in any public office at any time or times or otherwise perfecting or maintaining the perfection of any Liens on the Pledged Collateral. The Trustee will be deemed to have exercised reasonable care in the custody of the Pledged Collateral in its possession if the Pledged Collateral is accorded treatment

substantially equal to that which it accords its own property, and the Trustee will not be liable or responsible for any loss or diminution in the value of any of the Pledged Collateral by reason of the act or omission of any carrier, forwarding agency or other agent or bailee selected by the Trustee in good faith.

8.10.2 The Trustee will not be responsible for the existence, genuineness or value of any of the Pledged Collateral or for the validity, perfection, priority or enforceability of the Liens in any of the Pledged Collateral, whether impaired by operation of law or by reason of any action or omission to act on its part hereunder, except to the extent such action or omission constitutes gross negligence, bad faith or willful misconduct on the part of the Trustee, for the validity or sufficiency of the Pledged Collateral or any agreement or assignment contained therein, for the validity of the title of the Grantor to the Pledged Collateral, for insuring the Pledged Collateral or for the payment of taxes, charges, assessments or Liens upon the Collateral or otherwise as to the maintenance of the Pledged Collateral. The Trustee hereby disclaims any representation or warranty to the present and future Holders concerning the perfection of the Liens granted hereunder or in the value of any of the Pledged Collateral.

Article 9

General Provisions

9.1. Notice of Disposition of Pledged Collateral; Etc. The Grantor hereby waives notice of the time and place of any public sale or the time after which any private sale or other disposition of all or any part of the Pledged Collateral may be made. To the extent such notice may not be waived under applicable law, any notice made shall be deemed reasonable if sent to the Grantor, addressed as set forth in **Section 3.6**, at least ten days prior to (i) the date of any such public sale or (ii) the time after which any such private sale or other disposition may be made. To the maximum extent permitted by applicable law, the Grantor waives all claims, damages, and demands against the Trustee or any secured party arising out of the repossession, retention or sale of the Pledged Collateral, except such as arise solely out of the gross negligence, bad faith or willful misconduct of the Trustee or such secured party as finally determined by a court of competent jurisdiction. To the extent it may lawfully do so, the Grantor absolutely and irrevocably waives and relinquishes the benefit and advantage of, and covenants not to assert against the Trustee or any other secured party, any valuation, stay, appraisal, extension, moratorium, redemption or similar laws and any and all rights or defenses it may have as a surety now or hereafter existing which, but for this provision, might be applicable to the sale of any Pledged Collateral made under the judgment, order or decree of any court, or privately under the power of sale conferred by this Agreement, or otherwise. Except as otherwise specifically provided herein, the Grantor hereby waives presentment, demand, protest or any notice (to the maximum extent permitted by applicable law) of any kind in connection with this Agreement or any Pledged Collateral.

9.2. Limitation on Duties with Respect to Pledged Collateral The Trustee shall use reasonable care with respect to the Pledged Collateral in its possession or under its control. The Trustee shall not have any other duty as to any Pledged Collateral in its possession or control or in the possession or control of any agent or nominee of the Trustee or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto.

9.3. Performance of Grantor's Obligations. Without having any obligation to do so, the Trustee may perform or pay any obligation which the Grantor has agreed to perform or pay in this Agreement and the Grantor shall reimburse the Trustee for any reasonable amounts paid by the Trustee pursuant to this Section. The Grantor's obligation to reimburse the Trustee pursuant to the preceding sentence shall be a Secured Obligation payable on demand.

9.4. Authorization to Take Certain Action The Grantor irrevocably authorizes the Trustee at any time and from time to time in the sole discretion of the Trustee and appoints the Trustee as its attorney-in-fact (i) to execute on behalf of the Grantor as debtor and to file financing statements necessary or desirable in the Trustee's sole discretion to perfect and to maintain the Trustee's security interest in the Pledged Collateral, (ii) to endorse and collect any future cash proceeds of the Pledged Collateral, (iii) to file a carbon, photographic or other reproduction of this Agreement or any financing statement with respect to the Pledged Collateral as a financing statement and to file any other financing statement or amendment of a financing statement (which does not add new collateral or add a debtor) in such offices as the Trustee in its sole discretion deems necessary or desirable to maintain the Trustee's security interest in the Pledged Collateral, (iv) to contact and enter into one or more agreements with the issuers of uncertificated securities which are Collateral or with financial intermediaries holding Equity Interests as may be necessary or advisable to give the Trustee control over such securities or other Equity Interests, (v) subject to the terms hereof, to enforce payment of the instruments in the name of the Trustee or the Grantor, (vi) to apply the future proceeds of any Pledged Collateral received by the Trustee to the Secured Obligations as provided in **Article 8** and (vii) to discharge past-due taxes, assessments, charges, fees or Liens on the Pledged Collateral (except for such Liens as are specifically permitted hereunder or under the Indenture), and the Grantor agrees to reimburse the Trustee on demand for any reasonable payment made or any reasonable expense incurred by the Trustee in connection therewith, provided that this authorization shall not place any obligation on the Trustee to take any such actions or relieve the Grantor of any of its obligations under this Agreement or under the Indenture.

9.5. Specific Performance of Certain Covenants. The Grantor acknowledges and agrees that a breach of any of the covenants contained in **Sections 4.1.4, 4.1.5 or 5.2** or in **Article 8** will cause irreparable injury to the Trustee and the Holders, that the Trustee and the Holders have no adequate remedy at law in respect of such breaches and therefore agrees, without limiting the right of the Trustee or the Holders, to seek and obtain specific performance of other obligations of the Grantor contained in this Agreement, that the covenants of the Grantor contained in the Sections referred to in this **Section 9.5** shall be specifically enforceable against the Grantor.

9.6. Reinstatement. This Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against the Grantor for liquidation or reorganization, should the Grantor become insolvent or make an assignment for the benefit of any creditor or creditors, or should a receiver or trustee be appointed for all or any significant part of the Grantor's assets, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Secured Obligations, or any part thereof, is, pursuant to

applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Secured Obligations, whether as a “voidable preference,” “fraudulent conveyance,” or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Secured Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

9.7. Benefit of Agreement. The terms and provisions of this Agreement shall be binding upon and inure to the benefit of the Grantor, the Trustee and the Holders and their respective successors and assigns (including all persons who become bound as a debtor to this Agreement), except that the Grantor shall not have the right to assign its rights or delegate its obligations under this Agreement or any interest herein, without the prior written consent of the Trustee. No sales of participations, assignments, transfers, or other dispositions of any agreement governing the Secured Obligations or any portion thereof or interest therein shall in any manner impair the Lien granted to the Trustee, for the benefit of the Trustee and the Holders, hereunder.

9.8. Survival of Representations. All representations and warranties of the Grantor contained in this Agreement shall survive the execution and delivery of this Agreement.

9.9. Taxes and Expenses. Any taxes payable or ruled payable by a federal or state authority in respect of this Agreement shall be paid by the Grantor, together with interest and penalties, if any. The Grantor shall reimburse the Trustee for any and all reasonable out-of-pocket expenses and internal charges (including the fees, charges and disbursements of one U.S. counsel paid or incurred by the Trustee in connection with the collection and enforcement of this Agreement and in the audit, analysis, administration, collection, preservation or sale of the Collateral (including the expenses and charges associated with any periodic or special audit of the Collateral). Any and all costs and expenses incurred by the Grantor in the performance of actions required pursuant to the terms hereof shall be borne solely by the Grantor.

9.10. Headings. The title of and section headings in this Agreement are for convenience of reference only, and shall not govern the interpretation of any of the terms and provisions of this Agreement.

9.11. Termination. This Agreement shall continue in effect (notwithstanding the fact that from time to time there may be no Secured Obligations outstanding) until (i) the Indenture has terminated pursuant to its express terms and (ii) all of the Secured Obligations have been indefeasibly paid in cash and performed in full. Upon such termination, the Trustee shall, at the written request of the Grantor, execute any releases prepared by the Grantor to effect the release any security that it may have to the Collateral and any guarantees hereunder.

9.12. Entire Agreement. This Agreement and the Indenture embody the entire agreement and understanding between the Grantor and the Trustee relating to the Pledged Collateral and supersedes all prior agreements and understandings among the Grantor and the Trustee relating to such Pledged Collateral.

9.13. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

9.14. Severability. Any provision in this Agreement that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of this Agreement are declared to be severable.

9.15. Counterparts; Delivery. This Agreement may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument. Counterparts may be delivered via facsimile or electronic mail and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purpose.

9.16. Notices. Any notice required or permitted to be given under this Agreement shall be sent (and deemed received) in the manner and to the addresses set forth in Section 13.04 of the Indenture. Any party may change its address for service of notice upon it by a notice in writing to the other parties as described in Section 13.04 of the Indenture.

9.17. Conflicts with Indenture. In the event of any direct conflict between the provisions of this Agreement and the provisions of the Indenture, including without limitation any direct conflict relating to (i) the rights and remedies (or the limitations upon such rights and remedies) of the Holders upon a Default or (ii) the subordination provisions contained in the Indenture, the provisions of the Indenture shall control.

* * * * *

IN WITNESS WHEREOF, the Grantor and the Trustee have executed this Pledge and Agreement as of the date first above written.

THE GLADSTONE COMPANIES, INC.

By: _____
Name: _____
Title: _____

UMB BANK, NATIONAL ASSOCIATION

By: _____
Name: _____
Title: _____



THE GLADSTONE COMPANIES

SUBSCRIPTION AGREEMENT

The Gladstone Companies, Inc. (the “Company”) is selling up to a maximum of \$50,000,000 aggregate principal amount of its 7.00% senior secured bonds (the “Bonds”) in connection with this offering (the “Offering”). The purchase price per Bond is \$25.00, with a minimum purchase amount of \$5,000. Bonds will be issued in book-entry form and will not be certificated.

Information related to the foregoing can be found in the Offering Circular publicly filed with the Securities and Exchange Commission on [], 2020, and as may be superseded, updated and amended from time to time (collectively referred to as the “Offering Circular”).

The undersigned hereby irrevocably tenders this subscription agreement and applies for the purchase of the dollar amount of Bonds set forth below.

All sections must be completed and legible.

**Financial advisors with questions regarding this agreement, please contact the
Timbrel Capital sales desk at (678) 954-4100 or info@timbrel.com**

1. INVESTMENT (Minimum investment is 200 Bonds with aggregate purchase price of \$5,000. The Company does not issue fractional Bonds)

Number of Bonds Purchased: _____ ☐ **RIA:** Check here if this is an RIA transaction (include the appropriate price per Bond) and fill in the RIA Submission portion in section 6

Purchase Price per Bond: \$ _____

Aggregate Purchase Price: \$ _____

2. ACCOUNT TYPE (select one account type only)

Non-Qualified	Qualified (must complete Custodian Information below)
<input type="checkbox"/> Individual <ul style="list-style-type: none"> One signature required If Transfer on Death, attach TOD form 	<input type="checkbox"/> Traditional (Individual) IRA <ul style="list-style-type: none"> Owner and Custodian signatures required
<input type="checkbox"/> Joint Tenants with Rights of Survivorship <ul style="list-style-type: none"> All parties must sign If Transfer on Death, attach TOD form 	<input type="checkbox"/> Simple IRA <ul style="list-style-type: none"> Owner and Custodian signatures required
<input type="checkbox"/> Community Property <ul style="list-style-type: none"> All parties must sign If Transfer on Death, attach TOD form 	<input type="checkbox"/> Roth IRA <ul style="list-style-type: none"> Owner and Custodian signatures required
<input type="checkbox"/> Tenants in Common <ul style="list-style-type: none"> All parties must sign If Transfer on Death, attach TOD form 	<input type="checkbox"/> KEOGH <ul style="list-style-type: none"> Owner and Custodian signatures required
<input type="checkbox"/> Uniform Gift to Minors Act <input type="checkbox"/> Uniform Transfer to Minors Act <ul style="list-style-type: none"> State of _____ Name of Minor _____ Adult Custodian signature required 	<input type="checkbox"/> Simplified Employee Pension/Trust (SEP) <ul style="list-style-type: none"> Owner and Custodian signatures required
<input type="checkbox"/> Trust <ul style="list-style-type: none"> Include signature, trust document, and trustee certification 	<input type="checkbox"/> Pension or Profit-Sharing Plan (exempt under 401(a)) <input type="checkbox"/> Non-Custodial <input type="checkbox"/> Custodial
<input type="checkbox"/> Corporation <ul style="list-style-type: none"> Include corporate resolution and articles of incorporation Authorized signature(s) required 	<input type="checkbox"/> Other: _____ <ul style="list-style-type: none"> Owner and Custodian signatures required
<input type="checkbox"/> Limited Liability Company <ul style="list-style-type: none"> Include LLC paperwork Authorized signature(s) required 	Custodian Information (To be completed by Custodian for ALL Qualified and Custodial Accounts) Name of Custodian: _____ Mailing Address: _____ City: _____ State: _____ Zip Code: _____ Custodian Tax ID #: _____ Custodian Account #: _____ Custodian Phone #: _____
<input type="checkbox"/> Partnership <ul style="list-style-type: none"> Include partnership agreement and partnership certification of powers Authorized signature(s) required 	
<input type="checkbox"/> Other (Specify): _____ <ul style="list-style-type: none"> Include title and signature pages and other relevant documentation 	



THE GLADSTONE COMPANIES

SUBSCRIPTION AGREEMENT

3. INVESTOR/REGISTRATION INFORMATION (must include a permanent street address even if mailing address is PO Box)

Individual Investor/Beneficial Owner/Trustee			
First, Middle, Last Name:		Social Security #:	Date of Birth:
Street Address (physical address required):		City:	State: Zip Code:
E-mail Address:	E-mail Address:	If not a US Citizen, specify country of citizenship:	
Joint Owner/Co-Trustee/Minor (if applicable)			
First, Middle, Last Name:		Social Security #:	Date of Birth:
Street Address (physical address required):		City:	State: Zip Code:
Daytime Phone #:	E-mail Address:	If not a US Citizen, specify country of citizenship:	
Trust			
Title of Trust/Entity Name:		Tax ID #:	Date of Trust:
Name of Trustee*:			
Trustee(s) Street Address:		City:	State: Zip Code:
Social Security #:		Date of Birth:	
Trustee Phone #:		Trustee Email:	
Corporation/Partnership/Other			
Entity Name:		Tax ID #:	State of Entity Foundation: Date of Entity Foundation:
Name of Officer(s), General Partner or other Authorized Person(s):			
Street Address:		City:	State: Zip Code:

* If there is more than one trustee or beneficial owner, attach a sheet providing all the requested information for each additional trustee and/or beneficial owner.



THE GLADSTONE COMPANIES

SUBSCRIPTION AGREEMENT

4. SUBSCRIBER ACKNOWLEDGEMENTS

Please carefully read and separately initial each of the representations below(a-f). In the case of joint investors, each investor must initial. Except in the case of fiduciary accounts, you may not grant any person power of attorney to make such representations on your behalf. In order to induce the Company to accept this subscription, I (we) hereby represent and warrant that:

	Owner	Joint Owner
<p>(a) I (We) understand that to purchase Bonds, I must either be an “accredited investor” as such term is defined in Rule 501 of Regulation D promulgated under the act, or I (we) must limit my (our) investment in the Bonds to a maximum of: (i) 10% of my (our) net worth or annual income, whichever is greater, if I am (we are) a natural person; or (ii) 10% of my (our) revenues or net assets, whichever is greater, for the most recently completed fiscal year, if I am (we are) a non-natural person.</p> <p>I (We) understand that if I am (we are) a natural person I (we) should determine my net worth for purposes of these representations by calculating the difference between my total assets and total liabilities. I (We) understand this calculation must exclude the value of my (our) primary residence and may exclude any indebtedness secured by my (our) primary residence (up to an amount equal to the value of your primary residence). In the case of fiduciary accounts, net worth and/or income suitability requirements may be satisfied by the beneficiary of the account or by the fiduciary, if the fiduciary directly or indirectly provides funds for the purchase of the Bonds.</p> <p>I (We) hereby represent and warrant that I meet the qualifications to purchase Bonds because (please mark one):</p> <p><input type="checkbox"/> I am (We are) a natural person, and the aggregate purchase price for the Bonds I am (we are) purchasing in the offering does not exceed 10% of my (our) net worth or annual income, whichever is greater.</p> <p><input type="checkbox"/> I am (We are) a non-natural person, and the aggregate purchase price for the Bonds I am (we are) purchasing in the offering does not exceed 10% of my revenues or net assets, whichever is greater, for the most recently completed fiscal year.</p> <p><input type="checkbox"/> I am (We are) an accredited investor.</p> <p>If you marked that you are an accredited investor, please complete Annex A, attached hereto, and return it with this Subscription Agreement. Your subscription will not be accepted until you return Annex A.</p>		
(b) I (We) have received, read and understand the Offering Circular wherein the terms, conditions and risks of the Offering are described and agree to be bound by the terms and conditions.		
(c) I am (We are) purchasing the Bonds for my (our) own account and there is no agreement or understanding regarding the sale or transfer of such Bonds.		
(d) I (We) acknowledge that the Bonds are not liquid, there is no public market for the Bonds and I (we) may not be able to sell the Bonds.		
(e) I (We) understand that I/we will not be admitted as a Bondholder until my/our investment has been accepted. The acceptance process includes, but is not limited to, reviewing the Subscription Agreement for completeness and signatures, conducting the Anti-Money Laundering check as required by the USA Patriot Act and payment of the full purchase price of the Bonds.		
(f) I (WE) ACKNOWLEDGE THAT THE BONDS ARE NOT DEPOSITS OR SAVINGS ACCOUNTS AND ARE NOT INSURED OR GUARANTEED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC), THE SHARE INSURANCE FUND OR ANY OTHER GOVERNMENT AGENCY.		

IRS Form W-9 Certification

I declare that the information supplied in this Subscription Agreement is true and correct and may be relied upon by the Company in connection with my investment in the Company. I hereby certify, under penalty of perjury, that (i) the number shown as the Investor Social Security Number, Trust Tax ID and/or Taxpayer Identification Number in Section 3 of this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), (ii) I am not subject to backup withholding either because (a) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (b) the IRS has notified me that I am no longer subject to backup withholding, (iii) I am a U.S. citizen or other U.S. person (including a U.S. resident alien), and (iv) the FATCA code(s) entered on this form, if any, indicating that I am exempt from reporting is correct. Exemption codes apply only to certain entities, not individuals.

Exempt payee code (if any):_____.

Exemption from FATCA reporting code (if any):_____.

NOTE: CLAUSE (ii) IN THIS CERTIFICATION SHOULD BE CROSSED OUT IF YOU HAVE BEEN NOTIFIED BY THE IRS THAT YOU ARE CURRENTLY SUBJECT TO BACKUP WITHHOLDING BECAUSE YOU HAVE FAILED TO REPORT ALL INTEREST AND DIVIDENDS ON YOUR TAX RETURN.



THE GLADSTONE COMPANIES

SUBSCRIPTION AGREEMENT

5. SUBSCRIBER SIGNATURES

By signing below, you also acknowledge that you have been advised that the assignability and transferability of the Bonds is restricted and governed by the terms set forth in the Offering Circular; there are risks associated with an investment in the Bonds and you should rely only on the information contained in the Offering Circular and not on any other information or representations from other sources; and you should not invest in the Bonds unless you have an adequate means of providing for your current needs and personal contingencies and have no need for liquidity in this investment. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same agreement. Counterparts may be delivered via facsimile, electronic mail (including any electronic signature covered by the U.S. federal ESIGN Act of 2000, Uniform Electronic Transactions Act, the Electronic Signatures and Records Act or other applicable law, e.g., www.docusign.com) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

The Company is required by law to obtain, verify and record certain personal information from you or persons on your behalf in order to establish the account. Required information includes name, date of birth, permanent residential address and social security/taxpayer identification number. We may also ask to see other identifying documents. If you do not provide the information, the Company may not be able to open your account. By signing the Subscription Agreement, you agree to provide this information and confirm that this information is true and correct. You further agree that the Company may discuss your personal information and your investment in the Bonds at any time with your then current financial advisor. If we are unable to verify your identity, or that of another person(s) authorized to act on your behalf, or if we believe we have identified potentially criminal activity, we reserve the right to take action as we deem appropriate which may include rejecting your subscription or closing your account.

THE INTERNAL REVENUE SERVICE DOES NOT REQUIRE YOUR CONSENT TO ANY PROVISION OF THIS DOCUMENT OTHER THAN THE CERTIFICATIONS REQUIRED TO AVOID BACKUP WITHHOLDING.

Printed Name – Owner or Authorized Person

Signature – Owner or Authorized Person

Date

Printed Name – Joint Owner or Authorized Person (if applicable)

Signature – Joint Owner or Authorized Person

Date

Signature of Custodian(s) or Trustee(s) (if applicable). CURRENT CUSTODIAN MUST SIGN IF INVESTMENT IS FOR AN IRA ACCOUNT.

Printed Name – Custodian or Trustee (if applicable)

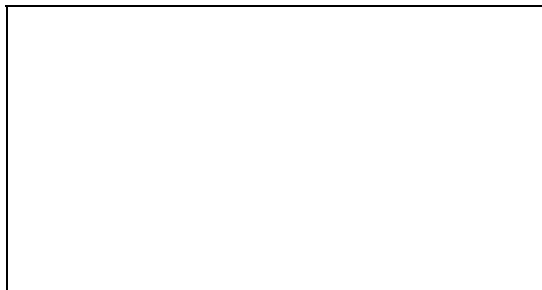
Authorized Signature – Custodian or Trustee

Date

WE INTEND TO ASSERT THE FOREGOING REPRESENTATIONS YOU HAVE MADE AS A DEFENSE IN ANY SUBSEQUENT LITIGATION WHERE SUCH ASSERTION WOULD BE RELEVANT. WE HAVE THE RIGHT TO ACCEPT OR REJECT THIS SUBSCRIPTION IN WHOLE OR IN PART, SO LONG AS SUCH PARTIAL ACCEPTANCE OR REJECTION DOES NOT RESULT IN AN INVESTMENT OF LESS THAN THE MINIMUM AMOUNT SPECIFIED IN THE OFFERING CIRCULAR. AS USED ABOVE, THE SINGULAR INCLUDES THE PLURAL IN ALL RESPECTS IF BONDS ARE BEING ACQUIRED BY MORE THAN ONE PERSON. THIS SUBSCRIPTION AGREEMENT AND ALL RIGHTS HEREUNDER SHALL BE GOVERNED BY, AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

By executing this Subscription Agreement, the subscriber is not waiving any rights under federal or state law.

Medallion Signature Guarantee (for Custodial Use Only)



Accepted By: _____
(Authorized Custodian Signature)



THE GLADSTONE COMPANIES

SUBSCRIPTION AGREEMENT

6. FINANCIAL ADVISOR (please read and complete the following)

The investor's Financial Advisor must sign below to complete this order. The undersigned hereby warrants that he or she is duly licensed and may lawfully sell Bonds in the state designated as the investor's legal residence. The undersigned agrees to maintain records of the information used to determine that an investment in the Bonds is suitable and appropriate for the investor for a period of six years. The undersigned confirm by their signatures that they (i) have reasonable grounds to believe that the information and representations concerning the investor identified herein are true, correct and complete in all respects; (ii) have discussed such investor's prospective purchase of the Bonds with such investor; (iii) have provided the Offering Circular to the investor and given the investor the opportunity to ask questions; (iv) have reasonable grounds to believe that the investor is purchasing the Bonds for his or her own account; and (v) have reasonable grounds to believe that the purchase of Bonds is a suitable investment for such investor and that such investor is in a financial position to enable such investor to realize the benefits of such an investment and to suffer any loss that may occur with respect thereto.

The undersigned financial advisor further represents and certifies that, in connection with this subscription for the Bonds, he or she has complied with and has followed all applicable policies and procedures under his or her firm's existing Anti-Money Laundering Program and Customer Identification Program.

Broker-Dealer and Financial Advisor Information (FINRA CRD numbers are required for broker-dealers and their advisors)		
Name of Broker-Dealer/RIA:		Broker Dealer CRD #:
Name of Financial Advisor:		Advisor CRD #:
Advisor Mailing Address:		
City:	State:	Zip Code:
E-mail Address:		Business Phone:
Financial Advisor Signature:		Date:
Principal Signature (if required by Broker-Dealer):		Date:

THE FOLLOWING CERTIFICATION APPLIES ONLY TO REGISTERED INVESTMENT ADVISORS (RIAS)

<input type="checkbox"/>	Registered Investment Advisor (RIA). No Selling Commissions are Paid on These Accounts. Check only if investment is made through the RIA in its capacity as an RIA and not in its capacity as a Registered Representative of a Broker-Dealer, if applicable, with whom the investor has agreed to pay a fee for investment advisory services. All sales must be made through a registered broker-dealer.	
	Financial Advisor and/or IRA Signature	Branch Manager/Principal and/or RIA Signature (if required by Broker-Dealer)
	Date	Date



THE GLADSTONE COMPANIES

SUBSCRIPTION AGREEMENT

7. INTEREST PAYMENT OPTIONS FOR NON-QUALIFIED ACCOUNTS (select only one)

☐ Mail interest payments in paper check form to beneficial owner at the address listed in Section 3.

☐ Mail interest payments in paper check form to alternate payee at the address below (not available for Qualified Plans):

Name: _____

Mailing Address: _____

City: _____ State: _____ Zip Code: _____

Account #: _____

☐ Direct deposit my interest payments in a checking, savings or brokerage account listed below:

I authorize the Company or its agent to deposit my interest payments to the account indicated below. This authority will remain in force until I notify the Company or its agent in writing to cancel it. In the event that the Company or its agent deposits funds erroneously into my account, the Company or its agent is hereby authorized to debit my account for the amount not to exceed the amount of the erroneous deposit.

Financial Institution Name: _____

Mailing Address: _____

City: _____ State: _____ Zip Code: _____

Name on Account: _____

Account Type: ☐ Checking ☐ Savings ☐ Brokerage

ABA/Routing Number: _____ Account #: _____

Please attach a pre-printed, voided check.

The deposit services above cannot be established without a pre-printed, voided check. For Electronic Funds Transfers, the signatures of the bank account owner(s) must appear exactly as they appear on the bank registration. If the registration at the bank differs from that on this Subscription Agreement, all parties must sign below.

Signature of Individual/Trustee/Beneficial Owner

Signature of Joint Owner/Co-Trustee

Date

Date



THE GLADSTONE COMPANIES

SUBSCRIPTION AGREEMENT

8. PAYMENT AND SUBMISSION INSTRUCTIONS

☐ **By Mail —**

1. Mail this Subscription Agreement and check to the address shown at right:

OVERNIGHT DELIVERY:

The Gladstone Companies
C/O UMB Fund Services
235 W. Galena Street
Milwaukee, WI 53212

Phone: 888-885-0085
Fax: (816) 860-3140
Email: AIProcessing@umb.com

REGULAR MAIL DELIVERY:

The Gladstone Companies
PO Box 2175
Milwaukee, WI 53201-2175

2. Make checks payable to:

The Gladstone Companies

Note: Money orders, traveler's checks, starter checks, foreign checks, counter checks, third-party checks or cash will not be accepted.

☐ **By Wire Transfer —**

1. Mail this Subscription Agreement to the address shown at right:

OVERNIGHT DELIVERY:

The Gladstone Companies
C/O UMB Fund Services
235 W. Galena Street
Milwaukee, WI 53212

Phone: 888-885-0085
Fax: (816) 860-3140
Email: AIProcessing@umb.com

REGULAR MAIL DELIVERY:

The Gladstone Companies
PO Box 2175
Milwaukee, WI 53201-2175

2. Wire payment to the Transfer Agent via the wiring instructions shown at right:

ABA No: 101000695
Acct No: 9872335767
Acct Name: The Gladstone Companies
FFC: *[Insert Investor Name]*

☐ **Custodial Accounts —**

1. Forward this Subscription Agreement directly to the Custodian.

9. MORE INFORMATION

Securities offered through:



(678) 954-4100
info@timbrel.com

Timbrel Capital, LLC, member FINRA/SIPC, is the Dealer Manager on this offering.

Timbrel is not affiliated with The Gladstone Companies, Inc.



THE GLADSTONE COMPANIES

SUBSCRIPTION AGREEMENT

ANNEX A ACCREDITED INVESTOR STATUS

Please mark the appropriate box next to each description applicable:

☐ A natural person whose individual net worth, or joint net worth with that person's spouse, exceeds \$1,000,000. Net worth for a natural person must (a) exclude the value of such person's primary residence and any mortgage debt on such primary residence up to the estimated fair market value of the primary residence, (b) include any mortgage debt in excess of the fair market value of the residence and (c) include any mortgage debt on the primary residence incurred in the 60 days prior to completing this form that is not used to purchase the primary residence regardless of whether or not it is less than the fair market value of the residence.

☐ A natural person who had individual income in excess of \$200,000 in each of the most recent two years, or joint income with that person's spouse in excess of \$300,000 in each of the most recent two years and who has a reasonable expectation of reaching the same income level in the current year.

☐ A director or executive officer (as defined in Rule 501(f) of Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act") of the Company.

☐ A bank (as defined in Section 3(a)(2) of the Securities Act) or a savings and loan association or other institution (as defined in Section 3(a)(5)(A) of the Securities Act) whether acting in its individual or fiduciary capacity.

☐ A broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended.

☐ An insurance company (as defined in Section 2(a)(13) of the Securities Act).

☐ An investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"), or a business development company (as defined in Section 2(a)(48) of the 1940 Act).

☐ A Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958, as amended.

☐ A plan established and maintained by a state, its political subdivisions or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000.

☐ An employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), if (A) the investment decision is made by a plan fiduciary (as defined in Section 3(21) of ERISA) which is either a bank, savings and loan association, insurance company or registered investment advisor, (B) the employee benefit plan has total assets in excess of \$5,000,000 or (C) if the plan is a self directed plan, its investment decisions are made solely by persons who are accredited investors.

☐ A private business development company (as defined in Section 202(a)(22) of the Investment Advisers Act of 1940, as amended).

☐ Any organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring securities, with total assets in excess of \$5,000,000.

☐ A trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring securities, whose acquisition is directed by a person who, either alone or with his or her purchaser representative(s), has such knowledge and experience in financial business matters that such person is capable of evaluating the merits and risks of acquiring securities.

☐ An entity in which all of the equity owners meet the requirements of at least one of the above subparagraphs for accredited investors.

**SIXTH AMENDED AND RESTATED INVESTMENT ADVISORY AGREEMENT
BETWEEN
GLADSTONE COMMERCIAL CORPORATION
AND
GLADSTONE MANAGEMENT CORPORATION**

This Sixth Amended and Restated Investment Advisory Agreement Between Gladstone Commercial Corporation and Gladstone Management Corporation (this “**Agreement**”) is made this 14th day of July 2020, by and between Gladstone Commercial Corporation, a Maryland corporation (the “**Company**”), and Gladstone Management Corporation, a Delaware corporation (the “**Adviser**”).

Whereas, this Agreement shall amend and restate that certain Fifth Amended and Restated Investment Advisory Agreement between the Company and the Adviser, dated January 8, 2019.

Whereas, the Company is a real estate investment trust organized primarily for the purpose of investing in and owning net leased industrial and commercial rental property and selectively making long-term mortgage loans collateralized by industrial and commercial property;

Whereas, the Adviser is an investment adviser that has registered under the Investment Advisers Act of 1940; and

Whereas, the Company desires to retain the Adviser to furnish investment advisory services to the Company on the terms and conditions hereinafter set forth, and the Adviser wishes to be retained to provide such services.

Now, therefore, in consideration of the premises and for other good and valuable consideration, the parties hereby agree as follows:

1. Duties of the Adviser.

(a) The Company hereby employs the Adviser to act as the investment adviser to the Company and to manage the investment and reinvestment of the assets of the Company, subject to the supervision of the Board of Directors of the Company, for the period and upon the terms herein set forth, (i) in accordance with the investment objective, policies and restrictions that are set forth in the Company’s Annual Reports on Form 10-K, filed with the Securities and Exchange Commission from year to year, pursuant to Section 13 of the Securities and Exchange Act of 1934 and (ii) during the term of this Agreement in accordance with all applicable federal and state laws, rules and regulations, and the Company’s charter and by-laws. Without limiting the generality of the foregoing, the Adviser shall, during the term and subject to the provisions of this Agreement, (i) determine the composition of the portfolio of the Company, the nature and timing of the changes therein and the manner of implementing such changes; (ii) identify, evaluate and negotiate the structure of the investments made by the Company; (iii) close and monitor the Company’s investments; (iv) determine the real property, securities and other assets that the Company will purchase, retain, or sell; (v) perform due diligence on prospective portfolio companies; and (vi) provide the Company with such other investment advisory, research and related services as the Company may, from time to time, reasonably require for the

investment of its funds. The Adviser shall have the discretion, power and authority on behalf of the Company to effectuate its investment decisions for the Company, including the execution and delivery of all documents relating to the Company's investments and the placing of orders for other purchase or sale transactions on behalf of the Company. In the event that the Company determines to acquire debt financing, the Adviser will arrange for such financing on the Company's behalf, subject to the oversight and approval of the Company's Board of Directors. If it is necessary for the Adviser to make investments on behalf of the Company through a special purpose vehicle, the Adviser shall have authority to create or arrange for the creation of such special purpose vehicle and to make such investments through such special purpose vehicle.

(b) The Adviser hereby accepts such employment and agrees during the term hereof to render the services described herein for the compensation provided herein.

(c) The Adviser is hereby authorized to enter into one or more sub-advisory agreements with other advisers (each, a "**Sub-Adviser**") pursuant to which the Adviser may obtain the services of the Sub-Adviser(s) to assist the Adviser in fulfilling its responsibilities hereunder. Specifically, the Adviser may retain a Sub-Adviser to recommend specific investments based upon the Company's investment objective and policies, and work, along with the Adviser, in structuring, negotiating, arranging or effecting the acquisition or disposition of such investments and monitoring investments on behalf of the Company, subject to the oversight of the Adviser and the Company. The Adviser, and not the Company, shall be responsible for any compensation payable to any Sub-Adviser. Any sub-advisory agreement entered into by the Adviser shall be in accordance with the requirements of applicable federal and state law.

(d) The Adviser shall for all purposes herein provided be deemed to be an independent contractor and, except as expressly provided or authorized herein, shall have no authority to act for or represent the Company in any way or otherwise be deemed an agent of the Company.

(e) The Adviser shall keep and preserve for a reasonable period any books and records relevant to the provision of its investment advisory services to the Company and shall specifically maintain all books and records with respect to the Company's portfolio transactions and shall render to the Company's Board of Directors such periodic and special reports as the Board may reasonably request. The Adviser agrees that all records that it maintains for the Company are the property of the Company and will surrender promptly to the Company any such records upon the Company's request, provided that the Adviser may retain a copy of such records.

(f) The Adviser has adopted and implemented written policies and procedures reasonably designed to prevent violation of the Federal Securities laws by the Adviser. The Adviser has provided the Company, and shall provide the Company at such times in the future as the Company shall reasonably request, with a copy of such policies and procedures.

2. Company's Responsibilities and Expenses Payable by the Company.

All investment professionals of the Adviser and their respective staffs, when and to the extent engaged in providing investment advisory and management services hereunder, and the compensation and routine overhead expenses of such personnel allocable to such services, will be provided and paid for by the Adviser and not by the Company. The Company will bear all

other costs and expenses of its operations and transactions, including (without limitation) those relating to: organization and offering; expenses incurred by the Adviser payable to third parties, including agents, consultants or other advisors (such as independent valuation firms, accountants and legal counsel), in monitoring financial and legal affairs for the Company and in monitoring the Company's investments and performing due diligence on its real estate or prospective portfolio companies; interest payable on debt, if any, incurred to finance the Company's investments; offerings of the Company's common or preferred stock and other securities; investment advisory and management fees; administration fees, if any, payable under the existing administration agreement between the Company and Gladstone Administration, LLC (the "**Administrator**"), dated January 1, 2007 (the "**Administration Agreement**"); fees payable to third parties, including agents, consultants or other advisors, relating to, or associated with, evaluating and making investments; transfer agent and custodial fees; federal and state registration fees; all costs of registration and listing the Company's shares on any securities exchange; federal, state and local taxes; independent Directors' fees and expenses; costs of preparing and filing reports or other documents required by the Securities and Exchange Commission; costs of any reports, proxy statements or other notices to stockholders, including printing costs; the Company's allocable portion of the fidelity bond, directors and officers and errors and omissions liability insurance, and any other insurance premiums; direct costs and expenses of administration, including printing, mailing, long distance telephone, copying, secretarial and other staff, independent auditors and outside legal costs; and all other expenses incurred by the Company or the Administrator in connection with administering the Company's business, including payments under the Administration Agreement between the Company and the Administrator based upon the Company's allocable portion of the Administrator's overhead in performing its obligations under the Administration Agreement, including rent and the allocable portion of the cost of certain of the Company's personnel, including, but not limited to, its chief compliance officer, treasurer, chief financial officer, general counsel, secretary, chief valuation officer, and their respective staffs.

3. Compensation of the Adviser.

The Company agrees to pay, and the Adviser agrees to accept, as compensation for the services provided by the Adviser hereunder, a base management fee ("**Base Management Fee**") and an incentive fee ("**Incentive Fee**") as hereinafter set forth. The Company shall make any payments due hereunder to the Adviser or to the Adviser's designee as the Adviser may otherwise direct.

(a) Base Management Fee.

The Base Management Fee shall equal 0.425% per annum (thus, 0.10625% per quarter) of the Company's average Gross Tangible Real Estate, which shall be calculated and payable quarterly in arrears in cash. "**Gross Tangible Real Estate**" shall equal the current gross value of the Company's property portfolio (meaning the aggregate of each property's original acquisition price plus the cost of any subsequent capital improvements thereon). For the purposes of this calculation, the quarterly Base Management Fee calculation will be based upon the average Gross Tangible Real Estate for the quarter.

(b) Incentive Fee.

The Incentive Fee is an amount, not less than zero, equal to the product of 15% and:

- (i) the Company's Core FFO (defined below) for the quarter, minus
- (ii) the product of 8.0% (thus, 2.0% per quarter) multiplied by Total Equity (as defined below).

In the event that the calculation delineated in Section 3(b) yields an Incentive Fee for a particular quarter that exceeds by greater than 15% the average quarterly Incentive Fee paid during the trailing four quarters (averaged over the number of quarters any Incentive Fee was paid), then such Incentive Fee shall equal 115% of such trailing average quarterly Incentive Fee.

(c) "**Core FFO**", a non - Generally Accepted Accounting Principles in the United States ("**GAAP**") measure, shall be defined as GAAP net income (loss) available to common stockholders, computed in accordance with GAAP, excluding the Incentive Fee, depreciation and amortization, any realized and unrealized gains, losses or other non-cash items recorded in net income (loss) available to common stockholders for the period, and one-time events pursuant to changes in GAAP. "**Total Equity**" shall equal total stockholders' equity plus total mezzanine equity ("**Reported Equity**"), as reported on the Company's balance sheet for the quarter, before the Base Management Fee and Incentive Fee have been recorded, adjusted to exclude (i) any unrealized gains and losses that have impacted Reported Equity, and also adjusted to exclude (ii) any one-time events and certain non-cash items; provided that, with respect to subsection (ii) each item shall be approved by the Company's Compensation Committee. For the avoidance of doubt, the Total Equity may be greater or less than the Reported Equity. Furthermore, for the avoidance of doubt, Total Equity shall include equity interests in the Company's operating partnership that are not owned by the Company.

(d) Capital Gain Fee.

The Capital Gain Fee is a capital gains-based incentive fee that shall be determined and payable in arrears as of the end of each fiscal year (or, for an abbreviated time period as of the effective date of any termination of this Agreement). The Capital Gain Fee shall for any applicable time period shall equal: (i) 15% of the cumulative aggregate realized capital gains minus the cumulative aggregate realized capital losses, minus (ii) the aggregate Capital Gains Fees paid in previous time periods. Realized capital gains and realized capital losses are calculated by subtracting from the sales price of a property: (a) any costs incurred to sell such property, and (b) the current gross value of the property (meaning the property's original acquisition price plus any subsequent capital improvements thereon). A Capital Gain Fee shall only be paid for an applicable time period to the extent that doing so would not violate any distribution payment covenant in a then-existing line of credit to the Company. For avoidance of doubt, the Capital Gain Fee shall only be payable for applicable time periods when the cumulative aggregate realized capital gains exceeded the cumulative aggregate realized capital losses.

4. Limitations on the Employment of the Adviser.

The services of the Adviser to the Company are not exclusive, and the Adviser may engage in any other business or render similar or different services to others including, without limitation, the direct or indirect sponsorship or management of other investment based accounts or commingled pools of capital, however structured, having investment objectives similar to those of the Company, so long as its services to the Company hereunder are not impaired thereby, and nothing in this Agreement shall limit or restrict the right of any manager, partner, officer or employee of the Adviser to engage in any other business or to devote his or her time and attention in part to any other business, whether of a similar or dissimilar nature, or to receive any fees or compensation in connection therewith (including fees for serving as a director of, or providing consulting services to, one or more of the Company's portfolio companies, subject to applicable law). So long as this Agreement or any extension, renewal or amendment remains in effect, the Adviser shall be the only investment adviser for the Company, subject to the Adviser's right to enter into sub-advisory agreements. The Adviser assumes no responsibility under this Agreement other than to render the services called for hereunder. It is understood that directors, officers, employees and stockholders of the Company are or may become interested in the Adviser and its affiliates, as directors, officers, employees, partners, stockholders, members, managers or otherwise, and that the Adviser and directors, officers, employees, partners, stockholders, members and managers of the Adviser and its affiliates are or may become similarly interested in the Company as stockholders or otherwise.

5. Responsibility of Dual Directors, Officers or Employees.

If any person who is a manager, partner, officer or employee of the Adviser or the Administrator is or becomes a director, officer or employee of the Company and acts as such in any business of the Company, then such manager, partner, officer or employee of the Adviser or the Administrator shall be deemed to be acting in such capacity solely for the Company, and not as a manager, partner, officer or employee of the Adviser or the Administrator or under the control or direction of the Adviser or the Administrator, even if employed by the Adviser or the Administrator.

6. Limitation of Liability of the Adviser: Indemnification.

The Adviser (and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with the Adviser, including without limitation the Administrator) shall not be liable to the Company for any action taken or omitted to be taken by the Adviser in connection with the performance of any of its duties or obligations under this Agreement or otherwise as an investment adviser of the Company, and the Company shall 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, including without limitation its general partner and the Administrator, each of whom shall be deemed a third party beneficiary hereof) (collectively, the "**Indemnified Parties**") and hold them harmless from and against all damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) incurred by the Indemnified Parties in or by reason of any pending, threatened or completed action, suit, investigation or other proceeding (including an action or suit by or in the right of the Company or its security holders) arising out of or otherwise based upon the performance of any of the

Adviser's duties or obligations under this Agreement or otherwise as an investment adviser of the Company. Notwithstanding the preceding sentence of this Section 6 to the contrary, nothing contained herein shall protect or be deemed to protect the Indemnified Parties against or entitle or be deemed to entitle the Indemnified Parties to indemnification in respect of, any liability to the Company or its security holders to which the Indemnified Parties would otherwise be subject by reason of willful misfeasance, bad faith or gross negligence in the performance of the Adviser's duties or by reason of the reckless disregard of the Adviser's duties and obligations under this Agreement.

7. Termination of Agreement.

This Agreement may be terminated at any time upon 120 days' prior written notice, after the vote of at least two-thirds of the independent directors of the Company for any reason ("**Termination Without Cause**"). In the event of Termination Without Cause, a termination fee equal to two times the sum of the average annual Base Management Fee and Incentive Fee earned by the Adviser during the 24-month period prior to the effective date of such termination (the "**Termination Fee**").

This Agreement may be terminated effective upon 30 days prior written notice by the vote of at least two-thirds of the independent directors of the Company without payment of the Termination Fee if the termination is for Cause. "Cause" shall occur if (i) the Adviser breaches any material provision of this Agreement and such breach shall continue for a period of 30 days after written notice thereof specifying such breach and requesting that the same be remedied in the such 30-day period, (ii) there is a commencement of any proceeding relating to the Adviser's bankruptcy or insolvency, including an order for relief in an involuntary bankruptcy case or the Advisor authorizing or filing a voluntary bankruptcy petition (iii) the Adviser dissolves, (iv) the Adviser commits fraud against the Company or misappropriates or embezzles funds of the Company and in each case a court of competent jurisdiction enters a judgement against the Adviser; *provided, however*, that if any of the actions or omissions described in this clause (iv) are caused by an employee, personnel and/or officer of the Adviser and the Adviser commences action against such person to cure the damage caused by such actions or omissions within 90 days of the Adviser's actual knowledge of its commission or omission, the Company shall not have the right to terminate this Agreement for Cause.

The Adviser may terminate this Agreement effective upon 60 days prior written notice of termination to the Company in the event that the Company shall default in the performance or observance of any material term, condition or covenant contained in this Agreement and such default shall continue for a period of 30 days after written notice thereof specifying such default and requesting that the same be remedied in such 30-day period. The Company is required to pay to the Adviser the Termination Fee if the termination of this Agreement is made pursuant to this paragraph.

The provisions of Section 6 of this Agreement shall remain in full force and effect, and the Adviser and its representatives shall remain entitled to the benefits thereof, notwithstanding any termination or expiration of this Agreement. Further, notwithstanding any termination or expiration of this Agreement as aforesaid, the Adviser shall be entitled to any amounts owed under Section 3 through the effective date of termination or expiration.

8. Assignment.

This Agreement is not assignable or transferable by either party hereto without the prior written consent of the other party.

9. Amendments.

This Agreement may be amended by mutual consent.

10. Notices.

Any notice under this Agreement shall be given in writing, addressed and delivered or mailed, postage prepaid, to the other party at its principal office.

11. Entire Agreement; Governing Law.

This Agreement contains the entire agreement of the parties and supersedes all prior agreements, understandings and arrangements with respect to the subject matter hereof. This Agreement shall be construed in accordance with the laws of the State of Delaware.

12. Effectiveness.

All calculations for fees for the quarter ending June 30, 2020 shall be completed as if the Fifth Amended and Restated Investment Advisory Agreement between the Company and the Adviser, dated January 8, 2019, was still in effect. All calculations for fees for the quarter ending September 30, 2020 and thereafter shall be completed pursuant to the terms of this Agreement.

[The remainder of this page has been left blank intentionally. Signature page follows.]

In Witness Whereof, the parties hereto have caused this Agreement to be duly executed on the date above written.

Gladstone Commercial Corporation

By: /s/ Robert Cutlip
Bob Cutlip
President

Gladstone Management Corporation

By: /s/ David Gladstone
David Gladstone
Chairman and Chief Executive Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Offering Statement on Form 1-A of The Gladstone Companies, Inc. our report dated September 23, 2019 relating to the financial statements of The Gladstone Companies, Inc., which appears in this Offering Statement.

/s/ PricewaterhouseCoopers LLP
McLean, VA
August 28, 2020



Proskauer Rose LLP 1001 Pennsylvania Avenue, NW, Suite 800 South Washington, DC 20004-2533

August 28, 2020

d 202.416.6800

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The Gladstone Companies, Inc.
1521 Westbranch Drive, Suite 100
McLean, VA 22102

www.proskauer.com

Re: The Gladstone Companies, Inc. 7.0% Senior Secured Bonds

Dear Ladies and Gentlemen:

We have acted as special counsel for The Gladstone Companies, Inc., a Delaware corporation (the “Company”), in connection with the issuance of up to \$50,000,000 aggregate principal amount of 7.0% Senior Secured Bonds (the “Bonds”), pursuant to an offering statement on Form 1-A (the “Offering Statement”) initially filed with the Securities and Exchange Commission (the “Commission”) under Regulation A under the Securities Act of 1933, as amended (the “Securities Act”), on August 28, 2020.

The Bonds are to be issued pursuant to the provisions of the indenture between the Company and UMB Bank, National Association, as trustee (the “Trustee”) (the “Indenture”).

In rendering the opinions set forth herein, we have examined and relied on originals or copies, certified or otherwise identified to our satisfaction, of:

- (i) the Offering Statement,
- (ii) the Indenture,
- (iii) a specimen of the form of the Bonds and
- (iv) such corporate records of the Company, certificates of public officials, officers of the Company and other persons, and such other documents, agreements and instruments as we have deemed necessary as a basis for the opinions hereinafter expressed.

In our examination, we have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as facsimile, electronic, certified or photostatic copies and the authenticity of the originals of such copies. To the extent our opinions set forth below relate to the enforceability of the choice of New York law and choice of New York forum provisions of the Indenture and the Bonds, our opinion is rendered in reliance upon N.Y. Gen. Oblig. Law §§5-1401, 5-1402 (McKinney 2001) and N.Y. C.P.L.R. 327(b) (McKinney 2001) and is subject to the qualification that such enforceability may be limited by

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public policy considerations of any jurisdiction, other than the courts of the State of New York, in which enforcement of such provisions, or of a judgment upon an agreement containing such provisions, is sought. We have also assumed that the Company has complied with all aspects of applicable laws of jurisdictions other than the State of New York in connection with the transactions contemplated by the Indenture. As to facts material to the opinions expressed herein, we have relied upon statements and representations of officers and other representatives of the Company, public officials and others.

Our opinions set forth herein are limited to the laws of the State of New York that, in our experience, are applicable to the Bonds and, to the extent that judicial or regulatory orders or decrees or consents, approvals, licenses, authorizations, validations, filings, recordings or registrations with governmental authorities are relevant, to those required under such laws (all of the foregoing being referred to as "Covered Law"). We do not express any opinion with respect to the law of any jurisdiction other than the Covered Law or as to the effect of any such non-covered law on the opinions herein stated.

Based upon and subject to the foregoing and the limitations, qualifications, exceptions and assumptions set forth herein and assuming that (i) the Indenture and the Bonds have been duly authorized, executed and delivered by the Company and the Trustee and (ii) the Bonds have been authenticated by the Trustee in accordance with the Indenture and delivered to and paid for by the purchasers thereof, we are of the opinion that, when issued, the Bonds will constitute legal, valid and binding obligations of the Company, enforceable against the Company in accordance with the terms thereof.

The opinion set forth above is subject, as to enforcement, to (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally (including, without limitation, all laws relating to fraudulent transfers), (ii) provisions modifying the statute of limitations, (iii) general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law), concepts of materiality, reasonableness, good faith and fair dealing, and the discretion of the court before which a proceeding is brought, and (iv) provisions of law that require that a judgment for money damages rendered by a court in the United States be expressed only in United States dollars.

In rendering the opinion set forth above, we have assumed that the execution and delivery by the Company of the Indenture and the Bonds and the performance by the Company of its obligations thereunder do not and will not violate, conflict with or constitute a default under any agreement or instrument to which the Company or its properties is subject.

We hereby consent to the filing of this opinion with the Commission as an exhibit to the Offering Statement. We also hereby consent to the reference to our firm under the caption "Legal Matters" in the Offering Statement. In giving this consent, we do not thereby admit that we are included in the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission promulgated thereunder. This opinion is expressed as of the date hereof unless otherwise expressly stated, and we disclaim any undertaking to advise you of any subsequent changes in the facts stated or assumed herein or of any subsequent changes in applicable law.

Very truly yours,

/s/ Proskauer Rose LLP

Washington, D.C.