**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended **December 31, 2022**

**OR**

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

For the transition period from ……………..to ……………..

Commission File Number: **814-00061**

# CAPITAL SOUTHWEST CORPORATION

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Texas** | **75-1072796** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **8333 Douglas Avenue, Suite 1100, Dallas, Texas** | **75225** |
| (Address of principal executive offices) | (Zip Code) |

**Registrant's telephone number, including area code: (214) 238-5700**

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

| Title of Each Class | Trading Symbol(s) | Name of Each Exchange on Which Registered |
|---|---|---|
| **Common Stock, $0.25 par value per share** | **CSWC** | **The Nasdaq Global Select Market** |

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

34,559,034 shares of Common Stock, $0.25 value per share, as of January 27, 2023.

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## PART I – FINANCIAL INFORMATION

### Item 1. Consolidated Financial Statements

**CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES**
(In thousands, except shares and per share data)

| | December 31, 2022 (Unaudited) | March 31, 2022 |
|---|---|---|
| **Assets** | | |
| Investments at fair value: | | |
| Non-control/Non-affiliate investments (Cost: $907,535 and $721,392, respectively) | $ 929,089 | $ 747,132 |
| Affiliate investments (Cost: $176,177 and $140,911, respectively) | 173,332 | 131,879 |
| Control investments (Cost: $76,000 and $76,000, respectively) | 47,625 | 57,603 |
| Total investments (Cost: $1,159,712 and $938,303, respectively) | 1,150,046 | 936,614 |
| Cash and cash equivalents | 21,686 | 11,431 |
| Receivables: | | |
| Dividends and interest | 16,352 | 12,106 |
| Escrow | 362 | 1,344 |
| Other | 3,203 | 2,238 |
| Income tax receivable | 238 | 158 |
| Debt issuance costs (net of accumulated amortization of $5,364 and $4,573, respectively) | 3,996 | 4,038 |
| Other assets | 6,274 | 6,028 |
| Total assets | $ 1,202,157 | $ 973,957 |
| **Liabilities** | | |
| SBA Debentures (Par value: $104,000 and $40,000, respectively) | $ 100,582 | $ 38,352 |
| January 2026 Notes (Par value: $140,000 and $140,000, respectively) | 138,967 | 138,714 |
| October 2026 Notes (Par value: $150,000 and $150,000, respectively) | 147,078 | 146,522 |
| Credit facility | 225,000 | 205,000 |
| Other liabilities | 14,568 | 14,808 |
| Accrued restoration plan liability | 2,639 | 2,707 |
| Income tax payable | 409 | 1,240 |
| Deferred tax liability | 11,427 | 5,747 |
| Total liabilities | 640,670 | 553,090 |
| **Commitments and contingencies (Note 10)** | | |
| **Net Assets** | | |
| Common stock, $0.25 par value: authorized, 40,000,000 shares; issued, 36,898,546 shares at December 31, 2022 and 27,298,032 shares at March 31, 2022 | 9,225 | 6,825 |
| Additional paid-in capital | 616,590 | 448,235 |
| Total distributable (loss) earnings | (40,391) | (10,256) |
| Treasury stock - at cost, 2,339,512 shares | (23,937) | (23,937) |
| Total net assets | 561,487 | 420,867 |
| Total liabilities and net assets | $ 1,202,157 | $ 973,957 |
| Net asset value per share (34,559,034 shares outstanding at December 31, 2022 and 24,958,520 shares outstanding at March 31, 2022) | $ 16.25 | $ 16.86 |

The accompanying Notes are an integral part of these Consolidated Financial Statements.

**CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
**(Unaudited)**
(In thousands, except shares and per share data)

| | Three Months Ended December 31, 2022 | Three Months Ended December 31, 2021 | Nine Months Ended December 31, 2022 | Nine Months Ended December 31, 2021 |
|---|---|---|---|---|
| **Investment income:** | | | | |
| Interest income: | | | | |
| Non-control/Non-affiliate investments | $ 24,411 | $ 14,805 | $ 59,791 | $ 42,873 |
| Affiliate investments | 3,228 | 2,116 | 8,227 | 4,774 |
| Payment-in-kind interest income: | | | | |
| Non-control/Non-affiliate investments | 830 | 614 | 1,796 | 1,717 |
| Affiliate investments | 671 | 200 | 1,776 | 951 |
| Dividend income: | | | | |
| Non-control/Non-affiliate investments | 478 | — | 1,555 | 1,570 |
| Affiliate investments | — | 9 | 101 | 9 |
| Control investments | 1,904 | 1,705 | 5,439 | 4,862 |
| Fee income: | | | | |
| Non-control/Non-affiliate investments | 1,067 | 2,591 | 2,924 | 4,005 |
| Affiliate investments | 110 | 267 | 362 | 413 |
| Control investments | 25 | — | 75 | — |
| Other income | 42 | 4 | 62 | 12 |
| Total investment income | 32,766 | 22,311 | 82,108 | 61,186 |
| Operating expenses: | | | | |
| Compensation | 3,381 | 3,353 | 7,177 | 7,083 |
| Share-based compensation | 992 | 849 | 2,873 | 2,848 |
| Interest | 7,937 | 4,655 | 20,050 | 15,015 |
| Professional fees | 666 | 607 | 2,325 | 1,956 |
| General and administrative | 1,111 | 1,010 | 3,396 | 2,968 |
| Total operating expenses | 14,087 | 10,474 | 35,821 | 29,870 |
| Income before taxes | 18,679 | 11,837 | 46,287 | 31,316 |
| Federal income, excise and other taxes | 217 | 68 | 468 | 283 |
| Deferred taxes | (963) | (130) | (488) | 365 |
| Total income tax (benefit) provision | (746) | (62) | (20) | 648 |
| **Net investment income** | $ 19,425 | $ 11,899 | $ 46,307 | $ 30,668 |
| **Realized (loss) gain** | | | | |
| Non-control/Non-affiliate investments | $ (6,267) | $ 4,017 | $ (6,114) | $ 6,561 |
| Affiliate investments | (4,724) | 140 | (11,027) | 140 |
| Income tax (provision) benefit | (95) | (1,442) | (260) | (1,442) |
| **Total net realized (loss) gain on investments, net of tax** | (11,086) | 2,715 | (17,401) | 5,259 |
| **Net unrealized (depreciation) appreciation on investments** | | | | |
| Non-control/Non-affiliate investments | (2,244) | 3,165 | (4,186) | 12,558 |
| Affiliate investments | 3,563 | (3,849) | 6,187 | (4,700) |
| Control investments | (3,272) | (2,049) | (9,978) | (2,769) |
| Income tax (provision) benefit | (3,437) | 679 | (6,012) | (783) |
| **Total net unrealized (depreciation) appreciation on investments, net of tax** | (5,390) | (2,054) | (13,989) | 4,306 |
| **Net realized and unrealized (losses) gains on investments** | (16,476) | 661 | (31,390) | 9,565 |
| **Realized loss on extinguishment of debt** | — | — | — | (17,087) |
| **Net increase (decrease) in net assets from operations** | $ 2,949 | $ 12,560 | $ 14,917 | $ 23,146 |
| **Pre-tax net investment income per share - basic and diluted** | $ 0.60 | $ 0.51 | $ 1.64 | $ 1.40 |
| **Net investment income per share – basic and diluted** | $ 0.62 | $ 0.51 | $ 1.64 | $ 1.37 |
| **Net increase (decrease) in net assets from operations – basic and diluted** | $ 0.09 | $ 0.54 | $ 0.53 | $ 1.03 |
| **Weighted average shares outstanding – basic and diluted** | 31,381,360 | 23,432,522 | 28,304,309 | 22,393,935 |

The accompanying Notes are an integral part of these Consolidated Financial Statements.

**CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**
**(Unaudited)**
(In thousands)

| | 2022 | 2021 |
|---|---|---|
| **Net assets, March 31** | $ 420,867 | $ 336,251 |
| Operations: | | |
| Net investment income | 12,438 | 9,043 |
| Net realized gain (loss) on investments | 2,320 | (952) |
| Net unrealized (depreciation) appreciation on investments, net of tax | (12,248) | 7,051 |
| Net increase in net assets from operations | 2,510 | 15,142 |
| Dividends to shareholders ($0.63 and $0.53 per share, respectively) | (16,615) | (11,528) |
| Capital share transactions: | | |
| Change in restoration plan liability | 8 | 9 |
| Issuance of common stock | 46,035 | 27,686 |
| Share-based compensation expense | 821 | 1,076 |
| Common stock withheld for payroll taxes upon vesting of restricted stock | (641) | (541) |
| Increase in net assets | 32,118 | 31,844 |
| **Net assets, June 30** | 452,985 | 368,095 |
| Operations: | | |
| Net investment income | 14,444 | 9,726 |
| Net realized (loss) gain on investments, net of tax | (8,635) | 3,496 |
| Net unrealized appreciation (depreciation) on investments, net of tax | 3,649 | (691) |
| Realized loss on extinguishment of debt | — | (17,087) |
| Net increase (decrease) in net assets from operations | 9,458 | (4,556) |
| Dividends to shareholders ($0.50 and $0.54 per share, respectively) | (14,287) | (12,401) |
| Capital share transactions: | | |
| Change in restoration plan liability | 8 | 9 |
| Issuance of common stock | 26,500 | 29,880 |
| Share-based compensation expense | 1,060 | 923 |
| Common stock withheld for payroll taxes upon vesting of restricted stock | — | (5) |
| Increase in net assets | 22,739 | 13,850 |
| **Net assets, September 30** | $ 475,724 | $ 381,945 |
| Operations: | | |
| Net investment income | 19,425 | 11,899 |
| Net realized (loss) gain on investments, net of tax | (11,086) | 2,715 |
| Net unrealized (depreciation) appreciation on investments, net of tax | (5,390) | (2,054) |
| Net increase in net assets from operations | 2,949 | 12,560 |
| Dividends to shareholders ($0.57 and $0.97 per share, respectively) | (19,275) | (22,917) |
| Capital share transactions: | | |
| Change in restoration plan liability | 8 | 9 |
| Issuance of common stock | 101,469 | 15,754 |
| Share-based compensation expense | 992 | 849 |
| Common stock withheld for payroll taxes upon vesting of restricted stock | (380) | (863) |
| Increase in net assets | 85,763 | 5,392 |
| **Net assets, December 31** | $ 561,487 | $ 387,337 |

The accompanying Notes are an integral part of these Consolidated Financial Statements.

**CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Unaudited)**
(In thousands)

| | Nine Months Ended December 31, 2022 | Nine Months Ended December 31, 2021 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net increase in net assets from operations | $ 14,917 | $ 23,146 |
| Adjustments to reconcile net increase in net assets from operations to net cash used in operating activities: | | |
| Purchases and originations of investments | (343,402) | (410,066) |
| Proceeds from sales and repayments of debt investments in portfolio companies | 106,649 | 221,462 |
| Proceeds from sales and return of capital of equity investments in portfolio companies | 2,664 | 11,881 |
| Payment of accreted original issue discounts | 1,444 | 3,133 |
| Payment of accrued payment-in-kind interest | 1,313 | 2,064 |
| Depreciation and amortization | 2,002 | 1,628 |
| Net pension benefit | (43) | (99) |
| Realized loss on extinguishment of debt | — | 17,103 |
| Realized loss (gain) on investments before income tax | 17,348 | (6,058) |
| Net unrealized depreciation (appreciation) on investments before income tax | 7,977 | (5,089) |
| Accretion of discounts on investments | (2,873) | (2,177) |
| Payment-in-kind interest | (3,891) | (3,550) |
| Share-based compensation expense | 2,873 | 2,848 |
| Deferred income taxes | 5,680 | 1,149 |
| Changes in other assets and liabilities: | | |
| (Increase) decrease in dividend and interest receivable | (4,725) | 1,601 |
| Decrease (increase) in escrow receivables | 756 | (159) |
| (Increase) decrease in tax receivable | (79) | 121 |
| Increase in other receivables | (965) | (104) |
| Increase in other assets | (266) | (1,152) |
| (Decrease) increase in taxes payable | (831) | 1,477 |
| (Decrease) increase in other liabilities | (196) | 1,738 |
| Net cash used in operating activities | (193,648) | (139,103) |
| **Cash flows from investing activities** | | |
| Acquisition of fixed assets | (159) | — |
| Net cash used in investing activities | (159) | — |
| **Cash flows from financing activities** | | |
| Proceeds from common stock offering | 174,169 | 73,346 |
| Equity offering costs paid | (102) | — |
| Borrowings under credit facility | 140,000 | 295,000 |
| Repayments of credit facility | (120,000) | (225,000) |
| Debt issuance costs paid | (1,248) | (3,445) |
| Proceeds from issuance of SBA Debentures | 62,442 | 28,294 |
| Proceeds from issuance of October 2026 Notes | — | 146,414 |
| Redemption of October 2024 Notes | — | (125,000) |
| Payment for debt extinguishment costs | — | (15,196) |
| Dividends to shareholders | (50,177) | (46,847) |
| Common stock withheld for payroll taxes upon vesting of restricted stock | (1,022) | (1,408) |
| Net cash provided by financing activities | 204,062 | 126,158 |
| Net increase (decrease) in cash and cash equivalents | 10,255 | (12,945) |
| Cash and cash equivalents at beginning of period | 11,431 | 31,613 |
| Cash and cash equivalents at end of period | $ 21,686 | $ 18,668 |
| **Supplemental cash flow disclosures:** | | |
| Cash paid for income taxes | $ 1,481 | $ 150 |
| Cash paid for interest | 15,937 | 13,744 |

The accompanying Notes are an integral part of these Consolidated Financial Statements.

**CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
**(Unaudited)**
December 31, 2022

| Portfolio Company[1,18] | Type of Investment[2] | Industry | Current Interest Rate[3] | Acquisition Date[14] | Maturity | Principal | Cost[12,17] | Fair Value[4] |
|---|---|---|---|---|---|---|---|---|
| **Non-control/Non-affiliate Investments[5]** | | | | | | | | |
| **360 QUOTE TOPCO, LLC** | Revolving Loan | Media & marketing | SOFR+6.50% (Floor 1.00%)/Q, Current Coupon 11.24% | 6/16/2022 | 6/16/2027 | $ 3,250 | $ 3,207 | $ 3,162 |
| | First Lien[19] | | SOFR+6.50% (Floor 1.00%)/Q, Current Coupon 11.24% | 6/16/2022 | 6/16/2027 | 25,000 | 24,658 | 24,325 |
| | | | | | | | 27,865 | 27,487 |
| **AAC NEW HOLDCO INC.** | First Lien | Healthcare services | 18.00% PIK | 12/11/2020 | 6/25/2025 | 9,749 | 9,749 | 9,603 |
| | 374,543 shares common stock | | — | 12/11/2020 | — | — | 1,785 | 715 |
| | Warrants (Expiration - December 11, 2025) | | — | 12/11/2020 | — | — | 2,198 | 881 |
| | | | | | | | 13,732 | 11,199 |
| **ACACIA BUYERCO V LLC** | Revolver Loan[10] | Software & IT services | SOFR+6.50% (Floor 1.00%) | 11/25/2022 | 11/26/2027 | — | (39) | — |
| | First Lien - Term Loan A | | SOFR+6.50% (Floor 1.00%)/Q, Current Coupon 11.12% | 11/25/2022 | 11/26/2027 | 5,000 | 4,902 | 4,902 |
| | Delayed Draw Term Loan[10] | | SOFR+6.50% (Floor 1.00%) | 11/25/2022 | 11/26/2027 | — | (98) | — |
| | 1,000,000 Class B-2 Units[9,13] | | — | 11/25/2022 | — | — | 1,000 | 1,000 |
| | | | | | | | 5,765 | 5,902 |
| **ACCELERATION, LLC** | Revolving Loan[10] | Media & marketing | SOFR+8.50% (Floor 1.00%) | 6/13/2022 | 6/14/2027 | — | (89) | — |
| | First Lien - Term Loan A | | SOFR+7.50% (Floor 1.00%)/Q, Current Coupon 11.32% | 6/13/2022 | 6/14/2027 | 9,263 | 9,094 | 9,097 |
| | First Lien - Term Loan B | | SOFR+8.50% (Floor 1.00%)/Q, Current Coupon 12.32% | 6/13/2022 | 6/14/2027 | 9,263 | 9,093 | 9,097 |
| | First Lien - Term Loan C | | SOFR+9.50% (Floor 1.00%)/Q, Current Coupon 13.32% | 6/13/2022 | 6/14/2027 | 9,263 | 9,094 | 9,097 |
| | Delayed Draw Term Loan[10] | | SOFR+8.50% (Floor 1.00%) | 6/13/2022 | 6/14/2027 | — | (44) | — |
| | 13,451.22 Preferred Units[9,13] | | — | 6/13/2022 | — | — | 893 | 1,273 |
| | 1,611.22 Common Units[9,13] | | — | 6/13/2022 | — | — | 107 | 152 |
| | | | | | | | 28,148 | 28,716 |

**CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
**(Unaudited)**
December 31, 2022

| Portfolio Company[1,18] | Type of Investment[2] | Industry | Current Interest Rate[3] | Acquisition Date[14] | Maturity | Principal | Cost[12,17] | Fair Value[4] |
|---|---|---|---|---|---|---|---|---|
| **ACCELERATION PARTNERS, LLC** | First Lien[8] | Media & marketing | SOFR+8.17% (Floor 1.00%)/Q, Current Coupon 12.08% | 12/1/2020 | 12/1/2025 | 19,550 | 19,133 | 19,550 |
| | 1,000 Preferred Units[9,13] | | — | 12/1/2020 | — | — | 1,000 | 1,414 |
| | 1,000 Class A Common Units[9,13] | | — | 12/1/2020 | — | — | — | — |
| | | | | | | | 20,133 | 20,964 |
| **ACE GATHERING, INC.** | Second Lien[15] | Energy services (midstream) | SOFR+12.00% (Floor 2.00%)/Q, Current Coupon 16.85% | 12/13/2018 | 12/13/2023 | 7,760 | 7,722 | 6,961 |
| **ALLIANCE SPORTS GROUP, L.P.** | Unsecured convertible Note | Consumer products & retail | 6.00% PIK | 7/15/2020 | 9/30/2024 | 173 | 173 | 271 |
| | 3.88% membership preferred interest | | — | 8/1/2017 | — | — | 2,500 | 3,173 |
| | | | | | | | 2,673 | 3,444 |
| **AMERICAN NUTS OPERATIONS LLC** | First Lien - Term Loan A | Food, agriculture and beverage | SOFR+6.75% (Floor 1.00%)/Q, Current Coupon 10.46% | 3/11/2022 | 4/10/2026 | 12,357 | 12,305 | 12,356 |
| | First Lien - Term Loan B | | SOFR+8.75% (Floor 1.00%)/Q, Current Coupon 12.46% | 3/11/2022 | 4/10/2026 | 12,357 | 12,305 | 10,973 |
| | 3,000,000 units of Class A common stock[9,13] | | — | 4/10/2018 | — | — | 3,000 | 2,333 |
| | | | | | | | 27,610 | 25,662 |
| **AMERICAN TELECONFERENCING SERVICES, LTD. (DBA PREMIERE GLOBAL SERVICES, INC.)** | Revolving Loan[10,16] | Telecommunications | P+5.50%/Q (Floor 2.00%), Current Coupon 9.00% | 9/17/2021 | 1/31/2023 | 868 | 860 | 49 |
| | First Lien[16] | | P+5.50%/Q (Floor 2.00%), Current Coupon 9.00% | 9/21/2016 | 6/8/2023 | 4,899 | 4,858 | 274 |
| | | | | | | | 5,718 | 323 |
| **AMWARE FULFILLMENT LLC** | First Lien | Distribution | SOFR+9.00% (Floor 1.00%)/Q, Current Coupon 12.82% | 7/29/2016 | 7/15/2024 | 17,098 | 17,095 | 17,098 |
| **ARBORWORKS, LLC** | Revolving Loan[10] | Environmental services | L+9.00% (Floor 1.00%)/Q, Current Coupon 13.41% | 11/17/2021 | 11/9/2026 | 2,000 | 1,953 | 1,640 |
| | First Lien | | L+9.00% (Floor 1.00%)/Q, Current Coupon 13.56% | 11/17/2021 | 11/9/2026 | 12,708 | 12,502 | 10,420 |
| | 100 Class A Units[9,13] | | — | 11/17/2021 | — | — | 100 | — |
| | | | | | | | 14,555 | 12,060 |

**CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
**(Unaudited)**
December 31, 2022

| Portfolio Company[1,18] | Type of Investment[2] | Industry | Current Interest Rate[3] | Acquisition Date[14] | Maturity | Principal | Cost[12,17] | Fair Value[4] |
|---|---|---|---|---|---|---|---|---|
| **ASC ORTHO MANAGEMENT COMPANY, LLC** | 2,572 Common Units[9,13] | Healthcare services | — | 8/31/2018 | — | — | 1,026 | 847 |
| **ATS OPERATING, LLC** | Revolving Loan[10] | Consumer products & retail | SOFR+6.50% (Floor 1.00%) | 1/18/2022 | 1/18/2027 | — | (40) | — |
| | First Lien - Term Loan A | | SOFR+5.50% (Floor 1.00%)/Q, Current Coupon 9.32% | 1/18/2022 | 1/18/2027 | 9,250 | 9,096 | 9,102 |
| | First Lien - Term Loan B | | SOFR+7.50% (Floor 1.00%)/Q, Current Coupon 11.32% | 1/18/2022 | 1/18/2027 | 9,250 | 9,094 | 9,102 |
| | 1,000,000 Preferred units[9,13] | | — | 1/18/2022 | — | — | 1,000 | 1,000 |
| | | | | | | | 19,150 | 19,204 |
| **BINSWANGER HOLDING CORP.** | 900,000 shares of common stock | Distribution | — | 3/9/2017 | — | — | 900 | 123 |
| **BROAD SKY NETWORKS LLC (DBA EPIC IO TECHNOLOGIES)** | 1,131,579 Series A Preferred units[9,13] | Telecommunications | — | 12/11/2020 | — | — | 1,132 | 1,779 |
| | 89,335 Series C Preferred units[9,13] | | — | 10/21/2022 | — | — | 89 | — |
| | | | | | | | 1,221 | 1,779 |
| **CADMIUM, LLC** | Revolving Loan | Software & IT services | L+7.00% (Floor 1.00%)/Q, Current Coupon 11.73% | 1/7/2022 | 12/22/2026 | 615 | 611 | 594 |
| | First Lien | | L+7.00% (Floor 1.00%)/Q, Current Coupon 11.73% | 1/7/2022 | 12/22/2026 | 7,385 | 7,323 | 7,134 |
| | | | | | | | 7,934 | 7,728 |
| **CAMIN CARGO CONTROL, INC.** | First Lien | Energy services (midstream) | L+6.50% (Floor 1.00%)/M, Current Coupon 10.88% | 6/2/2021 | 6/4/2026 | 5,707 | 5,665 | 5,707 |
| **CRAFTY APES, LLC** | First Lien[8] | Media & marketing | SOFR+6.97% (Floor 1.00%)/Q, Current Coupon 11.73% | 6/9/2021 | 11/1/2024 | 15,000 | 14,898 | 15,000 |
| **EVEREST TRANSPORTATION SYSTEMS, LLC** | First Lien | Transportation & logistics | L+8.00% (Floor 1.00%)/M, Current Coupon 12.73% | 11/9/2021 | 8/26/2026 | 8,594 | 8,523 | 8,594 |

**CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
**(Unaudited)**
December 31, 2022

| Portfolio Company[1,18] | Type of Investment[2] | Industry | Current Interest Rate[3] | Acquisition Date[14] | Maturity | Principal | Cost[12,17] | Fair Value[4] |
|---|---|---|---|---|---|---|---|---|
| **EXACT BORROWER, LLC** | Revolving Loan[10] | Media & marketing | SOFR+8.00% (Floor 2.00%) | 12/7/2022 | 8/6/2027 | — | (49) | — |
| | First Lien - Term Loan A | | SOFR+8.00% (Floor 2.00%)/Q, Current Coupon 12.60% | 12/7/2022 | 8/6/2027 | 9,450 | 9,263 | 9,263 |
| | First Lien - Term Loan B | | SOFR+8.00% (Floor 2.00%)/Q, Current Coupon 12.60% | 12/7/2022 | 8/6/2027 | 9,450 | 9,263 | 9,263 |
| | Delayed Draw Term Loan[10] | | SOFR+8.00% (Floor 2.00%) | 12/7/2022 | 8/6/2027 | — | (25) | — |
| | Promissory Note | | 13.574% | 12/7/2022 | 12/6/2028 | 385 | 385 | 385 |
| | 615.156 Common units | | | 12/7/2022 | — | — | 615 | 615 |
| | | | | | | | 19,452 | 19,526 |
| **FLIP ELECTRONICS, LLC** | First Lien | Technology products & components | SOFR+7.50% (Floor 1.00%)/Q, Current Coupon 12.08% | 1/4/2021 | 1/2/2026 | 31,845 | 31,167 | 31,846 |
| | Delayed Draw Term Loan | | SOFR+7.50% (Floor 1.00%)/Q, Current Coupon 11.46% | 3/24/2022 | 1/2/2026 | 2,818 | 2,773 | 2,818 |
| | 2,000,000 Common Units[9,11,13] | | — | 1/4/2021 | — | — | 2,000 | 17,678 |
| | | | | | | | 35,940 | 52,342 |
| **FM SYLVAN, INC.** | Revolving Loan[10] | Industrial services | SOFR+8.00% (Floor 1.00%) | 11/8/2022 | 11/8/2027 | — | (194) | — |
| | First Lien | | SOFR+8.00% (Floor 1.00%)/Q, Current Coupon 12.47% | 11/8/2022 | 11/8/2027 | 15,000 | 14,707 | 14,707 |
| | | | | | | | 14,513 | 14,707 |
| **FOOD PHARMA SUBSIDIARY HOLDINGS, LLC** | First Lien | Food, agriculture & beverage | L+6.50% (Floor 1.00%)/Q, Current Coupon 10.24% | 6/1/2021 | 6/1/2026 | 7,030 | 6,902 | 7,030 |
| | 75,000 Class A Units[9,13] | | — | 6/1/2021 | — | — | 750 | 743 |
| | | | | | | | 7,652 | 7,773 |
| **GAINS INTERMEDIATE, LLC** | Revolving Loan[10] | Business services | SOFR+7.50% (Floor 2.00%) | 12/15/2022 | 12/15/2027 | — | (50) | — |
| | First Lien - Term Loan A | | SOFR+6.50% (Floor 2.00%)/Q, Current Coupon 11.29% | 12/15/2022 | 12/15/2027 | 7,500 | 7,351 | 7,351 |
| | First Lien - Term Loan B | | SOFR+8.50% (Floor 2.00%)/Q, Current Coupon 13.29% | 12/15/2022 | 12/15/2027 | 7,500 | 7,351 | 7,351 |
| | Delayed Draw Term Loan[10] | | SOFR+7.50% (Floor 2.00%) | 12/15/2022 | 12/15/2027 | — | (168) | — |
| | | | | | | | 14,484 | 14,702 |

**CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES**
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| Portfolio Company[1,18] | Type of Investment[2] | Industry | Current Interest Rate[3] | Acquisition Date[14] | Maturity | Principal | Cost[12,17] | Fair Value[4] |
|---|---|---|---|---|---|---|---|---|
| **GULF PACIFIC ACQUISITION, LLC** | Revolving Loan[10] | Food, agriculture & beverage | SOFR+6.00% (Floor 1.00%)/Q, Current Coupon 10.42% | 9/30/2022 | 9/29/2028 | 252 | 233 | 247 |
| | First Lien | | SOFR+6.00% (Floor 1.00%)/Q, Current Coupon 10.73% | 9/30/2022 | 9/29/2028 | 3,652 | 3,581 | 3,579 |
| | Delayed Draw Term Loan[10] | | SOFR+6.00% (Floor 1.00%) | 9/30/2022 | 9/29/2028 | — | (15) | — |
| | | | | | | | 3,799 | 3,826 |
| **HYBRID APPAREL, LLC** | Second Lien[15] | Consumer products & retail | SOFR+8.25% (Floor 1.00%)/Q, Current Coupon 12.07% | 6/30/2021 | 6/30/2026 | 15,750 | 15,514 | 13,592 |
| **INFOLINKS MEDIA BUYCO, LLC** | First Lien | Media & marketing | L+5.50% (Floor 1.00%)/Q, Current Coupon 10.23% | 11/1/2021 | 10/30/2026 | 7,673 | 7,549 | 7,673 |
| | Delayed Draw Term Loan[10] | | L+5.50% (Floor 1.00%) | 11/1/2021 | 10/30/2026 | — | (17) | — |
| | 1.68% LP interest[9,10,11,13] | | — | 10/29/2021 | — | — | 588 | 944 |
| | | | | | | | 8,120 | 8,617 |
| **ISI ENTERPRISES, LLC** | Revolving Loan[10] | Software & IT services | L+7.00% (Floor 1.00%)/Q, Current Coupon 10.74% | 10/1/2021 | 10/1/2026 | 800 | 770 | 800 |
| | First Lien | | L+7.00% (Floor 1.00%)/Q, Current Coupon 10.74% | 10/1/2021 | 10/1/2026 | 5,000 | 4,921 | 5,000 |
| | 1,000,000 Series A Preferred units | | — | 10/1/2021 | — | — | 1,000 | 1,000 |
| | | | | | | | 6,691 | 6,800 |
| **JVMC HOLDINGS CORP.** | First Lien | Financial services | L+6.50% (Floor 1.00%)/M, Current Coupon 10.88% | 2/28/2019 | 2/28/2024 | 6,246 | 6,227 | 6,246 |
| **KMS, INC.[15]** | First Lien | Distribution | L+7.25% (Floor 1.00%)/Q, Current Coupon 12.00% | 10/4/2021 | 10/2/2026 | 15,840 | 15,715 | 14,779 |
| | Delayed Draw Term Loan[10] | | L+7.25% (Floor 1.00%)/Q, Current Coupon 12.00% | 10/4/2021 | 10/2/2026 | 2,251 | 2,194 | 2,100 |
| | | | | | | | 17,909 | 16,879 |
| **LASH OPCO, LLC** | Revolving Loan[10] | Consumer products & retail | L+7.00% (Floor 1.00%)/S, Current Coupon 11.57% | 12/29/2021 | 9/18/2025 | 233 | 225 | 228 |
| | First Lien | | L+7.00% (Floor 1.00%)/S, Current Coupon 11.17% | 12/29/2021 | 3/18/2026 | 10,558 | 10,331 | 10,305 |
| | | | | | | | 10,556 | 10,533 |

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| Portfolio Company[1,18] | Type of Investment[2] | Industry | Current Interest Rate[3] | Acquisition Date[14] | Maturity | Principal | Cost[12,17] | Fair Value[4] |
|---|---|---|---|---|---|---|---|---|
| **LGM PHARMA, LLC** | First Lien | Healthcare products | L+8.50% (Floor 1.00%), 1.00% PIK/Q, Current Coupon 13.62% | 11/15/2017 | 11/15/2023 | 11,478 | 11,427 | 11,236 |
| | Delayed Draw Term Loan | | L+10.00% (Floor 1.00%), 1.00% PIK/Q, Current Coupon 15.12% | 7/24/2020 | 11/15/2023 | 2,501 | 2,487 | 2,501 |
| | Unsecured convertible note[9,13] | | 25.00% PIK | 12/21/2021 | 12/31/2024 | 106 | 106 | 106 |
| | 142,278.89 units of Class A common stock[9,13] | | — | 11/15/2017 | — | — | 1,600 | 1,158 |
| | | | | | | | 15,620 | 15,001 |
| **LIGHTNING INTERMEDIATE II, LLC (DBA VIMERGY)** | Revolving Loan[10] | Healthcare products | SOFR+6.50% (Floor 1.00%) | 6/6/2022 | 6/7/2027 | — | (32) | — |
| | First Lien | | SOFR+6.50% (Floor 1.00%)/S, Current Coupon 11.54% | 6/6/2022 | 6/7/2027 | 22,859 | 22,442 | 22,447 |
| | 0.88% LLC interest[9,13] | | — | 6/6/2022 | — | — | 600 | 416 |
| | | | | | | | 23,010 | 22,863 |
| **LLFLEX, LLC** | First Lien[15] | Containers & packaging | L+9.00% (Floor 1.00%)/Q, Current Coupon 12.74% | 8/16/2021 | 8/14/2026 | 10,863 | 10,672 | 10,537 |
| **MAKO STEEL LP** | Revolving Loan[10] | Business services | L+7.25% (Floor 0.75%)/S, Current Coupon 11.76% | 3/15/2021 | 3/13/2026 | 1,604 | 1,580 | 1,583 |
| | First Lien | | L+7.25% (Floor 0.75%)/Q, Current Coupon 11.09% | 3/15/2021 | 3/13/2026 | 7,919 | 7,810 | 7,816 |
| | | | | | | | 9,390 | 9,399 |
| **MERCURY ACQUISITION 2021, LLC (DBA TELE-TOWN HALL)** | First Lien | Telecommunications | L+8.00% (Floor 1.00%)/Q, Current Coupon 11.74% | 12/6/2021 | 12/7/2026 | 12,375 | 12,170 | 11,979 |
| | Second Lien | | L+11.00% (Floor 1.00%)/Q, Current Coupon 14.74% | 12/6/2021 | 12/7/2026 | 2,767 | 2,721 | 2,678 |
| | 2,089,599 Series A units[9,13] | | — | 12/6/2021 | — | — | — | 1,017 |
| | | | | | | | 14,891 | 15,674 |
| **MICROBE FORMULAS LLC** | Revolving Loan[10] | Healthcare products | SOFR+6.25% (Floor 1.00%) | 4/4/2022 | 4/3/2028 | — | (28) | — |
| | First Lien | | SOFR+6.25% (Floor 1.00%)/M, Current Coupon 10.67% | 4/4/2022 | 4/3/2028 | 11,781 | 11,569 | 11,663 |
| | | | | | | | 11,541 | 11,663 |

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| Portfolio Company[1,18] | Type of Investment[2] | Industry | Current Interest Rate[3] | Acquisition Date[14] | Maturity | Principal | Cost[12,17] | Fair Value[4] |
|---|---|---|---|---|---|---|---|---|
| **MUENSTER MILLING COMPANY, LLC** | Revolving Loan[10] | Food, agriculture & beverage | SOFR+6.75% (Floor 1.00%) | 8/10/2021 | 8/10/2026 | — | (72) | — |
| | First Lien | | SOFR+6.75% (Floor 1.00%)/Q, Current Coupon 11.43% | 8/10/2021 | 8/10/2026 | 21,800 | 21,438 | 21,800 |
| | 1,000,000 Class A units[9,13] | | — | 12/15/2022 | — | — | 1,000 | 1,000 |
| | | | | | | | 22,366 | 22,800 |
| **NATIONAL CREDIT CARE, LLC** | First Lien - Term Loan A | Consumer services | L+6.50% (Floor 1.00%)/Q, Current Coupon 10.24% | 12/23/2021 | 12/23/2026 | 9,716 | 9,555 | 9,716 |
| | First Lien - Term Loan B | | L+7.50% (Floor 1.00%)/Q, Current Coupon 11.24% | 12/23/2021 | 12/23/2026 | 9,716 | 9,555 | 9,580 |
| | 191,049.33 Class A-3 Preferred units[9,11,13] | | — | 3/17/2022 | — | — | 2,000 | 2,000 |
| | | | | | | | 21,110 | 21,296 |
| **NEUROPSYCHIATRIC HOSPITALS, LLC** | Revolving Loan[10] | Healthcare services | L+8.00% (Floor 1.00%)/Q, Current Coupon 11.74% | 5/14/2021 | 5/14/2026 | 4,400 | 4,333 | 3,740 |
| | First Lien | | L+8.00% (Floor 1.00%)/Q, Current Coupon 11.74% | 5/14/2021 | 5/14/2026 | 14,993 | 14,774 | 12,744 |
| | | | | | | | 19,107 | 16,484 |
| **NEW SKINNY MIXES, LLC** | Revolving Loan[10] | Food, agriculture & beverage | SOFR+8.00% (Floor 2.00%) | 12/21/2022 | 12/21/2027 | — | (79) | — |
| | First Lien | | SOFR+8.00% (Floor 2.00%)/Q, Current Coupon 12.71% | 12/21/2022 | 12/21/2027 | 13,000 | 12,741 | 12,741 |
| | Delayed Draw Term Loan[10] | | SOFR+8.00% (Floor 2.00%) | 12/21/2022 | 12/21/2027 | — | (30) | — |
| | | | | | | | 12,632 | 12,741 |
| **NINJATRADER, INC.** | Revolving Loan[10] | Financial services | L+6.25% (Floor 1.00%) | 12/18/2019 | 12/18/2024 | — | (3) | — |
| | First Lien | | L+6.25% (Floor 1.00%)/Q, Current Coupon 9.99% | 12/18/2019 | 12/18/2024 | 23,150 | 22,826 | 23,034 |
| | Delayed Draw Term Loan[10] | | L+6.25% (Floor 1.00%) | 12/31/2020 | 12/18/2024 | — | (32) | — |
| | 2,000,000 Preferred Units[9,11,13] | | — | 12/18/2019 | — | — | 2,000 | 11,138 |
| | | | | | | | 24,791 | 34,172 |

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| Portfolio Company[1,18] | Type of Investment[2] | Industry | Current Interest Rate[3] | Acquisition Date[14] | Maturity | Principal | Cost[12,17] | Fair Value[4] |
|---|---|---|---|---|---|---|---|---|
| **NWN PARENT HOLDINGS, LLC** | Revolving Loan[10] | Software & IT services | L+8.00% (Floor 1.00%)/Q, Current Coupon 12.32% | 5/7/2021 | 5/7/2026 | 810 | 786 | 779 |
| | First Lien | | L+8.00% (Floor 1.00%)/Q, Current Coupon 12.56% | 5/7/2021 | 5/7/2026 | 12,755 | 12,573 | 12,270 |
| | | | | | | | 13,359 | 13,049 |
| **OPCO BORROWER, LLC (DBA GIVING HOME HEALTH CARE)** | Revolving Loan[10] | Healthcare services | SOFR+6.50% (Floor 1.00%)/M, Current Coupon 10.87% | 8/19/2022 | 8/19/2027 | 167 | 159 | 167 |
| | First Lien | | SOFR+6.50% (Floor 1.00%)/M, Current Coupon 11.18% | 8/19/2022 | 8/19/2027 | 9,109 | 9,024 | 9,109 |
| | Second Lien | | 12.50% | 8/19/2022 | 2/19/2028 | 3,000 | 2,747 | 2,910 |
| | Warrants (Expiration - August 19, 2029) | | — | 8/19/2022 | — | — | 207 | 207 |
| | | | | | | | 12,137 | 12,393 |
| **PIPELINE TECHNIQUE LTD.[9]** | Revolving Loan[10] | Energy services (midstream) | SOFR+7.25% (Floor 1.00%) | 8/23/2022 | 8/19/2027 | — | (62) | — |
| | First Lien | | SOFR+7.25% (Floor 1.00%)/Q, Current Coupon 11.80% | 8/23/2022 | 8/19/2027 | 9,875 | 9,689 | 9,687 |
| | | | | | | | 9,627 | 9,687 |
| **RESEARCH NOW GROUP, INC.** | Second Lien | Business services | L+9.50% (Floor 1.00%)/S, Current Coupon 14.43% | 12/8/2017 | 12/20/2025 | 10,500 | 10,138 | 6,930 |
| **ROOF OPCO, LLC** | Revolving Loan[10] | Consumer services | SOFR+6.50% (Floor 1.00%)/Q, Current Coupon 10.97% | 8/27/2021 | 8/27/2026 | 1,222 | 1,178 | 1,190 |
| | First Lien | | SOFR+6.50% (Floor 1.00%)/Q, Current Coupon 10.32% | 8/27/2021 | 8/27/2026 | 21,633 | 21,251 | 21,071 |
| | 535,714.29 Class A Units[9,13] | | — | 9/23/2022 | — | — | 750 | 597 |
| | | | | | | | 23,179 | 22,858 |
| **RTIC SUBSIDIARY HOLDINGS, LLC** | Revolving Loan[10] | Consumer products & retail | SOFR+7.75% (Floor 1.25%)/M, Current Coupon 12.09% | 9/1/2020 | 9/1/2025 | 548 | 538 | 477 |
| | First Lien | | SOFR+7.75% (Floor 1.25%)/M, Current Coupon 11.97% | 9/1/2020 | 9/1/2025 | 6,666 | 6,616 | 5,799 |
| | | | | | | | 7,154 | 6,276 |

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| Portfolio Company[1,18] | Type of Investment[2] | Industry | Current Interest Rate[3] | Acquisition Date[14] | Maturity | Principal | Cost[12,17] | Fair Value[4] |
|---|---|---|---|---|---|---|---|---|
| **SCRIP INC.** | First Lien[8] | Healthcare products | L+11.06% (Floor 2.00%)/M, Current Coupon 15.45% | 3/21/2019 | 3/21/2024 | 16,750 | 16,606 | 16,415 |
| | 100 shares of common stock | | — | 3/21/2019 | — | — | 1,000 | 1,060 |
| | | | | | | | 17,606 | 17,475 |
| **SHEARWATER RESEARCH, INC.**[9] | Revolving Loan[10] | Consumer products & retail | L+6.25% (Floor 1.00%) | 4/30/2021 | 4/30/2026 | — | (33) | — |
| | First Lien | | L+6.25% (Floor 1.00%)/Q, Current Coupon 10.69% | 4/30/2021 | 4/30/2026 | 13,678 | 13,484 | 13,678 |
| | 1,200,000 Class A Preferred Units | | — | 4/30/2021 | — | — | 978 | 2,006 |
| | 40,000 Class A Common Units | | — | 4/30/2021 | — | — | 33 | 67 |
| | | | | | | | 14,462 | 15,751 |
| **SIB HOLDINGS, LLC** | Revolving Loan[10] | Business services | L+6.25% (Floor 1.00%)/M, Current Coupon 11.01% | 10/29/2021 | 10/29/2026 | 497 | 489 | 482 |
| | First Lien | | L+6.25% (Floor 1.00%)/M, Current Coupon 11.01% | 10/29/2021 | 10/29/2026 | 11,455 | 11,299 | 11,111 |
| | 238,095.24 Common Units[9,13] | | — | 10/29/2021 | — | — | 500 | 720 |
| | | | | | | | 12,288 | 12,313 |
| **SOUTH COAST TERMINALS, LLC** | Revolving Loan[10] | Specialty chemicals | L+5.25% (Floor 1.00%) | 12/13/2021 | 12/11/2026 | — | (30) | — |
| | First Lien | | L+5.25% (Floor 1.00%)/M, Current Coupon 9.60% | 12/13/2021 | 12/11/2026 | 17,884 | 17,589 | 17,884 |
| | | | | | | | 17,559 | 17,884 |
| **SPECTRUM OF HOPE, LLC** | First Lien | Healthcare services | L+7.50% (Floor 2.00%)/M, Current Coupon 11.25% | 9/6/2022 | 6/11/2024 | 17,192 | 16,901 | 16,865 |
| **SPOTLIGHT AR, LLC** | Revolving Loan[10] | Business services | L+6.75% (Floor 1.00%) | 12/8/2021 | 6/8/2026 | — | (31) | — |
| | First Lien | | L+6.75% (Floor 1.00%)/Q, Current Coupon 10.49% | 12/8/2021 | 6/8/2026 | 7,500 | 7,381 | 7,500 |
| | 750 Common Units[9,11,13] | | — | 12/8/2021 | — | — | 750 | 972 |
| | | | | | | | 8,100 | 8,472 |

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| Portfolio Company[1,18] | Type of Investment[2] | Industry | Current Interest Rate[3] | Acquisition Date[14] | Maturity | Principal | Cost[12,17] | Fair Value[4] |
|---|---|---|---|---|---|---|---|---|
| **SYSTEC CORPORATION (DBA INSPIRE AUTOMATION)** | Revolving Loan[10] | Business services | L+7.50% (Floor 1.00%)/Q, Current Coupon 11.59% | 8/13/2021 | 8/13/2025 | 500 | 474 | 495 |
| | First Lien | | L+7.50% (Floor 1.00%)/Q, Current Coupon 11.24% | 8/13/2021 | 8/13/2025 | 9,000 | 8,875 | 8,910 |
| | Delayed Draw Term Loan[10] | | L+7.50% (Floor 1.00%) | 8/13/2021 | 8/13/2025 | — | (20) | — |
| | | | | | | | 9,329 | 9,405 |
| **THE PRODUCTO GROUP, LLC** | First Lien | Industrial products | SOFR+9.00% (Floor 1.00%)/M, Current Coupon 13.44% | 12/31/2021 | 12/31/2026 | 17,655 | 17,339 | 17,655 |
| | 1,500,000 Class A units[9,13] | | — | 12/31/2021 | — | — | 1,500 | 4,732 |
| | | | | | | | 18,839 | 22,387 |
| **TRAFERA, LLC (FKA TRINITY 3, LLC)** | First Lien[15] | Technology products & components | L+7.75% (Floor 1.00%)/Q, Current Coupon 11.50% | 9/30/2020 | 9/30/2025 | 9,800 | 9,712 | 9,800 |
| | Unsecured convertible note[9] | | 10.00% PIK | 2/7/2022 | 3/31/2026 | 90 | 90 | 90 |
| | 896.43 Class A units[9,11,13] | | — | 11/15/2019 | — | — | 1,205 | 1,967 |
| | | | | | | | 11,007 | 11,857 |
| **US COURTSCRIPT HOLDINGS, INC.** | First Lien | Business services | SOFR+6.00% (Floor 1.00%)/Q, Current Coupon 9.82% | 5/17/2022 | 5/17/2027 | 6,800 | 6,693 | 6,800 |
| | Delayed Draw Term Loan[10] | | SOFR+6.00% (Floor 1.00%)/Q, Current Coupon 10.37% | 5/17/2022 | 5/17/2027 | 5,000 | 4,875 | 5,000 |
| | 1,000,000 Class D-3 LP Units[9,13] | | — | 5/17/2022 | — | — | 1,000 | 1,211 |
| | 211,862.61 Class D-4 LP Units[9,13] | | — | 10/31/2022 | — | — | 212 | 249 |
| | | | | | | | 12,780 | 13,260 |
| **USA DEBUSK, LLC** | First Lien | Industrial services | L+5.75% (Floor 1.00%)/M, Current Coupon 10.13% | 2/25/2020 | 9/8/2026 | 11,527 | 11,388 | 11,527 |
| **VERSICARE MANAGEMENT LLC** | Revolving Loan[10] | Healthcare services | SOFR+8.00% (Floor 1.00%) | 8/18/2022 | 8/18/2027 | — | (46) | — |
| | First Lien - Term Loan A | | SOFR+8.00% (Floor 1.00%)/Q, Current Coupon 11.82% | 8/18/2022 | 8/18/2027 | 13,500 | 13,245 | 13,243 |
| | Delayed Draw Term Loan[10] | | SOFR+8.00% (Floor 1.00%) | 8/18/2022 | 8/18/2027 | — | (46) | — |
| | | | | | | | 13,153 | 13,243 |

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| Portfolio Company[1,18] | Type of Investment[2] | Industry | Current Interest Rate[3] | Acquisition Date[14] | Maturity | Principal | Cost[12,17] | Fair Value[4] |
|---|---|---|---|---|---|---|---|---|
| **VISTAR MEDIA INC.** | 171,617 shares of Series A preferred stock[9,13] | Media & marketing | — | 4/3/2019 | — | — | 1,874 | 8,806 |
| **VTX HOLDINGS, INC. (DBA VERTEX ONE)** | 1,597,707 Series A Preferred units[9,13] | Software & IT services | — | 7/23/2019 | — | — | 1,598 | 2,436 |
| **WALL STREET PREP, INC.** | Revolving Loan[10] | Education | L+7.00% (Floor 1.00%) | 7/19/2021 | 7/20/2026 | — | (14) | — |
| | First Lien | | L+7.00% (Floor 1.00%)/Q, Current Coupon 10.74% | 7/19/2021 | 7/20/2026 | 10,656 | 10,494 | 10,656 |
| | 1,000,000 Class A-1 Preferred Shares | | — | 7/19/2021 | — | — | 1,000 | 1,205 |
| | | | | | | | 11,480 | 11,861 |
| **WELL-FOAM, INC.** | Revolving Loan[10] | Energy services (upstream) | L+8.50% (Floor 1.00%) | 9/9/2021 | 9/9/2026 | — | (69) | — |
| | First Lien | | L+8.50% (Floor 1.00%)/Q, Current Coupon 11.74% | 9/9/2021 | 9/9/2026 | 17,775 | 17,495 | 17,775 |
| | | | | | | | 17,426 | 17,775 |
| **WINTER SERVICES OPERATIONS, LLC** | Revolving Loan[10] | Business services | L+7.00% (Floor 1.00%) | 11/19/2021 | 11/19/2026 | — | (69) | — |
| | First Lien | | L+7.00% (Floor 1.00%)/Q, Current Coupon 10.74% | 11/19/2021 | 11/19/2026 | 20,000 | 19,675 | 20,000 |
| | Delayed Draw Term Loan[10] | | L+7.00% (Floor 1.00%) | 11/19/2021 | 11/19/2026 | — | (34) | — |
| | | | | | | | 19,572 | 20,000 |
| **ZENFOLIO INC.** | Revolving Loan | Business services | L+9.00% (Floor 1.00%)/Q, Current Coupon 12.74% | 7/17/2017 | 7/17/2023 | 2,000 | 1,998 | 1,930 |
| | First Lien | | L+9.00% (Floor 1.00%)/Q, Current Coupon 12.74% | 7/17/2017 | 7/17/2023 | 18,773 | 18,711 | 18,116 |
| | | | | | | | 20,709 | 20,046 |
| **ZIPS CAR WASH, LLC** | Delayed Draw Term Loan - A | Consumer services | SOFR+7.25% (Floor 1.00%)/M, Current Coupon 11.67% | 2/11/2022 | 3/1/2024 | 15,880 | 15,631 | 15,642 |
| | Delayed Draw Term Loan - B | | SOFR+7.25% (Floor 1.00%)/M, Current Coupon 11.67% | 2/11/2022 | 3/1/2024 | 3,980 | 3,919 | 3,920 |
| | | | | | | | 19,550 | 19,562 |
| | | | | | | | | |
| **Total Non-control/Non-affiliate Investments (165.4% of net assets at fair value)** | | | | | | | $ 907,535 | $ 929,089 |

**CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
**(Unaudited)**
December 31, 2022

| Portfolio Company[1,18] | Type of Investment[2] | Industry | Current Interest Rate[3] | Acquisition Date[14] | Maturity | Principal | Cost[12,17] | Fair Value[4] |
|---|---|---|---|---|---|---|---|---|
| **Affiliate Investments[6]** | | | | | | | | |
| **AIR CONDITIONING SPECIALIST, INC.** | Revolving Loan[10] | Consumer services | SOFR+7.25% (Floor 1.00%) | 11/9/2021 | 11/9/2026 | $ — | $ (15) | $ — |
| | First Lien | | SOFR+7.25% (Floor 1.00%)/Q, Current Coupon 11.34% | 11/9/2021 | 11/9/2026 | 25,101 | 24,650 | 25,101 |
| | 766,738.93 Preferred Units[9,13] | | — | 11/9/2021 | — | — | 809 | 1,202 |
| | | | | | | | 25,444 | 26,303 |
| **CATBIRD NYC, LLC** | Revolving Loan[10] | Consumer products & retail | L+7.00% (Floor 1.00%) | 10/15/2021 | 10/15/2026 | — | (61) | — |
| | First Lien | | L+7.00% (Floor 1.00%)/Q, Current Coupon 10.74% | 10/15/2021 | 10/15/2026 | 15,600 | 15,350 | 15,600 |
| | 1,000,000 Class A units[9,11,13] | | — | 10/15/2021 | — | — | 1,000 | 1,658 |
| | 500,000 Class B units[9,10,11,13] | | — | 10/15/2021 | — | — | 500 | 714 |
| | | | | | | | 16,789 | 17,972 |
| **CENTRAL MEDICAL SUPPLY LLC** | Revolving Loan[10] | Healthcare services | L+9.00% (Floor 1.75%)/Q, Current Coupon 12.74% | 5/22/2020 | 5/22/2025 | 300 | 286 | 293 |
| | First Lien | | L+9.00% (Floor 1.75%)/Q, Current Coupon 12.74% | 5/22/2020 | 5/22/2025 | 7,500 | 7,420 | 7,327 |
| | Delayed Draw Capex Term Loan[10] | | L+9.00% (Floor 1.75%)/Q, Current Coupon 12.74% | 5/22/2020 | 5/22/2025 | 100 | 85 | 98 |
| | 1,380,500 Preferred Units[9,13] | | — | 5/22/2020 | — | — | 976 | 357 |
| | | | | | | | 8,767 | 8,075 |
| **CHANDLER SIGNS, LLC** | 1,500,000 units of Class A-1 common stock[9,13] | Business services | — | 1/4/2016 | — | — | 1,500 | 2,893 |
| **DELPHI BEHAVIORAL HEALTH GROUP, LLC** | Protective Advance[16] | | L+16.70% PIK (Floor 1.00%)/Q, Current Coupon 21.06% | 8/31/2021 | 4/7/2023 | 1,448 | 1,448 | 1,086 |
| | First Lien[16] | Healthcare services | L+11.00% PIK (Floor 1.00%)/S, Current Coupon 15.74% | 4/8/2020 | 4/7/2023 | 1,649 | 1,649 | — |
| | First Lien[16] | | L+9.00% PIK (Floor 1.00%)/S, Current Coupon 14.13% | 4/8/2020 | 4/7/2023 | 1,829 | 1,829 | — |
| | 1,681.04 Common Units | | — | 4/8/2020 | — | — | 3,615 | — |
| | | | | | | | 8,541 | 1,086 |

**CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
**(Unaudited)**
December 31, 2022

| Portfolio Company[1,18] | Type of Investment[2] | Industry | Current Interest Rate[3] | Acquisition Date[14] | Maturity | Principal | Cost[12,17] | Fair Value[4] |
|---|---|---|---|---|---|---|---|---|
| **DYNAMIC COMMUNITIES, LLC** | First Lien - Term Loan A | Business services | SOFR+4.50% PIK (Floor 2.00%)/Q, Current Coupon 8.92% | 12/20/2022 | 12/31/2026 | 3,759 | 3,739 | 3,739 |
| | First Lien - Term Loan B | | SOFR+6.50% PIK (Floor 2.00%)/ Q, Current Coupon 10.92% | 12/20/2022 | 12/31/2026 | 3,761 | 3,739 | 3,739 |
| | 250,000 Class A Preferred Units[9,13] | | — | 12/20/2022 | — | — | 250 | 625 |
| | 5,435,211.03 Class B Preferred Units[9,13] | | — | 12/20/2022 | — | — | 2,218 | 2,218 |
| | 255,984.22 Class C Preferred Units[9,13] | | — | 12/20/2022 | — | — | — | — |
| | 2,500,000 Common units[9,13] | | — | 12/20/2022 | — | — | — | — |
| | | | | | | | 9,946 | 10,321 |
| **GRAMMATECH, INC.** | Revolving Loan[10] | Software & IT services | SOFR+9.50% (Floor 2.00%) | 11/1/2019 | 11/1/2024 | — | (16) | — |
| | First Lien | | SOFR+9.50% (Floor 2.00%)/Q, Current Coupon 13.21% | 11/1/2019 | 11/1/2024 | 10,031 | 9,957 | 9,028 |
| | 1,000 Class A units | | — | 11/1/2019 | — | — | 1,000 | 344 |
| | 247.54 Class A-1 units | | — | 1/10/2022 | — | — | 248 | 85 |
| | | | | | | | 11,189 | 9,457 |
| **ITA HOLDINGS GROUP, LLC** | Revolving Loan | Transportation & logistics | SOFR+9.00%, 1.00% PIK (Floor 1.00%)/Q, Current Coupon 13.84% | 2/14/2018 | 5/12/2023 | 7,000 | 6,941 | 7,000 |
| | First Lien - Term Loan | | SOFR+8.00%, 1.00% PIK (Floor 1.00%)/Q, Current Coupon 12.82% | 2/14/2018 | 5/12/2023 | 10,086 | 10,105 | 10,126 |
| | First Lien - Term B Loan | | SOFR+11.00%, 1.00% PIK (Floor 1.00%)/Q, Current Coupon 15.82% | 6/5/2018 | 5/12/2023 | 5,043 | 5,039 | 5,068 |
| | First Lien - PIK Note A | | 10.00% PIK | 3/29/2019 | 5/12/2023 | 3,189 | 3,151 | 3,123 |
| | First Lien - PIK Note B | | 10.00% PIK | 3/29/2019 | 5/12/2023 | 126 | 126 | 123 |
| | Warrants (Expiration - March 29, 2029)[9,13] | | — | 3/29/2019 | — | — | 538 | 3,855 |
| | 9.25% Class A Membership Interest[9,13] | | — | 2/14/2018 | — | — | 1,500 | 4,051 |
| | | | | | | | 27,400 | 33,346 |

**CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
**(Unaudited)**
December 31, 2022

| Portfolio Company[1,18] | Type of Investment[2] | Industry | Current Interest Rate[3] | Acquisition Date[14] | Maturity | Principal | Cost[12,17] | Fair Value[4] |
|---|---|---|---|---|---|---|---|---|
| **LIGHTING RETROFIT INTERNATIONAL, LLC (DBA ENVOCORE)** | Revolving Loan[10] | Environmental services | 7.50% | 12/31/2021 | 12/31/2025 | — | — | — |
| | First Lien | | 7.50% | 12/31/2021 | 12/31/2025 | 5,156 | 5,157 | 5,156 |
| | Second Lien[16] | | 10.00% PIK | 12/31/2021 | 12/31/2026 | 5,208 | 5,208 | 2,375 |
| | 208,333.3333 Series A Preferred units[9,13] | | — | 12/31/2021 | — | — | — | — |
| | 203,124.9999 Common units[9,13] | | — | 12/31/2021 | — | — | — | — |
| | | | | | | | 10,365 | 7,531 |
| **OUTERBOX, LLC** | Revolving Loan[10] | Media & marketing | SOFR+6.75% (Floor 1.00%) | 6/8/2022 | 6/8/2027 | — | (27) | — |
| | First Lien | | SOFR+6.75% (Floor 1.00%)/Q, Current Coupon 10.57% | 6/8/2022 | 6/8/2027 | 10,800 | 10,653 | 10,746 |
| | 5,000 Class A common units[9,13] | | — | 6/8/2022 | — | — | 500 | 500 |
| | | | | | | | 11,126 | 11,246 |
| **ROSELAND MANAGEMENT, LLC** | Revolving Loan[10] | Healthcare services | SOFR+8.00%,2.00% PIK (Floor 2.00%)/Q, Current Coupon 13.71% | 11/9/2018 | 11/9/2023 | 575 | 569 | 541 |
| | First Lien | | SOFR+8.00%, 2.00% PIK (Floor 2.00%)/Q, Current Coupon 13.71% | 11/9/2018 | 11/9/2023 | 14,557 | 14,499 | 13,698 |
| | 1,100 Class A-1 Units | | — | 9/26/2022 | — | — | 66 | 200 |
| | 16,084 Class A Units | | — | 11/9/2018 | — | — | 1,517 | 956 |
| | | | | | | | 16,651 | 15,395 |
| **SONOBI, INC.** | 500,000 Class A Common Units[9,13] | Media & marketing | — | 9/17/2020 | — | — | 500 | 2,021 |
| **STATINMED, LLC** | First Lien | Healthcare services | SOFR+9.50% PIK (Floor 2.00%)/M, Current Coupon 13.80% | 7/1/2022 | 7/1/2027 | 7,039 | 7,039 | 7,039 |
| | Delayed Draw Term Loan[10] | | SOFR+9.50% PIK (Floor 2.00%)/M, Current Coupon 13.94% | 12/23/2022 | 3/31/2023 | 119 | 117 | 119 |
| | 4,718.62 Class A Preferred Units | | — | 7/1/2022 | — | — | 4,838 | 4,624 |
| | 37,807.58 Class B Preferred Units | | — | 7/1/2022 | — | — | 1,400 | 1,339 |
| | | | | | | | 13,394 | 13,121 |

**CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
**(Unaudited)**
December 31, 2022

| Portfolio Company[1,18] | Type of Investment[2] | Industry | Current Interest Rate[3] | Acquisition Date[14] | Maturity | Principal | Cost[12,17] | Fair Value[4] |
|---|---|---|---|---|---|---|---|---|
| **STUDENT RESOURCE CENTER LLC** | First Lien | Education | 8.50% | 12/31/2022 | 12/30/2027 | 8,889 | 8,720 | 8,720 |
| | 10,502,487.46 Preferred Units | | — | 12/31/2022 | — | — | 5,845 | 5,845 |
| | 2,000,000.00 Preferred Units[9,13] | | — | 12/31/2022 | — | — | — | — |
| | | | | | | | 14,565 | 14,565 |
| | | | | | | | | |
| **Total Affiliate Investments (30.9% of net assets at fair value)** | | | | | | | $ 176,177 | $ 173,332 |
| | | | | | | | | |
| **Control Investments[7]** | | | | | | | | |
| **I-45 SLF LLC[9, 10, 11]** | 80% LLC equity interest | Multi-sector holdings | — | 10/20/2015 | — | — | $ 76,000 | $ 47,625 |
| **Total Control Investments (8.5% of net assets at fair value)** | | | | | | | $ 76,000 | $ 47,625 |
| | | | | | | | | |
| **TOTAL INVESTMENTS (204.8% of net assets at fair value)** | | | | | | | $ 1,159,712 | $ 1,150,046 |

1 All debt investments are income-producing, unless otherwise noted. Equity investments are non-income producing, unless otherwise noted.

2 All of the Company's investments and the investments of SBIC I (as defined below), unless otherwise noted, are pledged as collateral for the Company's senior secured credit facility or in support of the SBA-guaranteed debentures to be issued by Capital Southwest SBIC I, LP, our wholly-owned subsidiary that operates as a small business investment company ("SBIC I"), respectively.

3 The majority of investments bear interest at a rate that may be determined by reference to Secured Overnight Financing Rate ("SOFR"), London Interbank Offered Rate ("LIBOR" or "L"), or Prime ("P") and reset daily (D), monthly (M), quarterly (Q), or semiannually (S). For each investment, the Company has provided the spread over SOFR, LIBOR or Prime and the current contractual interest rate in effect at December 31, 2022. Certain investments are subject to an interest rate floor. Certain investments, as noted, accrue payment-in-kind ("PIK") interest.

4 The Company's investment portfolio is comprised entirely of debt and equity securities of privately held companies for which quoted prices falling within the categories of Level 1 and Level 2 inputs are not readily available. Therefore, the Company values all of its portfolio investments at fair value, as determined in good faith by the Board of Directors, using significant unobservable Level 3 inputs. Refer to Note 4 - Fair Value Measurements for further discussion.

5 Non-Control/Non-Affiliate investments are generally defined by the Investment Company Act of 1940, as amended (the "1940 Act"), as investments that are neither control investments nor affiliate investments. At December 31, 2022, approximately 80.8% of the Company's investment assets were non-control/non-affiliate investments. The fair value of these investments as a percent of net assets is 165.4%.

6 Affiliate investments are generally defined by the 1940 Act as investments in which between 5% and 25% of the voting securities are owned and the investments are not classified as control investments. At December 31, 2022, approximately 15.1% of the Company's investment assets were affiliate investments. The fair value of these investments as a percent of net assets is 30.9%.

[7] Control investments are generally defined by the 1940 Act as investments in which more than 25% of the voting securities are owned. At December 31, 2022, approximately 4.1% of the Company’s investment assets were control investments. The fair value of these investments as a percent of net assets is 8.5%.

[8] The investment is structured as a first lien last out term loan.

[9] Indicates assets that are not considered "qualifying assets" under Section 55(a) of the 1940 Act. Qualifying assets must represent at least 70% of total assets at the time of acquisition of any additional non-qualifying assets. As of December 31, 2022, approximately 13.5% of the Company's assets were non-qualifying assets.

[10] The investment has an unfunded commitment as of December 31, 2022. Refer to Note 10 - Commitments and Contingencies for further discussion.

[11] Income producing through dividends or distributions.

[12] As of December 31, 2022, the cumulative gross unrealized appreciation for U.S. federal income tax purposes was approximately $66.9 million; cumulative gross unrealized depreciation for federal income tax purposes was $66.7 million. Cumulative net unrealized appreciation was $0.2 million, based on a tax cost of $1,150.6 million.

[13] Investment is held through a wholly-owned taxable subsidiary.

[14] The Company generally acquires its investments in private transactions exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"). These investments, which as of December 31, 2022 represented 204.8% of the Company's net assets or 95.7% of the Company's total assets, are generally subject to certain limitations on resale, and may be deemed "restricted securities" under the Securities Act.

[15] The investment is structured as a split lien term loan, which provides the Company with a first lien priority on certain assets of the obligor and a second lien priority on different assets of the obligor.

[16] Investment is on non-accrual status as of December 31, 2022, meaning the Company has ceased to recognize interest income on the investment.

[17] Negative cost in this column represents the original issue discount of certain undrawn revolvers and delayed draw term loans.

[18] Equity ownership may be held in shares or units of a company that is either wholly owned by the portfolio company or under common control by the same parent company to the portfolio company.

[19] The investment is structured as a first lien first out term loan.

A brief description of the portfolio company in which we made an investment that represents greater than 5% of our total assets as of December 31, 2022 is included in Note 13 - Significant Subsidiaries.

The accompanying Notes are an integral part of these Consolidated Financial Statements.

**CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
March 31, 2022

| Portfolio Company[1,18] | Type of Investment[2] | Industry | Current Interest Rate[3] | Acquisition Date[14] | Maturity | Principal | Cost[12,17] | Fair Value[4] |
|---|---|---|---|---|---|---|---|---|
| **Non-control/Non-affiliate Investments[5]** | | | | | | | | |
| **AAC NEW HOLDCO INC.** | First Lien | Healthcare services | 10.00%, 8.00% PIK | 12/11/2020 | 6/25/2025 | $ 8,653 | $ 8,653 | $ 8,350 |
| | 374,543 Common | | — | 12/11/2020 | — | — | 1,785 | 1,785 |
| | Warrants (Expiration - December 11, 2025) | | — | 12/11/2020 | — | — | 2,198 | 2,198 |
| | | | | | | | 12,636 | 12,333 |
| **ACCELERATION PARTNERS, LLC** | First Lien[8] | Media & marketing | L+8.17% (Floor 1.00%)/Q, Current Coupon 9.17% | 12/1/2020 | 12/1/2025 | 11,875 | 11,600 | 11,875 |
| | 1,000 Preferred Units[9,13] | | — | 12/1/2020 | — | — | 1,000 | 1,153 |
| | 1,000 Class A Common Units[9,13] | | — | 12/1/2020 | — | — | — | — |
| | | | | | | | 12,600 | 13,028 |
| **ACE GATHERING, INC.** | Second Lien[15] | Energy services (midstream) | L+8.50% (Floor 2.00%)/Q, Current Coupon 10.50% | 12/13/2018 | 12/13/2023 | 7,948 | 7,881 | 7,765 |
| **ALLIANCE SPORTS GROUP, L.P.** | Unsecured convertible note | Consumer products & retail | 6.00% PIK | 7/15/2020 | 9/30/2024 | 173 | 173 | 495 |
| | 3.88% preferred membership interest | | — | 8/1/2017 | — | — | 2,500 | 3,681 |
| | | | | | | | 2,673 | 4,176 |
| **AMERICAN NUTS OPERATIONS LLC** | First Lien - Term Loan A | Food, agriculture and beverage | SOFR+6.75% (Floor 1.00%)/Q, Current Coupon 7.75% | 3/11/2022 | 4/10/2026 | 12,450 | 12,388 | 12,450 |
| | First Lien - Term Loan B | | SOFR+8.75% (Floor 1.00%)/Q, Current Coupon 9.75% | 3/11/2022 | 4/10/2026 | 12,450 | 12,388 | 12,450 |
| | 3,000,000 units of Class A common stock[9,13] | | — | 4/10/2018 | — | — | 3,000 | 4,195 |
| | | | | | | | 27,776 | 29,095 |
| **AMERICAN TELECONFERENCING SERVICES, LTD. (DBA PREMIERE GLOBAL SERVICES, INC.)** | Revolving Loan[10,16] | Telecommunications | P+5.50%/Q, Current Coupon 9.00% | 9/17/2021 | 6/30/2022 | 899 | 890 | 49 |
| | First Lien[16] | | P+5.50%/Q, Current Coupon 9.00% | 9/21/2016 | 6/8/2023 | 4,899 | 4,858 | 269 |
| | | | | | | | 5,748 | 318 |
| **AMWARE FULFILLMENT LLC** | First Lien | Distribution | L+9.00% (Floor 1.00%)/M, Current Coupon 10.00% | 07/29/2016 | 4/15/2022 | 16,376 | 16,375 | 16,376 |

**CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
March 31, 2022

| Portfolio Company[1,18] | Type of Investment[2] | Industry | Current Interest Rate[3] | Acquisition Date[14] | Maturity | Principal | Cost[12,17] | Fair Value[4] |
|---|---|---|---|---|---|---|---|---|
| **ARBORWORKS, LLC** | Revolving Loan[10] | Environmental services | L+7.00% (Floor 1.00%) | 11/17/2021 | 11/9/2026 | — | (56) | — |
| | First Lien | | L+7.00% (Floor 1.00%)/Q, Current Coupon 8.00% | 11/17/2021 | 11/9/2026 | 12,903 | 12,660 | 12,657 |
| | 100 Class A Units | | — | 11/17/2021 | — | — | 100 | 100 |
| | | | | | | | 12,704 | 12,757 |
| **ASC ORTHO MANAGEMENT COMPANY, LLC** | 2,156 Common Units[9,13] | Healthcare services | — | 8/31/2018 | — | — | 801 | 584 |
| **ATS OPERATING, LLC** | Revolving Loan[10] | Consumer products & retail | SOFR+6.50% (Floor 1.00%)/Q, Current Coupon 7.50% | 1/18/2022 | 1/18/2027 | 1,000 | 952 | 952 |
| | First Lien - Term Loan A | | SOFR+5.50% (Floor 1.00%)/Q, Current Coupon 6.50% | 1/18/2022 | 1/18/2027 | 9,250 | 9,071 | 9,071 |
| | First Lien - Term Loan B | | SOFR+7.50% (Floor 1.00%)/Q, Current Coupon 8.50% | 1/18/2022 | 1/18/2027 | 9,250 | 9,071 | 9,071 |
| | 1,000,000 Preferred units[9,13] | | — | 1/18/2022 | — | — | 1,000 | 1,000 |
| | | | | | | | 20,094 | 20,094 |
| **BINSWANGER HOLDING CORP.** | First Lien | Distribution | L+8.50% (Floor 1.00%)/M, Current Coupon 9.50% | 3/9/2017 | 3/10/2023 | 10,121 | 10,105 | 10,121 |
| | 900,000 shares of common stock | | — | 3/9/2017 | — | — | 900 | 924 |
| | | | | | | | 11,005 | 11,045 |
| **BLASCHAK ANTHRACITE CORPORATION (FKA BLASCHAK COAL CORP.)** | Second Lien- Term Loan[15] | Commodities & mining | L+11.00%, 3.00% PIK (Floor 1.00%)/Q, Current Coupon 15.00% | 7/30/2018 | 7/30/2023 | 9,064 | 9,005 | 8,793 |
| | Second Lien- Term Loan B[15] | | L+11.00%, 3.00% PIK (Floor 1.00%)/Q, Current Coupon 15.00% | 3/30/2020 | 7/30/2023 | 2,149 | 2,130 | 2,084 |
| | | | | | | | 11,135 | 10,877 |
| **BROAD SKY NETWORKS LLC (DBA EPIC IO TECHNOLOGIES)** | 1,131,579 Series A Preferred units | Telecommunications | — | 12/11/2020 | — | — | 1,132 | 1,420 |
| **CADMIUM, LLC** | Revolving Loan[10] | Software & IT services | L+7.00% (Floor 1.00%)/Q, Current Coupon 8.00% | 1/7/2022 | 12/22/2026 | 308 | 302 | 302 |
| | First Lien | | L+7.00% (Floor 1.00%)/Q, Current Coupon 8.00% | 1/7/2022 | 12/22/2026 | 7,385 | 7,313 | 7,314 |
| | | | | | | | 7,615 | 7,616 |

**CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
March 31, 2022

| Portfolio Company[1,18] | Type of Investment[2] | Industry | Current Interest Rate[3] | Acquisition Date[14] | Maturity | Principal | Cost[12,17] | Fair Value[4] |
|---|---|---|---|---|---|---|---|---|
| **CALIFORNIA PIZZA KITCHEN, INC.** | 48,423 shares of common stock | Restaurants | — | 11/23/2020 | — | — | 1,317 | 2,090 |
| **CAMIN CARGO CONTROL, INC.** | First Lien | Energy services (midstream) | L+6.50% (Floor 1.00%)/Q, Current Coupon 7.50% | 6/2/2021 | 6/4/2026 | 5,752 | 5,702 | 5,700 |
| **CITYVET, INC.** | Delayed Draw Term Loan[10] | Healthcare services | L+6.50% (Floor 1.00%)/Q, Current Coupon 7.50% | 3/5/2021 | 3/5/2026 | 13,000 | 12,656 | 13,247 |
| | 271,739 Class A units[9,13] | | — | 3/5/2021 | — | — | 500 | 1,757 |
| | | | | | | | 13,156 | 15,004 |
| **CRAFTY APES, LLC[8]** | First Lien | Media & marketing | L+6.21% (Floor 1.00%)/Q, Current Coupon 7.21% | 6/9/2021 | 11/1/2024 | 10,000 | 9,921 | 10,000 |
| **DUNN PAPER, INC.** | Second Lien | Paper & forest products | L+9.25% (Floor 1.00%)/M, Current Coupon 10.25% | 9/28/2016 | 8/26/2023 | 3,000 | 2,984 | 2,208 |
| **EVEREST TRANSPORTATION SYSTEMS, LLC** | First Lien | Transportation & logistics | L+8.00% (Floor 1.00%)/M, Current Coupon 9.00% | 11/9/2021 | 8/26/2026 | 8,938 | 8,853 | 8,848 |
| **FAST SANDWICH, LLC** | Revolving Loan[10] | Restaurants | L+9.00% (Floor 1.00%) | 5/24/2018 | 5/23/2023 | — | (22) | — |
| | First Lien | | L+9.00% (Floor 1.00%)/Q,Current Coupon 10.00% | 5/24/2018 | 5/23/2023 | 3,277 | 3,262 | 3,277 |
| | | | | | | | 3,240 | 3,277 |
| **FLIP ELECTRONICS, LLC** | First Lien | Technology products & components | SOFR+7.50% (Floor 1.00%)/M, Current Coupon 8.50% | 1/4/2021 | 1/2/2026 | 17,755 | 17,443 | 17,755 |
| | Delayed Draw Term Loan[10] | | SOFR+7.50% (Floor 1.00%) | 3/24/2022 | 1/2/2026 | — | (56) | — |
| | 2,000,000 Common Units[9,11,13] | | — | 1/4/2021 | — | — | 2,000 | 6,373 |
| | | | | | | | 19,387 | 24,128 |
| **FOOD PHARMA SUBSIDIARY HOLDINGS, LLC** | First Lien | Food, agriculture & beverage | L+6.50% (Floor 1.00%)/M, Current Coupon 7.50% | 6/1/2021 | 6/1/2026 | 5,000 | 4,914 | 5,000 |
| | Delayed Draw Term Loan[10] | | L+6.50% (Floor 1.00%)/M, Current Coupon 7.50% | 6/1/2021 | 6/1/2026 | 2,030 | 1,971 | 2,030 |
| | 75,000 Class A Units[9,13] | | — | 6/1/2021 | — | — | 750 | 750 |
| | | | | | | | 7,635 | 7,780 |

**CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES**
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March 31, 2022

| Portfolio Company[1,18] | Type of Investment[2] | Industry | Current Interest Rate[3] | Acquisition Date[14] | Maturity | Principal | Cost[12,17] | Fair Value[4] |
|---|---|---|---|---|---|---|---|---|
| **GS OPERATING, LLC** | Revolving Loan[10] | Distribution | SOFR+6.00%(Floor 0.75%)/M, Current Coupon 6.75% | 1/3/2022 | 1/3/2028 | 183 | 150 | 187 |
| | First Lien | | SOFR+6.00%(Floor 0.75%)/M, Current Coupon 6.75% | 1/3/2022 | 1/3/2028 | 8,534 | 8,367 | 8,704 |
| | Delayed Draw Term Loan[10] | | SOFR+6.00%(Floor 0.75%)/M, Current Coupon 6.75% | 1/3/2022 | 1/3/2028 | 2,516 | 2,406 | 2,566 |
| | | | | | | | 10,923 | 11,457 |
| **HYBRID APPAREL, LLC** | Second Lien[15] | Consumer products & retail | L+8.25% (Floor 1.00%)/Q, Current Coupon 9.25% | 6/30/2021 | 6/30/2026 | 15,750 | 15,473 | 15,246 |
| **INFOLINKS MEDIA BUYCO, LLC** | First Lien | Media & marketing | L+6.00% (Floor 1.00%)/M, Current Coupon 7.01% | 11/1/2021 | 10/30/2026 | 7,731 | 7,587 | 7,615 |
| | Delayed Draw Term Loan[10] | | L+6.00% (Floor 1.00%) | 11/1/2021 | 10/30/2026 | — | (21) | — |
| | 1.68% LP interest[9,10,13] | | — | 10/29/2021 | — | — | 588 | 588 |
| | | | | | | | 8,154 | 8,203 |
| **ISI ENTERPRISES, LLC** | Revolving Loan[10] | Software & IT services | L+7.00% (Floor 1.00%)/Q, Current Coupon 8.00% | 10/1/2021 | 10/1/2026 | 800 | 764 | 800 |
| | First Lien | | L+7.00% (Floor 1.00%)/Q, Current Coupon 8.00% | 10/1/2021 | 10/1/2026 | 5,000 | 4,908 | 5,000 |
| | 1,000,000 Series A Preferred units | | — | 10/1/2021 | — | — | 1,000 | 1,000 |
| | | | | | | | 6,672 | 6,800 |
| **JVMC HOLDINGS CORP.** | First Lien | Financial services | L+7.00% (Floor 1.00%)/M, Current Coupon 8.00% | 2/28/2019 | 2/28/2024 | 6,589 | 6,558 | 6,589 |
| **KLEIN HERSH, LLC** | Revolving Loan[10] | Business services | L+7.00% (Floor 0.75%) | 11/13/2020 | 11/13/2025 | — | (13) | — |
| | First Lien | | L+7.00% (Floor 0.75%)/Q, Current Coupon 7.85% | 11/13/2020 | 11/13/2025 | 23,821 | 23,415 | 24,298 |
| | | | | | | | 23,402 | 24,298 |
| **KMS, LLC** | First Lien[15] | Distribution | L+7.25% (Floor 1.00%)/Q, Current Coupon 8.25% | 10/4/2021 | 10/2/2026 | 15,920 | 15,773 | 15,920 |
| | Delayed Draw Term Loan[10] | | L+7.25% (Floor 1.00%) | 10/4/2021 | 10/2/2026 | — | (41) | — |
| | | | | | | | 15,732 | 15,920 |

**CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
March 31, 2022

| Portfolio Company[1,18] | Type of Investment[2] | Industry | Current Interest Rate[3] | Acquisition Date[14] | Maturity | Principal | Cost[12,17] | Fair Value[4] |
|---|---|---|---|---|---|---|---|---|
| **LASH OPCO, LLC** | Revolving Loan[10] | Consumer products & retail | L+7.00% (Floor 1.00%) | 12/29/2021 | 9/18/2025 | — | (10) | — |
| | First Lien | | L+7.00% (Floor 1.00%)/M, Current Coupon 8.01% | 12/29/2021 | 3/18/2026 | 6,484 | 6,345 | 6,341 |
| | Delayed Draw Term Loan[10] | | L+7.00% (Floor 1.00%)/M, Current Coupon 8.01% | 12/29/2021 | 3/18/2026 | 4,154 | 4,034 | 4,063 |
| | | | | | | | 10,369 | 10,404 |
| **LGM PHARMA, LLC** | First Lien | Healthcare products | L+8.50% (Floor 1.00%), 2.00% PIK/Q, Current Coupon 11.50% | 11/15/2017 | 11/15/2023 | 11,422 | 11,346 | 10,851 |
| | Delayed Draw Term Loan | | L+10.00% (Floor 1.00%), 2.00% PIK/Q, Current Coupon 13.00% | 7/24/2020 | 11/15/2023 | 2,488 | 2,463 | 2,388 |
| | Unsecured convertible note[9,13] | | 25.00% PIK | 12/21/2021 | 12/31/2024 | 88 | 88 | 88 |
| | 142,278.89 units of Class A common stock[9,13] | | — | 11/15/2017 | — | — | 1,600 | 376 |
| | | | | | | | 15,497 | 13,703 |
| **LLFLEX, LLC** | First Lien[15] | Containers & packaging | L+9.00% (Floor 1.00%)/Q, Current Coupon 10.00% | 8/16/2021 | 8/14/2026 | 10,945 | 10,723 | 10,671 |
| **MAKO STEEL LP** | Revolving Loan[10] | Business services | L+7.25% (Floor (0.75%)/Q, Current Coupon 8.23% | 3/15/2021 | 3/13/2026 | 943 | 913 | 910 |
| | First Lien | | L+7.25% (Floor (0.75%)/Q, Current Coupon 8.38% | 3/15/2021 | 3/13/2026 | 8,032 | 7,900 | 7,751 |
| | | | | | | | 8,813 | 8,661 |
| **MERCURY ACQUISITION 2021, LLC (DBA TELE-TOWN HALL)** | First Lien | Telecommunications | L+8.00% (Floor 1.00%)/Q, Current Coupon 9.00% | 12/6/2021 | 12/7/2026 | 12,469 | 12,232 | 12,232 |
| | Second Lien | | L+11.00% (Floor 1.00%)/Q, Current Coupon 12.00% | 12/6/2021 | 12/7/2026 | 3,292 | 3,229 | 3,229 |
| | 2,089,599 Series A units[9,13] | | — | 12/6/2021 | — | — | — | 1,536 |
| | | | | | | | 15,461 | 16,997 |

**CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
March 31, 2022

| Portfolio Company[1,18] | Type of Investment[2] | Industry | Current Interest Rate[3] | Acquisition Date[14] | Maturity | Principal | Cost[12,17] | Fair Value[4] |
|---|---|---|---|---|---|---|---|---|
| **MUENSTER MILLING COMPANY, LLC** | Revolving Loan[10] | Food, agriculture & beverage | L+7.25%(Floor 1.00%) | 8/10/2021 | 8/10/2026 | — | (87) | — |
| | First Lien | | L+7.25% (Floor 1.00%)/Q, Current Coupon 8.25% | 8/10/2021 | 8/10/2026 | 12,000 | 11,785 | 12,000 |
| | Delayed Draw Term Loan[10] | | L+7.25% (Floor 1.00%) | 8/10/2021 | 8/10/2026 | — | (52) | — |
| | | | | | | | 11,646 | 12,000 |
| **NATIONAL CREDIT CARE, LLC** | First Lien - Term Loan A | Consumer services | L+6.50% (Floor 1.00%)/Q, Current Coupon 7.50% | 12/23/2021 | 12/23/2026 | 11,250 | 11,035 | 11,171 |
| | First Lien - Term Loan B | | L+7.50% (Floor 1.00%)/Q, Current Coupon 8.50% | 12/23/2021 | 12/23/2026 | 11,250 | 11,035 | 11,171 |
| | 191,049.33 Class A-3 Preferred units[9,13] | | — | 3/17/2022 | — | — | 2,000 | 2,000 |
| | | | | | | | 24,070 | 24,342 |
| **NEUROPSYCHIATRIC HOSPITALS, LLC** | Revolving Loan[10] | Healthcare services | L+8.00% (Floor 1.00%)/Q, Current Coupon 9.00% | 5/14/2021 | 5/14/2026 | 4,400 | 4,317 | 4,299 |
| | First Lien | | L+8.00%(Floor 1.00%)/Q, Current Coupon 9.00% | 5/14/2021 | 5/14/2026 | 14,913 | 14,657 | 14,569 |
| | Delayed Draw Term Loan[10] | | L+8.00% (Floor 1.00%) | 5/14/2021 | 5/14/2026 | — | (82) | — |
| | | | | | | | 18,892 | 18,868 |
| **NINJATRADER, INC.** | Revolving Loan[10] | Financial services | L+6.25% (Floor 1.00%) | 12/18/2019 | 12/18/2024 | — | (4) | — |
| | First Lien | | L+6.25%(Floor 1.00%)/Q, Current Coupon 7.25% | 12/18/2019 | 12/18/2024 | 23,150 | 22,719 | 23,150 |
| | Delayed Draw Term Loan[10] | | L+6.25% (Floor 1.00%) | 12/31/2020 | 12/18/2024 | — | (45) | — |
| | 2,000,000 Preferred Units[9,11,13] | | — | 12/18/2019 | — | — | 2,000 | 9,566 |
| | | | | | | | 24,670 | 32,716 |
| **NWN PARENT HOLDINGS, LLC** | Revolving Loan[10] | Software & IT services | L+6.50% (Floor 1.00%)/Q, Current Coupon 7.50% | 5/7/2021 | 5/7/2026 | 420 | 390 | 412 |
| | First Lien | | L+6.50% (Floor 1.00%)/Q, Current Coupon 7.50% | 5/7/2021 | 5/7/2026 | 13,066 | 12,844 | 12,818 |
| | | | | | | | 13,234 | 13,230 |
| **RESEARCH NOW GROUP, INC.** | Second Lien | Business services | L+9.50% (Floor 1.00%)/M, Current Coupon 10.50% | 12/8/2017 | 12/20/2025 | 10,500 | 10,066 | 10,217 |

**CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES**
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| Portfolio Company[1,18] | Type of Investment[2] | Industry | Current Interest Rate[3] | Acquisition Date[14] | Maturity | Principal | Cost[12,17] | Fair Value[4] |
|---|---|---|---|---|---|---|---|---|
| **ROOF OPCO, LLC** | Revolving Loan[10] | Consumer services | L+6.00%(Floor 1.00%) | 8/27/2021 | 8/27/2026 | — | (53) | — |
| | First Lien | | L+6.00% (Floor 1.00%)/Q, Current Coupon 7.00% | 8/27/2021 | 8/27/2026 | 11,000 | 10,802 | 10,791 |
| | Delayed Draw Term Loan[10] | | L+6.00% (Floor 1.00%)/Q, Current Coupon 7.00% | 8/27/2021 | 8/27/2026 | 7,578 | 7,394 | 7,578 |
| | | | | | | | 18,143 | 18,369 |
| **RTIC SUBSIDIARY HOLDINGS, LLC** | Revolving Loan | Consumer products & retail | L+7.75% (Floor 1.25%)/Q, Current Coupon 9.00% | 9/1/2020 | 9/1/2025 | 1,370 | 1,357 | 1,370 |
| | First Lien | | L+7.75% (Floor 1.25%)/Q, Current Coupon 9.00% | 9/1/2020 | 9/1/2025 | 6,933 | 6,870 | 6,933 |
| | | | | | | | 8,227 | 8,303 |
| **SCRIP, INC.** | First Lien[8] | Healthcare products | L+9.43% (Floor 2.00%)/M, Current Coupon 11.43% | 3/21/2019 | 3/21/2024 | 16,750 | 16,521 | 16,750 |
| | 100 shares of common stock | | — | 3/21/2019 | — | — | 1,000 | 1,601 |
| | | | | | | | 17,521 | 18,351 |
| **SHEARWATER RESEARCH, INC.[9]** | Revolving Loan[10] | Consumer products & retail | L+6.25% (Floor 1.00%) | 4/30/2021 | 4/30/2026 | — | (40) | — |
| | First Lien | | L+6.25% (Floor 1.00%)/Q, Current Coupon 7.25% | 4/30/2021 | 4/30/2026 | 13,794 | 13,561 | 13,545 |
| | Delayed Draw Term Loan[10] | | L+6.25% (Floor 1.00%) | 4/30/2021 | 4/30/2026 | — | (27) | — |
| | 1,200,000 Class A Preferred Units | | — | 4/30/2021 | — | — | 978 | 979 |
| | 40,000 Class A Common Units | | — | 4/30/2021 | — | — | 33 | 33 |
| | | | | | | | 14,505 | 14,557 |
| **SIB HOLDINGS, LLC** | Revolving Loan[10] | Business services | L+6.00% (Floor 1.00%)/M, Current Coupon 7.00% | 10/29/2021 | 10/29/2026 | 47 | 37 | 46 |
| | First Lien | | L+6.00% (Floor 1.00%)/M, Current Coupon 7.00% | 10/29/2021 | 10/29/2026 | 7,427 | 7,324 | 7,323 |
| | Delayed Draw Term Loan[10] | | L+6.00% (Floor 1.00%) | 10/29/2021 | 10/29/2026 | — | (9) | — |
| | 238,095.24 Common Units[9,13] | | — | 10/29/2021 | — | — | 500 | 500 |
| | | | | | | | 7,852 | 7,869 |

**CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES**
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March 31, 2022

| Portfolio Company[1,18] | Type of Investment[2] | Industry | Current Interest Rate[3] | Acquisition Date[14] | Maturity | Principal | Cost[12,17] | Fair Value[4] |
|---|---|---|---|---|---|---|---|---|
| **SOUTH COAST TERMINALS, LLC** | Revolving Loan[10] | Specialty chemicals | L+6.25%(Floor 1.00%) | 12/13/2021 | 12/11/2026 | — | (36) | — |
| | First Lien | | L+6.25% (Floor 1.00%)/M, Current Coupon 7.25% | 12/13/2021 | 12/11/2026 | 18,019 | 17,676 | 17,749 |
| | | | | | | | 17,640 | 17,749 |
| **SPOTLIGHT AR, LLC** | Revolving Loan[10] | Business services | L+7.00% (Floor 1.00%) | 12/8/2021 | 6/8/2026 | — | (37) | — |
| | First Lien | | L+7.00% (Floor 1.00%)/Q, Current Coupon 8.00% | 12/8/2021 | 6/8/2026 | 7,500 | 7,359 | 7,358 |
| | 750 Common Units[9,13] | | — | 12/8/2021 | — | — | 750 | 750 |
| | | | | | | | 8,072 | 8,108 |
| **STUDENT RESOURCE CENTER LLC** | Revolving Loan[10] | Education | L+8.00% (Floor 1.00%) | 6/25/2021 | 6/25/2026 | — | (23) | — |
| | First Lien | | L+8.00% (Floor 1.00%)/Q, Current Coupon 9.01% | 6/25/2021 | 6/25/2026 | 18,823 | 18,489 | 18,597 |
| | 2,000 Preferred Units[9,13] | | — | 6/25/2021 | — | — | 2,000 | 1,819 |
| | | | | | | | 20,466 | 20,416 |
| **SYSTEC CORPORATION (DBA INSPIRE AUTOMATION)** | Revolving Loan[10] | Business services | L+7.50% (Floor 1.00%)/Q, Current Coupon 8.50% | 8/13/2021 | 8/13/2025 | 850 | 816 | 833 |
| | First Lien | | L+7.50% (Floor 1.00%)/Q, Current Coupon 8.50% | 8/13/2021 | 8/13/2025 | 9,000 | 8,844 | 8,820 |
| | Delayed Draw Term Loan[10] | | L+7.50% (Floor 1.00%) | 8/13/2021 | 8/13/2025 | — | (25) | — |
| | | | | | | | 9,635 | 9,653 |
| **THE PRODUCTO GROUP, LLC** | First Lien | Industrial products | L+9.00% (Floor 1.00%)/Q, Current Coupon 10.00% | 12/31/2021 | 12/31/2026 | 12,644 | 12,401 | 12,391 |
| | 1,500,000 Class A units[9,13] | | — | 12/31/2021 | — | — | 1,500 | 1,500 |
| | | | | | | | 13,901 | 13,891 |
| **TRAFERA, LLC (FKA TRINITY 3, LLC)** | First Lien[15] | Technology products & components | L+7.75%(Floor 1.00%)/Q, Current Coupon 8.75% | 9/30/2020 | 9/30/2025 | 9,875 | 9,764 | 9,835 |
| | Unsecured convertible note[9,13] | | 10.00% PIK | 2/7/2022 | 3/31/2026 | 84 | 84 | 84 |
| | 896.43 Class A units[9,11,13] | | — | 11/15/2019 | — | — | 1,205 | 3,000 |
| | | | | | | | 11,053 | 12,919 |
| **USA DEBUSK, LLC** | First Lien | Industrial services | L+5.75% (Floor 1.00%)/M, Current Coupon 6.75% | 2/25/2020 | 9/8/2026 | 11,614 | 11,451 | 11,614 |

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| Portfolio Company[1,18] | Type of Investment[2] | Industry | Current Interest Rate[3] | Acquisition Date[14] | Maturity | Principal | Cost[12,17] | Fair Value[4] |
|---|---|---|---|---|---|---|---|---|
| **VISTAR MEDIA INC.** | 171,617 shares of Series A preferred stock | Media & marketing | — | 4/3/2019 | — | — | 1,874 | 9,273 |
| **VTX HOLDINGS, INC. (DBA VERTEX ONE)** | 1,597,707 Series A Preferred units | Software & IT services | — | 7/23/2019 | — | — | 1,598 | 2,082 |
| **WALL STREET PREP, INC.** | Revolving Loan[10] | Education | L+7.00% (Floor 1.00%) | 7/19/2021 | 7/20/2026 | — | (17) | — |
| | First Lien | | L+7.00% (Floor 1.00%)/Q, Current Coupon 8.00% | 7/19/2021 | 7/20/2026 | 10,863 | 10,670 | 10,656 |
| | 1,000,000 Class A-1 Preferred Shares | | — | 7/19/2021 | — | — | 1,000 | 1,000 |
| | | | | | | | 11,653 | 11,656 |
| **WELL-FOAM, INC.** | Revolving Loan[10] | Energy services (upstream) | L+8.50% (Floor 1.00%) | 9/9/2021 | 9/9/2026 | — | (83) | — |
| | First Lien | | L+8.50% (Floor 1.00%)/Q, Current Coupon 9.50% | 9/9/2021 | 9/9/2026 | 17,910 | 17,583 | 17,910 |
| | | | | | | | 17,500 | 17,910 |
| **WINTER SERVICES OPERATIONS, LLC** | Revolving Loan[10] | Business services | L+7.00% (Floor 1.00%)/Q, Current Coupon 8.00% | 11/19/2021 | 11/19/2026 | 2,444 | 2,362 | 2,386 |
| | First Lien | | L+7.00% (Floor 1.00%)/Q, Current Coupon 8.00% | 11/19/2021 | 11/19/2026 | 20,000 | 19,624 | 19,520 |
| | Delayed Draw Term Loan[10] | | L+7.00% (Floor 1.00%) | 11/19/2021 | 11/19/2026 | — | (41) | — |
| | | | | | | | 21,945 | 21,906 |
| **ZENFOLIO INC.** | Revolving Loan[10] | Business services | L+9.00% (Floor 1.00%)/Q, Current Coupon 10.00% | 7/17/2017 | 7/17/2023 | 1,000 | 996 | 995 |
| | First Lien | | L+9.00% (Floor 1.00%)/Q, Current Coupon 10.00% | 7/17/2017 | 7/17/2023 | 18,915 | 18,785 | 18,820 |
| | | | | | | | 19,781 | 19,815 |
| **ZIPS CAR WASH, LLC** | Delayed Draw Term Loan - A | Consumer services | L+7.25% (Floor 1.00%)/Q, Current Coupon 8.25% | 2/11/2022 | 3/1/2024 | 16,000 | 15,691 | 15,691 |
| | Delayed Draw Term Loan - B[10] | | L+7.25% (Floor 1.00%)/Q, Current Coupon 8.26% | 2/11/2022 | 3/1/2024 | 199 | 159 | 159 |
| | | | | | | | 15,850 | 15,850 |
| **Total Non-control/Non-affiliate Investments (177.5% of net assets at fair value)** | | | | | | | $ 721,392 | $ 747,132 |

**CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
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| Portfolio Company[1,18] | Type of Investment[2] | Industry | Current Interest Rate[3] | Acquisition Date[14] | Maturity | Principal | Cost[12,17] | Fair Value[4] |
|---|---|---|---|---|---|---|---|---|
| **Affiliate Investments[6]** | | | | | | | | |
| **AIR CONDITIONING SPECIALIST, INC.** | Revolving Loan[10] | Consumer services | L+7.25% (Floor 1.00%) | 11/9/2021 | 11/9/2026 | $ — | $ (18) | $ — |
| | First Lien | | L+7.25% (Floor 1.00%)/Q, Current Coupon 8.25% | 11/9/2021 | 11/9/2026 | 12,778 | 12,535 | 12,535 |
| | 623,693.55 Preferred Units[9,13] | | — | 11/9/2021 | — | — | 624 | 634 |
| | | | | | | | 13,141 | 13,169 |
| **CATBIRD NYC, LLC** | Revolving Loan[10] | Consumer products & retail | L+7.00% (Floor 1.00%) | 10/15/2021 | 10/15/2026 | — | (73) | — |
| | First Lien | | L+7.00% (Floor 1.00%)/Q, Current Coupon 8.00% | 10/15/2021 | 10/15/2026 | 15,900 | 15,606 | 15,884 |
| | 1,000,000 Class A units[9,13] | | — | 10/15/2021 | — | — | 1,000 | 1,221 |
| | 500,000 Class B units[9,10,13] | | — | 10/15/2021 | — | — | 500 | 572 |
| | | | | | | | 17,033 | 17,677 |
| **CENTRAL MEDICAL SUPPLY LLC** | Revolving Loan[10] | Healthcare services | L+9.00% (Floor 1.75%)/Q, Current Coupon 10.75% | 5/22/2020 | 5/22/2025 | 300 | 281 | 290 |
| | First Lien | | L+9.00% (Floor 1.75%)/Q, Current Coupon 10.75% | 5/22/2020 | 5/22/2025 | 7,500 | 7,398 | 7,260 |
| | Delayed Draw Capex Term Loan[10] | | L+9.00% (Floor 1.75%)/Q, Current Coupon 10.75% | 5/22/2020 | 5/22/2025 | 100 | 81 | 97 |
| | 1,380,500 Preferred Units[9,13] | | — | 5/22/2020 | — | — | 976 | 641 |
| | | | | | | | 8,736 | 8,288 |
| **CHANDLER SIGNS, LLC** | 1,500,000 units of Class A-1 common stock[9,13] | Business services | — | 1/4/2016 | — | — | 1,500 | 924 |
| **DELPHI BEHAVIORAL HEALTH GROUP, LLC** | First Lien | Healthcare services | L+9.50% PIK (Floor 1.00%)/Q, Current Coupon 10.50% | 4/8/2020 | 4/7/2023 | 1,541 | 1,541 | 1,402 |
| | First Lien | | L+9.00% PIK (Floor 1.00%)/Q, Current Coupon 10.00% | 4/8/2020 | 4/7/2023 | 1,732 | 1,732 | 1,472 |
| | Protective Advance | | L+11.50% PIK (Floor 1.00%)/Q, Current Coupon 12.50% | 8/31/2021 | 4/7/2023 | 526 | 526 | 526 |
| | 1,681.04 Common Units | | — | 4/8/2020 | — | — | 3,615 | 2,460 |
| | | | | | | | 7,414 | 5,860 |

**CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
March 31, 2022

| Portfolio Company[1,18] | Type of Investment[2] | Industry | Current Interest Rate[3] | Acquisition Date[14] | Maturity | Principal | Cost[12,17] | Fair Value[4] |
|---|---|---|---|---|---|---|---|---|
| **DYNAMIC COMMUNITIES, LLC** | Revolving Loan[10] | Business services | L+8.50% (Floor 1.00%) | 7/17/2018 | 7/17/2023 | — | (1) | — |
| | First Lien | | L+8.50% (Floor 1.00%)/Q, Current Coupon 9.51% | 7/17/2018 | 7/17/2023 | 11,221 | 11,147 | 10,323 |
| | Senior subordinated debt | | 25.00% PIK | 12/4/2020 | 1/16/2024 | 650 | 650 | 650 |
| | 2,000,000 Preferred Units[9,13] | | — | 7/17/2018 | — | — | 2,000 | 1,274 |
| | | | | | | | 13,796 | 12,247 |
| **GRAMMATECH, INC.** | Revolving Loan[10] | Software & IT services | L+9.50% (Floor 2.00%) | 11/1/2019 | 11/1/2024 | — | (22) | — |
| | First Lien | | L+9.50% (Floor 2.00%)/Q, Current Coupon 11.50% | 11/1/2019 | 11/1/2024 | 11,500 | 11,384 | 9,775 |
| | 1,000 Class A units | | — | 11/1/2019 0 | — | — | 1,000 | 674 |
| | 56.259 Class A-1 units | | — | 1/10/2022 | — | — | 56 | 38 |
| | | | | | | | 12,418 | 10,487 |
| **ITA HOLDINGS GROUP, LLC** | Revolving Loan[10] | Transportation & logistics | L+9.00% (Floor 1.00%)/Q, Current Coupon 10.00% | 2/14/2018 | 2/14/2023 | 750 | 733 | 750 |
| | First Lien - Term Loan | | L+8.00% (Floor 1.00%)/Q, Current Coupon 9.00% | 2/14/2018 | 2/14/2023 | 10,071 | 10,041 | 10,041 |
| | First Lien - Term B Loan | | L+11.00% (Floor 1.00%)/Q, Current Coupon 12.00% | 6/5/2018 | 2/14/2023 | 5,036 | 5,010 | 5,061 |
| | First Lien - PIK Note A | | 10.00% PIK | 3/29/2019 | 2/14/2023 | 2,959 | 2,721 | 2,959 |
| | First Lien - PIK Note B | | 10.00% PIK | 3/29/2019 | 2/14/2023 | 117 | 117 | 117 |
| | Warrants (Expiration - March 29, 2029)[9,13] | | — | 3/29/2019 | — | — | 538 | 3,199 |
| | 9.25% Class A Membership Interest[9,11,13] | | — | 2/14/2018 | — | — | 1,500 | 3,063 |
| | | | | | | | 20,660 | 25,190 |
| **LIGHTING RETROFIT INTERNATIONAL, LLC (DBA ENVOCORE)** | Revolving Loan[10] | Environmental services | 7.50% | 12/31/2021 | 12/31/2025 | — | — | — |
| | First Lien | | 7.50% | 12/31/2021 | 12/31/2025 | 5,195 | 5,195 | 4,780 |
| | Second Lien[16] | | 10.00% PIK | 12/31/2021 | 12/31/2026 | 5,208 | 5,208 | 3,104 |
| | 208,333.3333 Series A Preferred units[9,13] | | — | 12/31/2021 | — | — | — | — |
| | 203,124.9999 Common units[9,13] | | — | 12/31/2021 | — | — | — | — |
| | | | | | | | 10,403 | 7,884 |

**CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
March 31, 2022

| Portfolio Company[1,18] | Type of Investment[2] | Industry | Current Interest Rate[3] | Acquisition Date[14] | Maturity | Principal | Cost[12,17] | Fair Value[4] |
|---|---|---|---|---|---|---|---|---|
| **ROSELAND MANAGEMENT, LLC** | Revolving Loan[10] | Healthcare services | L+7.00% (Floor 2.00%)/Q, Current Coupon 9.00% | 11/9/2018 | 11/9/2023 | 575 | 564 | 575 |
| | First Lien | | L+7.00% (Floor 2.00%)/Q, Current Coupon 9.00% | 11/9/2018 | 11/9/2023 | 14,125 | 14,021 | 14,125 |
| | 16,084 Class A Units | | — | 11/9/2018 | — | — | 1,517 | 1,905 |
| | | | | | | | 16,102 | 16,605 |
| **SIMR, LLC** | First Lien[16] | Healthcare services | L+10.00%, 7.00% PIK (Floor 2.00%)/M, Current Coupon 19.00% | 9/7/2018 | 9/7/2023 | 13,235 | 13,101 | 10,588 |
| | 9,374,510.2 Class B Common Units | | — | 9/7/2018 | — | — | 6,107 | — |
| | 904,903.31 Class W Units | | — | 2/4/2021 | — | — | — | — |
| | | | | | | | 19,208 | 10,588 |
| **SONOBI, INC.** | 500,000 Class A Common Units[9,13] | Media & marketing | — | 9/17/2020 | — | — | 500 | 2,960 |
| **Total Affiliate Investments (31.3% of net assets at fair value)** | | | | | | | $ 140,911 | $ 131,879 |
| | | | | | | | | |
| **Control Investments[7]** | | | | | | | | |
| **I-45 SLF LLC[9,10,11]** | 80% LLC equity interest | Multi-sector holdings | — | 10/20/2015 | — | — | $ 76,000 | $ 57,603 |
| **Total Control Investments (13.7% of net assets at fair value)** | | | | | | | $ 76,000 | $ 57,603 |
| | | | | | | | | |
| **TOTAL INVESTMENTS (222.5% of net assets at fair value)** | | | | | | | $ 938,303 | $ 936,614 |

1 All debt investments are income-producing, unless otherwise noted. Equity investments and warrants are non-income producing, unless otherwise noted.

2 All of the Company's investments and the investments of SBIC I (as defined below), unless otherwise noted, are pledged as collateral for the Company's senior secured credit facility or in support of the SBA-guaranteed debentures to be issued by Capital Southwest SBIC I, LP, our wholly-owned subsidiary that operates as a small business investment company ("SBIC I"), respectively.

3 The majority of investments bear interest at a rate that may be determined by reference to London Interbank Offered Rate ("LIBOR" or "L"), Secured Overnight Financing Rate ("SOFR") or Prime ("P") and reset daily (D), monthly (M), quarterly (Q), or semiannually (S). For each investment, the Company has provided the spread over LIBOR, SOFR or Prime and the current contractual interest rate in effect at March 31, 2022. Certain investments are subject to an interest rate floor. Certain investments, as noted, accrue payment-in-kind ("PIK") interest.

4 The Company's investment portfolio is comprised entirely of debt and equity securities of privately held companies for which quoted prices falling within the categories of Level 1 and Level 2 inputs are not readily available. Therefore, the Company values all of its portfolio investments at fair value, as determined in good faith by the Board of Directors, using significant unobservable Level 3 inputs. Refer to Note 4 for further discussion.

[5] Non-Control/Non-Affiliate investments are generally defined by the Investment Company Act of 1940, as amended (the "1940 Act"), as investments that are neither control investments nor affiliate investments. At March 31, 2022, approximately 79.8% of the Company's investment assets were non-control/non-affiliate investments. The fair value of these investments as a percent of net assets is 177.5%.

[6] Affiliate investments are generally defined by the 1940 Act as investments in which between 5% and 25% of the voting securities are owned and the investments are not classified as control investments. At March 31, 2022, approximately 14.1% of the Company's investment assets were affiliate investments. The fair value of these investments as a percent of net assets is 31.3%.

[7] Control investments are generally defined by the 1940 Act as investments in which more than 25% of the voting securities are owned. At March 31, 2022, approximately 6.2% of the Company's investment assets were control investments. The fair value of these investments as a percent of net assets is 13.7%.

[8] The investment is structured as a first lien last out term loan.

[9] Indicates assets that are considered "non-qualifying assets" under section 55(a) of the 1940 Act. Qualifying assets must represent at least 70% of total assets at the time of acquisition of any additional non-qualifying assets. As of March 31, 2022, approximately 12.8% of the Company's assets are non-qualifying assets.

[10] The investment has an unfunded commitment as of March 31, 2022. Refer to Note 11 - Commitments and Contingencies for further discussion.

[11] Income producing through dividends or distributions.

[12] As of March 31, 2022, the cumulative gross unrealized appreciation for U.S. federal income tax purposes is approximately $67.8 million; cumulative gross unrealized depreciation for federal income tax purposes is $61.7 million. Cumulative net unrealized appreciation is $6.1 million, based on a tax cost of $852.4 million.

[13] Investment is held through a wholly-owned taxable subsidiary.

[14] The Company generally acquires its investments in private transactions exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"). These investments, which as of March 31, 2022 represented 222.5% of the Company's net assets or 96.2% of the Company's total assets, are generally subject to certain limitations on resale, and may be deemed "restricted securities" under the Securities Act.

[15] The investment is structured as a split lien term loan, which provides the Company with a first lien priority on certain assets of the obligor and a second lien priority on different assets of the obligor.

[16] Investment is on non-accrual status as of March 31, 2022, meaning the Company has ceased to recognize interest income on the investment.

[17] Represents amortized cost. Negative cost in this column represents the original issue discount of certain undrawn revolvers and delayed draw term loans.

[18] Equity ownership may be held in shares or units of a company that is either wholly owned by the portfolio company or under common control by the same parent company to the portfolio company.

A brief description of the portfolio company in which we made an investment that represents greater than 5% of our total assets as of March 31, 2022 is included in Note 13. Significant Subsidiaries.

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Notes to Consolidated Financial Statements

## 1. ORGANIZATION AND BASIS OF PRESENTATION

References in this Quarterly Report on Form 10-Q to “we,” “our,” “us,” “CSWC,” or the “Company” refer to Capital Southwest Corporation, unless the context requires otherwise.

### Organization

Capital Southwest Corporation is an internally managed investment company that specializes in providing customized financing to middle market companies in a broad range of investment segments located primarily in the United States. Our common stock currently trades on The Nasdaq Global Select Market under the ticker symbol “CSWC.”

CSWC was organized as a Texas corporation on April 19, 1961. On March 30, 1988, CSWC elected to be regulated as a business development company (“BDC”) under the 1940 Act. In order to comply with the 1940 Act requirements for a BDC, we must, among other things, generally invest at least 70% of our assets in eligible portfolio companies and limit the amount of leverage we incur.

We have elected, and intend to qualify annually, to be treated for U.S. federal income tax purposes as a regulated investment company (“RIC”) under Subchapter M of the U.S. Internal Revenue Code of 1986, as amended (the “Code”). As such, we generally will not have to pay U.S. federal income tax at corporate rates on any ordinary income or capital gains that we distribute to our shareholders as dividends. To continue to maintain our RIC tax treatment, we must meet specified source-of-income and asset diversification requirements and timely distribute annually at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year distributions into the next year and pay a 4% U.S. federal excise tax on such income. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year that generated such taxable income.

CSWC has a direct wholly-owned subsidiary that has been elected to be a taxable entity (the “Taxable Subsidiary”). The primary purpose of the Taxable Subsidiary is to permit CSWC to hold certain interests in portfolio companies that are organized as limited liability companies, or LLCs (or other forms of pass-through entities), and still allow us to satisfy the RIC tax requirement that at least 90% of our gross income for U.S. federal income tax purposes must consist of qualifying investment income. The Taxable Subsidiary is taxed at normal corporate tax rates based on its taxable income.

We focus on investing in companies with histories of generating revenues and positive cash flow, established market positions and proven management teams with strong operating discipline. Our core business is to target senior debt investments and equity investments in lower middle market (“LMM”) companies. We also opportunistically target first and second lien loans in upper middle market (“UMM”) companies. Our target LMM companies typically have annual earnings before interest, taxes, depreciation and amortization (“EBITDA”) generally between $3.0 million and $20.0 million, and our LMM investments generally range in size from $5.0 million to $35.0 million. Our UMM investments generally include first and second lien loans in companies with EBITDA generally greater than $20.0 million and typically range in size from $5.0 million to $20.0 million. We make available significant managerial assistance to the companies in which we invest as we believe that providing managerial assistance to an investee company is critical to its business development activities.

On April 20, 2021, our wholly owned subsidiary, Capital Southwest SBIC I, LP (“SBIC I”) received a license from the U.S. Small Business Administration (the “SBA”) to operate as a small business investment company ("SBIC") under Section 301(c) of the Small Business Investment Act of 1958, as amended. SBIC I has an investment strategy substantially similar to ours and makes similar types of investments in accordance with SBA regulations. SBIC I and its general partner are consolidated for financial reporting purposes under generally accepted accounting principles in the United States ("U.S. GAAP"), and the portfolio investments held by it are included in the consolidated financial statements.

Basis of Presentation

The consolidated financial statements have been prepared in accordance with U.S. GAAP. We meet the definition of an investment company and follow the accounting and reporting guidance in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946 – *Financial Services – Investment Companies* ("ASC 946"). Under rules and regulations applicable to investment companies, we are generally precluded from consolidating any entity other than another investment company, subject to certain exceptions. One of the exceptions to this general principle occurs if the investment company has an investment in an operating company that provides services to the investment company. Accordingly, the consolidated financial statements include the Taxable Subsidiary.

The consolidated financial statements are presented in conformity with U.S. GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain disclosures accompanying annual consolidated financial statements prepared in accordance with U.S. GAAP are omitted. In the opinion of our management, the unaudited consolidated financial results included herein contain all adjustments, consisting solely of normal recurring accruals, considered necessary for the fair presentation of consolidated financial statements for the interim periods included herein. The results of operations for the three and nine months ended December 31, 2022 are not necessarily indicative of the operating results to be expected for the full fiscal year. Also, the unaudited consolidated financial statements and notes should be read in conjunction with the audited consolidated financial statements and notes thereto for the fiscal years ended March 31, 2022 and 2021. Consolidated financial statements prepared on a U.S. GAAP basis require management to make estimates and assumptions that affect the amounts and disclosures reported in the consolidated financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

Portfolio Investment Classification

We classify our investments in accordance with the requirements of the 1940 Act. Under the 1940 Act, "Control Investments" are generally defined as investments in which we own more than 25% of the voting securities; "Affiliate Investments" are generally defined as investments in which we own between 5% and 25% of the voting securities, and the investments are not classified as "Control Investments"; and "Non-Control/Non-Affiliate Investments" are generally defined as investments that are neither "Control Investments" nor "Affiliate Investments."

Under the 1940 Act, a BDC must meet certain requirements, including investing at least 70% of its total assets in qualifying assets. As of December 31, 2022, the Company has 86.5% of its assets in qualifying assets. The principal categories of qualifying assets relevant to our business are:

(1) securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an "eligible portfolio company," or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the Securities and Exchange Commission ("SEC");

(2) securities of any eligible portfolio company that we control;

(3) securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements;

(4) securities of an eligible portfolio company purchased from any person in a private transaction if there is no readily available market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company;

(5) securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of warrants or rights relating to such securities; and

(6) cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment.

Additionally, in order to qualify for RIC tax treatment for U.S. federal income tax purposes, we must, among other things meet the following requirements:

(1) continue to maintain our election as a BDC under the 1940 Act at all times during each taxable year;

(2) derive in each taxable year at least 90% of our gross income from dividends, interest, payments with respect to certain securities, loans, gains from the sale of stock or other securities, net income from certain "qualified publicly traded partnerships," or other income derived with respect to our business of investing in such stock or securities; and

(3) diversify our holdings in accordance with two diversification requirements: (a) diversify our holdings such that at the end of each quarter of the taxable year at least 50% of the value of our assets consists of cash, cash equivalents, U.S. Government securities, securities of other RICs, and such other securities if such other securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of the issuer; and (b) diversify our holdings such that no more than 25% of the value of our assets is invested in the securities, other than U.S. government securities or securities of other RICs, (i) of one issuer, (ii) of two or more issuers that are controlled, as determined under applicable Code rules, by us and that are engaged in the same or similar or related trades or businesses or (iii) of certain "qualified publicly traded partnerships" (collectively, the "Diversification Requirements");

The two Diversification Requirements must be satisfied quarterly. If a RIC satisfies the Diversification Requirements for one quarter, and then, due solely to fluctuations in market value, fails to meet one of the Diversification Requirements in the next quarter, it retains RIC tax treatment. A RIC that fails to meet the Diversification Requirements as a result of a nonqualified acquisition may be subject to excess taxes unless the nonqualified acquisition is disposed of and the Diversification Requirements are satisfied within 30 days of the close of the quarter in which the Diversification Requirements are failed.

For the quarter ended December 31, 2022, we satisfied all RIC requirements and have 11.2% in nonqualified assets according to measurement criteria established in Section 851(d) of the Code.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in the preparation of the consolidated financial statements of CSWC.

Fair Value Measurements We account for substantially all of our financial instruments at fair value in accordance with ASC Topic 820 – *Fair Value Measurements and Disclosures* (“ASC 820”). ASC 820 defines fair value, establishes a framework used to measure fair value and requires disclosures for fair value measurements, including the categorization of financial instruments into a three-level hierarchy based on the transparency of valuation inputs. ASC 820 requires disclosure of the fair value of financial instruments for which it is practical to estimate such value. We believe that the carrying amounts of our financial instruments such as cash, receivables and payables approximate the fair value of these items due to the short maturity of these instruments. This is considered a Level 1 valuation technique. The carrying value of our credit facility approximates fair value (Level 3 input). See Note 4 below for further discussion regarding the fair value measurements and hierarchy.

Investments Investments are stated at fair value and are reviewed and approved by our Board of Directors as described in the Notes to the Consolidated Schedule of Investments and Notes 3 and 4 below. Investments are recorded on a trade date basis.

Net Realized Gains or Losses and Net Unrealized Appreciation or Depreciation Realized gains or losses are measured by the difference between the net proceeds from the sale or redemption of an investment or a financial instrument and the cost basis of the investment or financial instrument, without regard to unrealized appreciation or depreciation previously recognized, and includes investments written-off during the period net of recoveries and realized gains or losses from in-kind redemptions. Net unrealized appreciation or depreciation reflects the net change in the fair value of the investment portfolio and financial instruments and the reclassification of any prior period unrealized appreciation or depreciation on exited investments and financial instruments to realized gains or losses.

Cash and Cash Equivalents Cash and cash equivalents, which consist of cash and highly liquid investments with an original maturity of three months or less at the date of purchase, are carried at cost, which approximates fair value. Cash may be held in a money market fund from time to time, which is a Level 1 security. Cash and cash equivalents includes deposits at financial institutions. We deposit our cash balances in financial institutions and, at times, such balances may be in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. At December 31, 2022 and March 31, 2022, cash balances totaling $20.4 million and $10.2 million, respectively, exceeded FDIC insurance limits, subjecting us to risk related to the uninsured balance. All of our cash deposits are held at large established high credit quality financial institutions and management believes that the risk of loss associated with any uninsured balances is remote.

Segment Information We operate and manage our business in a singular segment. As an investment company, we invest in portfolio companies in various industries and geographic areas as discussed in Note 3.

Consolidation As permitted under Regulation S-X and ASC 946, we generally do not consolidate our investment in a portfolio company other than an investment company subsidiary or a controlled operating company whose business consists of providing services to CSWC. Accordingly, we consolidate the results of the Taxable Subsidiary and SBIC I. All intercompany balances have been eliminated upon consolidation.

Use of Estimates The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. We have identified investment valuation and revenue recognition as our most critical accounting estimates.

Interest and Dividend Income Interest and dividend income is recorded on an accrual basis to the extent amounts are expected to be collected. Dividend income is recognized on the date dividends are declared by the portfolio company or at the point an obligation exists for the portfolio company to make a distribution. Discounts/premiums received to par on loans purchased are capitalized and accreted or amortized into income over the life of the loan using the effective interest method. In accordance with our valuation policy, accrued interest and dividend income is evaluated quarterly for collectability. When we do not expect the debtor to be able to service all of its debt or other obligations, we will generally establish a reserve against interest income receivable, thereby placing the loan or debt security on non-accrual status, and cease to recognize interest income on that loan or debt security until the borrower has demonstrated the ability and intent to pay contractual amounts due. If a loan or debt security’s status significantly improves regarding its ability to service debt or other obligations, it will be restored to accrual basis. As of December 31, 2022, investments on non-accrual status represented approximately 0.3% of our total investment portfolio's fair value and approximately 1.4% of its cost. As of March 31, 2022, investments on non-accrual status represented approximately 1.5% of our total investment portfolio's fair value and approximately 2.6% of its cost.

To maintain RIC tax treatment, non-cash sources of income such as accretion of interest income may need to be paid out to shareholders in the form of distributions, even though CSWC may not have collected the interest income. For the three and nine months ended December 31, 2022, approximately 3.2% and 3.5%, respectively, of CSWC's total investment income was attributable to non-cash interest income for the accretion of discounts associated with debt investments, net of any premium reduction. For the three and nine months ended December 31, 2021, approximately 3.4% and 3.6%, respectively, of CSWC's total investment income was attributable to non-cash interest income for the accretion of discounts associated with debt investments, net of any premium reduction.

Payment-in-Kind Interest The Company currently holds, and expects to hold in the future, some investments in its portfolio that contain PIK interest provisions. The PIK interest, computed at the contractual rate specified in each loan agreement, is added to the principal balance of the loan, rather than being paid to the Company in cash, and is recorded as interest income. Thus, the actual collection of PIK interest may be deferred until the time of debt principal repayment. PIK interest, which is a non-cash source of income, is included in the Company’s taxable income and therefore affects the amount the Company is required to distribute to shareholders to maintain its qualification as a RIC for U.S. federal income tax purposes, even though the Company has not yet collected the cash. Generally, when current cash interest and/or principal payments on a loan become past due, or if the Company otherwise does not expect the borrower to be able to service its debt and other obligations, the Company will place the investment on non-accrual status and will generally cease recognizing PIK interest income on that loan for financial reporting purposes until all principal and interest have been brought current through payment or due to a restructuring such that the interest income is deemed to be collectible. The Company writes off any accrued and uncollected PIK interest when it is determined that the PIK interest is no longer collectible. As of December 31, 2022 and March 31, 2022, we have not written off any accrued and uncollected PIK interest from prior periods. For the three and nine months ended December 31, 2022, we had three investments for which we stopped accruing PIK interest. For the three and nine months ended December 31, 2021, we had two investments for which we stopped accruing PIK interest. For the three and nine months ended December 31, 2022, approximately 4.6% and 4.4%, respectively, of CSWC's total investment income was attributable to non-cash PIK interest income. For the three and nine months ended December 31, 2021, approximately 3.6% and 4.4%, respectively, of CSWC's total investment income was attributable to non-cash PIK interest income.

Fee Income Fee income, generally collected in advance, includes fees for administration and valuation services rendered by the Company. These fees are typically charged annually and are amortized into income over the year. The Company recognizes nonrecurring fees, including prepayment penalties, waiver fees and amendment fees, as fee income when earned. In addition, the Company may also be entitled to an exit fee that is amortized into income over the life of the loan. Loan exit fees to be paid at the termination of the loan are accreted into fee income over the contractual life of the loan.

Warrants In connection with the Company's debt investments, the Company may receive warrants or other equity-related securities from the borrower. The Company determines the cost basis of warrants based upon their respective fair values on the date of receipt in proportion to the total fair value of the debt and warrants received. Any resulting difference between the face amount of the debt and its recorded fair value resulting from the assignment of value to the warrants is treated as original issue discount ("OID"), and accreted into interest income using the effective interest method over the term of the debt investment.

Debt Issuance Costs Debt issuance costs include commitment fees and other costs related to CSWC's senior secured credit facility, its unsecured notes (as discussed further in Note 5) and the debentures guaranteed by the SBA (the "SBA Debentures"). The costs in connection with the credit facility have been capitalized and are amortized into interest expense over the term of the credit facility. The costs in connection with the unsecured notes and the SBA Debentures are a direct deduction from the related debt liability and amortized into interest expense over the term of the January 2026 Notes (as defined below), the October 2026 Notes (as defined below) and the SBA Debentures.

Deferred Offering Costs Deferred offering costs include registration expenses related to our shelf registration statement and expenses related to the launch of the "at-the-market" ("ATM") program through which we can sell, from time to time, shares of our common stock (the "Equity ATM Program"). These expenses consist primarily of SEC registration fees, legal fees and accounting fees incurred related thereto. These expenses are included in other assets on the Consolidated Statements of Assets and Liabilities. Upon the completion of an equity offering or a debt offering, the deferred expenses are charged to additional paid-in capital or debt issuance costs, respectively. If there are any deferred offering costs remaining at the expiration of the shelf registration statement, these deferred costs are charged to expense.

Realized Losses on Extinguishment of Debt Upon the repayment of debt obligations that are deemed to be extinguishments, the difference between the principal amount due at maturity adjusted for any unamortized debt issuance costs is recognized as a loss (i.e., the unamortized debt issuance costs and any "make-whole" premium payment (as discussed in Note 5)) are recognized as a loss upon extinguishment of the underlying debt obligation).

Leases The Company is obligated under an operating lease pursuant to which it is leasing an office facility from a third party with a remaining term of approximately 10 years. The operating lease is included as an operating lease right-of-use ("ROU") asset and operating lease liability in the accompanying Consolidated Statements of Assets and Liabilities. The Company does not have any financing leases.

The ROU asset represents the Company's right to use an underlying asset for the lease term and the operating lease liability represents the Company's obligation to make lease payments arising from such lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the remaining lease term. The Company's lease does not provide an implicit discount rate, and as such the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of the remaining lease payments. Lease expense is recognized on a straight-line basis over the remaining lease term.

Federal Income Taxes CSWC has elected, and intends to qualify annually, to be treated for U.S. federal income tax purposes as a RIC under Subsection M of the Code. By meeting these requirements, we will not be subject to U.S.

federal income taxes at corporate rates on ordinary income or capital gains timely distributed to shareholders. In order to qualify as a RIC, the Company is required to timely distribute to its shareholders at least 90% of investment company taxable income, as defined by the Code, each year. Investment company taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses. Investment company taxable income generally excludes net unrealized appreciation or depreciation, as investment gains and losses are not included in investment company taxable income until they are realized.

Depending on the level of taxable income or capital gains earned in a tax year, we may choose to carry forward taxable income or capital gains in excess of current year distributions into the next year and pay a 4% U.S. federal excise tax on such income. Any such carryover taxable income or capital gains must be distributed through a dividend declared on or prior to the later of (1) the filing of the U.S. federal income tax return for the applicable fiscal year and (2) the fifteenth day of the ninth month following the close of the year in which such taxable income was generated.

In lieu of distributing our net capital gains for a year, we may decide to retain some or all of our net capital gains. We will be required to pay a 21% corporate rate U.S. federal income tax on any such retained net capital gains. We may elect to treat such retained capital gain as a deemed distribution to shareholders. Under such circumstances, shareholders will be required to include their share of such retained capital gain in income, but will receive a credit for the amount of U.S. federal income tax paid at corporate rates with respect to their shares. As an investment company that qualifies as a RIC, federal income taxes payable on security gains that we elect to retain are accrued only on the last day of our tax year, December 31. Any net capital gains actually distributed to shareholders and properly reported by us as capital gain dividends are generally taxable to the shareholders as long-term capital gains. See Note 6 for further discussion.

The Taxable Subsidiary, a wholly-owned subsidiary of CSWC, is not a RIC and is required to pay taxes at the corporate rate of 21%. For tax purposes, the Taxable Subsidiary has elected to be treated as a taxable entity, and therefore is not consolidated for tax purposes and is taxed at normal corporate tax rates based on taxable income and, as a result of its activities, may generate an income tax provision or benefit. The taxable income, or loss, of the Taxable Subsidiary may differ from its book income, or loss, due to temporary book and tax timing differences and permanent differences. This income tax provision, or benefit, if any, and the related tax assets and liabilities, are reflected in our consolidated financial statements.

Management evaluates tax positions taken or expected to be taken in the course of preparing the Company’s consolidated financial statements to determine whether the tax positions are “more-likely-than-not” to be sustained by the applicable tax authority. Tax positions with respect to tax at the CSWC level not deemed to meet the “more-likely-than-not” threshold would be recorded as an expense in the current year. Management’s conclusions regarding tax positions will be subject to review and may be adjusted at a later date based on factors including, but not limited to, on-going analyses of tax laws, regulations and interpretations thereof. The Company has concluded that it does not have any uncertain tax positions that meet the recognition of measurement criteria of ASC 740, *Income Taxes*, ("ASC 740") for the current period. Also, we account for interest and, if applicable, penalties for any uncertain tax positions as a component of income tax provision. No interest or penalties expense was recorded during the three and nine months ended December 31, 2022 and 2021.

Deferred Taxes Deferred tax assets and liabilities are recorded for losses or income at our taxable subsidiaries using statutory tax rates. A valuation allowance is provided against deferred tax assets when it is more likely than not that some portion or all of the deferred tax asset will not be realized. ASC 740 requires the effects of changes in tax rates and laws on deferred tax balances to be recognized in the period in which the legislation was enacted. See Note 6 for further discussion.

Stock-Based Compensation We account for our share-based compensation using the fair value method, as prescribed by ASC Topic 718, *Compensation – Stock Compensation*. Accordingly, we recognize share-based compensation cost on a straight-line basis for all share-based payments awards granted to employees. For restricted stock awards, we measure the fair value based upon the market price of our common stock on the date of the grant. For restricted stock awards, we amortize this fair value to share-based compensation expense over the vesting term. We recognize forfeitures as they occur. The unvested shares of restricted stock awarded pursuant to CSWC’s equity compensation plans are participating securities and are included in the basic and diluted earnings per share calculation.

The right to grant restricted stock awards under the 2010 Plan terminated on July 18, 2021, ten years after the date that the 2010 Restricted Stock Award Plan (the “2010 Plan”) was approved by the Company’s shareholders pursuant to its terms. In connection with the termination of the 2010 Plan, the Company’s Board of Directors and shareholders approved the Capital Southwest Corporation 2021 Employee Restricted Stock Award Plan (the "2021 Employee Plan"), which became effective on July 28, 2021, as part of the compensation package for its employees, the terms of which are, in all material respects, identical to the 2010 Plan. On July 19, 2021, we received an exemptive order that supersedes the prior exemptive order relating to the 2010 Plan (the “Order”) to permit the Company to (i) issue restricted stock as part of the compensation package for its employees in the 2021 Employee Plan, and (ii) withhold shares of the Company’s common stock or purchase shares of the Company’s common stock from the participants to satisfy tax withholding obligations relating to the vesting of restricted stock pursuant to the 2021 Employee Plan. In addition, the Company's Board of Directors and shareholders approved the Capital Southwest Corporation 2021 Non-Employee Director Restricted Stock Plan (the "Non-Employee Director Plan"), which became effective on July 27, 2022, as part of the compensation package for non-employee directors of the Board of Directors. In connection therewith, on May 16, 2022, we received an exemptive order that supersedes the Order (the "Superseding Order") and covers both employees and non-employee directors of the Board of Directors.

Shareholder Distributions Distributions to common shareholders are recorded on the ex-dividend date. The amount of distributions, if any, is determined by the Board of Directors each quarter and is generally based upon the earnings estimated by management. Net realized capital gains, if any, generally are distributed, although the Company may decide to retain such capital gains for investment.

Presentation Presentation of certain amounts in the consolidated financial statements for the prior year comparative consolidated financial statements is updated to conform to the current period presentation.

Recently Issued or Adopted Accounting Standards In March 2020, the FASB issued ASU 2020-04, "Reference rate reform (Topic 848)—Facilitation of the effects of reference rate reform on financial reporting." The amendments in this update provide optional expedients and exceptions for applying U.S. GAAP to certain contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform and became effective upon issuance for all entities. The Company has agreements that have LIBOR as a reference rate with certain portfolio companies and certain lenders. Many of these agreements include an alternative successor rate or language for choosing an alternative successor rate when LIBOR reference is no longer considered to be appropriate. With respect to other agreements, the Company intends to work with its portfolio companies and certain lenders to modify agreements to choose an alternative successor rate. Contract modifications are required to be evaluated in determining whether the modifications result in the establishment of new contracts or the continuation of existing contracts. On December 21, 2022, the FASB issued ASU 2022-06 "Reference rate reform (Topic 848)—Deferral of the Sunset Date of Topic 848," which defers the sunset date of ASC 848 until December 31, 2024. ASU 2022-06 became effective upon issuance. The expedients and exceptions provided by the amendments do not apply to contract modifications and hedging relationships entered into or evaluated after December 31, 2024, except for hedging transactions as of December 31, 2024, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. The Company does not believe it will have a material impact on its consolidated financial statements or its disclosure and did not utilize the optional expedients and exceptions provided by ASU 2020-04 during the nine months ended December 31, 2022.

In June 2022, the FASB issued ASU 2022-03, “Fair Value Measurement (Topic 820) - Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions,” which was issued to (1) clarify the guidance in Topic 820, Fair Value Measurement, when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security, (2) amend a related illustrative example, and (3) introduce new disclosure requirements for equity securities subject to contractual sale restrictions that are measured at fair value in accordance with Topic 820. The new guidance is effective for interim and annual periods beginning after December 15, 2023. The Company is currently evaluating the impact of the new standard on the Company's consolidated financial statements and related disclosures and does not believe it will have a material impact on its consolidated financial statements or its disclosure.

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3. INVESTMENTS

The following table shows the composition of the investment portfolio, at fair value and cost (with corresponding percentage of total portfolio investments) as of December 31, 2022 and March 31, 2022:

| | Fair Value | Percentage of Total Portfolio at Fair Value | Percentage of Net Assets at Fair Value | Cost | Percentage of Total Portfolio at Cost |
|---|---|---|---|---|---|
| | | | (dollars in thousands) | | |
| **December 31, 2022:** | | | | | |
| First lien loans[1,2] | $ 954,000 | 83.0 % | 169.9 % | $ 968,597 | 83.5 % |
| Second lien loans[2] | 35,446 | 3.1 | 6.3 | 44,050 | 3.8 |
| Subordinated debt[3] | 852 | 0.1 | 0.1 | 754 | 0.1 |
| Preferred equity | 61,283 | 5.3 | 10.9 | 39,416 | 3.4 |
| Common equity & warrants | 50,840 | 4.4 | 9.1 | 30,895 | 2.7 |
| I-45 SLF LLC[4] | 47,625 | 4.1 | 8.5 | 76,000 | 6.5 |
| | $ 1,150,046 | 100.0 % | 204.8 % | $ 1,159,712 | 100.0 % |
| **March 31, 2022:** | | | | | |
| First lien loans[1,2] | $ 739,872 | 79.0 % | 175.8 % | $ 745,290 | 79.4 % |
| Second lien loans[2] | 52,645 | 5.6 | 12.5 | 55,976 | 6.0 |
| Subordinated debt[3] | 1,317 | 0.1 | 0.3 | 994 | 0.1 |
| Preferred equity | 44,663 | 4.8 | 10.6 | 25,544 | 2.7 |
| Common equity & warrants | 40,514 | 4.3 | 9.6 | 34,499 | 3.7 |
| I-45 SLF LLC[4] | 57,603 | 6.2 | 13.7 | 76,000 | 8.1 |
| | $ 936,614 | 100.0 % | 222.5 % | $ 938,303 | 100.0 % |

1 Included in first lien loans are loans structured as first lien last out loans. These loans may, in certain cases, be subordinated in payment priority to other senior secured lenders. As of December 31, 2022 and March 31, 2022, the fair value of the first lien last out loans are $51.0 million and $38.6 million, respectively.

2 Included in first lien loans and second lien loans are loans structured as split lien term loans. These loans provide the Company with a first lien priority on certain assets of the obligor and a second lien priority on different assets of the obligor. As of December 31, 2022 and March 31, 2022, the fair value of the split lien term loans included in first lien loans is $37.2 million and $36.4 million, respectively. As of December 31, 2022 and March 31, 2022, the fair value of the split lien term loans included in second lien loans is $20.6 million and $33.9 million, respectively.

3 Included in subordinated debt are unsecured convertible notes with a fair value of $0.5 million and $0.7 million as of December 31, 2022 and March 31, 2022, respectively.

4 I-45 SLF LLC is a joint venture between CSWC and Main Street Capital Corporation. This entity primarily invests in syndicated senior secured loans to the UMM. The portfolio companies held by I-45 SLF LLC represent a diverse set of industry classifications, which are similar to those in which CSWC invests directly. See Note 13 for further discussion.

The following tables show the composition of the investment portfolio by industry, at fair value and cost (with corresponding percentage of total portfolio investments) as of December 31, 2022 and March 31, 2022:

| | Fair Value | Percentage of Total Portfolio at Fair Value | Percentage of Net Assets at Fair Value | Cost | Percentage of Total Portfolio at Cost |
|---|---|---|---|---|---|
| | | | (dollars in thousands) | | |
| **December 31, 2022:** | | | | | |
| Media & Marketing | $ 142,382 | 12.4 % | 25.4 % | $ 132,117 | 11.4 % |
| Business Services | 127,741 | 11.1 | 22.7 | 128,237 | 11.1 |
| Healthcare Services | 108,710 | 9.5 | 19.4 | 123,408 | 10.6 |
| Consumer Services | 90,019 | 7.8 | 15.9 | 89,283 | 7.7 |
| Consumer Products & Retail | 86,771 | 7.5 | 15.4 | 86,298 | 7.4 |
| Food, Agriculture & Beverage | 72,803 | 6.3 | 13.0 | 74,059 | 6.4 |
| Healthcare Products | 67,002 | 5.8 | 11.9 | 67,777 | 5.8 |
| Technology Products & Components | 64,199 | 5.6 | 11.4 | 46,947 | 4.1 |
| I-45 SLF LLC[1] | 47,625 | 4.1 | 8.5 | 76,000 | 6.6 |
| Transportation & Logistics | 41,939 | 3.7 | 7.5 | 35,923 | 3.1 |
| Financial Services | 40,418 | 3.5 | 7.2 | 31,019 | 2.7 |
| Software & IT Services | 38,572 | 3.4 | 6.9 | 39,844 | 3.4 |
| Distribution | 34,100 | 3.0 | 6.1 | 35,904 | 3.1 |
| Education | 26,426 | 2.3 | 4.7 | 26,046 | 2.2 |
| Industrial Services | 26,233 | 2.3 | 4.7 | 25,900 | 2.2 |
| Industrial Products | 22,387 | 2.0 | 4.0 | 18,839 | 1.6 |
| Energy Services (Midstream) | 22,355 | 1.9 | 4.0 | 23,014 | 2.0 |
| Environmental Services | 19,592 | 1.7 | 3.5 | 24,920 | 2.2 |
| Specialty Chemicals | 17,884 | 1.6 | 3.2 | 17,559 | 1.5 |
| Telecommunications | 17,776 | 1.5 | 3.2 | 21,829 | 1.9 |
| Energy Services (Upstream) | 17,775 | 1.5 | 3.2 | 17,426 | 1.5 |
| Containers & Packaging | 10,537 | 0.9 | 1.8 | 10,672 | 0.9 |
| Aerospace & Defense | 6,800 | 0.6 | 1.2 | 6,691 | 0.6 |
| | $ 1,150,046 | 100.0 % | 204.8 % | $ 1,159,712 | 100.0 % |

| | Fair Value | Percentage of Total Portfolio at Fair Value | Percentage of Net Assets at Fair Value | Cost | Percentage of Total Portfolio at Cost |
|---|---|---|---|---|---|
| | | | (dollars in thousands) | | |
| **March 31, 2022:** | | | | | |
| Business Services | $ 123,697 | 13.2 % | 29.4 % | $ 124,860 | 13.3 % |
| Consumer Products & Retail | 90,457 | 9.7 | 21.5 | 88,375 | 9.4 |
| Healthcare Services | 88,131 | 9.4 | 21.0 | 96,946 | 10.3 |
| Consumer Services | 71,730 | 7.7 | 17.0 | 71,203 | 7.6 |
| I-45 SLF LLC[1] | 57,603 | 6.2 | 13.7 | 76,000 | 8.1 |
| Distribution | 54,798 | 5.9 | 13.0 | 54,035 | 5.8 |
| Food, Agriculture & Beverage | 48,876 | 5.2 | 11.6 | 47,057 | 5.0 |
| Media & Marketing | 43,463 | 4.6 | 10.3 | 33,049 | 3.5 |
| Financial Services | 39,305 | 4.2 | 9.3 | 31,229 | 3.3 |
| Technology Products & Components | 37,047 | 4.0 | 8.8 | 30,440 | 3.3 |
| Transportation & Logistics | 34,038 | 3.6 | 8.1 | 29,513 | 3.1 |
| Software & IT Services | 33,414 | 3.6 | 7.9 | 34,866 | 3.7 |
| Education | 32,072 | 3.4 | 7.6 | 32,119 | 3.4 |
| Healthcare Products | 32,054 | 3.4 | 7.6 | 33,018 | 3.5 |
| Environmental Services | 20,641 | 2.2 | 4.9 | 23,108 | 2.5 |
| Telecommunications | 18,736 | 2.0 | 4.5 | 22,341 | 2.4 |
| Energy Services (Upstream) | 17,910 | 1.9 | 4.3 | 17,500 | 1.9 |
| Specialty Chemicals | 17,749 | 1.9 | 4.2 | 17,640 | 1.9 |
| Industrial Products | 13,891 | 1.5 | 3.3 | 13,901 | 1.5 |
| Energy Services (Midstream) | 13,465 | 1.4 | 3.2 | 13,582 | 1.5 |
| Industrial Services | 11,614 | 1.2 | 2.8 | 11,451 | 1.2 |
| Commodities & Mining | 10,877 | 1.2 | 2.6 | 11,135 | 1.2 |
| Containers & Packaging | 10,671 | 1.1 | 2.5 | 10,723 | 1.1 |
| Aerospace & Defense | 6,800 | 0.7 | 1.6 | 6,672 | 0.7 |
| Restaurants | 5,367 | 0.6 | 1.3 | 4,556 | 0.5 |
| Paper & Forest Products | 2,208 | 0.2 | 0.5 | 2,984 | 0.3 |
| | $ 936,614 | 100.0 % | 222.5 % | $ 938,303 | 100.0 % |

[1] I-45 SLF LLC is a joint venture between CSWC and Main Street Capital Corporation. This entity primarily invests in syndicated senior secured loans to the UMM. The portfolio companies in I-45 SLF LLC represent a diverse set of industry classifications, which are similar to those in which CSWC invests directly. See Note 13 for further discussion.

The following tables summarize the composition of the investment portfolio by geographic region of the United States, at fair value and cost (with corresponding percentage of total portfolio investments), as of December 31, 2022 and March 31, 2022:

| | Fair Value | Percentage of Total Portfolio at Fair Value | Percentage of Net Assets at Fair Value | Cost | Percentage of Total Portfolio at Cost |
|---|---|---|---|---|---|
| | | | (dollars in thousands) | | |
| **December 31, 2022:** | | | | | |
| Southeast | $ 239,539 | 20.8 % | 42.7 % | $ 236,922 | 20.4 % |
| Northeast | 230,643 | 20.1 | 41.1 | 222,894 | 19.2 |
| West | 228,254 | 19.8 | 40.6 | 223,761 | 19.3 |
| Southwest | 222,872 | 19.4 | 39.7 | 218,712 | 18.8 |
| Midwest | 155,675 | 13.6 | 27.7 | 157,333 | 13.6 |
| I-45 SLF LLC[1] | 47,625 | 4.1 | 8.5 | 76,000 | 6.6 |
| International | 25,438 | 2.2 | 4.5 | 24,090 | 2.1 |
| | $ 1,150,046 | 100.0 % | 204.8 % | $ 1,159,712 | 100.0 % |
| **March 31, 2022:** | | | | | |
| Northeast | $ 225,578 | 24.1 % | 53.6 % | $ 221,780 | 23.6 % |
| Southwest | 206,057 | 22.0 | 49.0 | 204,443 | 21.8 |
| West | 163,924 | 17.5 | 38.9 | 153,292 | 16.3 |
| Southeast | 136,588 | 14.6 | 32.5 | 138,929 | 14.9 |
| Midwest | 132,308 | 14.1 | 31.4 | 129,354 | 13.8 |
| I-45 SLF LLC[1] | 57,603 | 6.1 | 13.7 | 76,000 | 8.1 |
| International | 14,556 | 1.6 | 3.4 | 14,505 | 1.5 |
| | $ 936,614 | 100.0 % | 222.5 % | $ 938,303 | 100.0 % |

1 I-45 SLF LLC is a joint venture between CSWC and Main Street Capital Corporation. This entity primarily invests in syndicated senior secured loans to the UMM. The portfolio companies held by I-45 SLF LLC represent a diverse set of geographic regions, which are similar to those in which CSWC invests directly. See Note 13 for further discussion.

4. FAIR VALUE MEASUREMENTS

**Investment Valuation Process**

The valuation process is led by the finance department in conjunction with the investment team. The process includes a quarterly review of each investment by our executive officers and investment team. Valuations of each portfolio security are prepared quarterly by the finance department using updated financial and other operational information collected by the investment team. Each investment valuation is then subject to review by the executive officers and investment team. In conjunction with the internal valuation process, we have also engaged multiple independent consulting firms specializing in financial due diligence, valuation, and business advisory services to provide third-party valuation reviews of certain investments. The third-party valuation firms provide a range of values for selected investments, which is presented to CSWC's executive officers and then subsequently to the Board of Directors.

CSWC also uses a standard internal investment rating system in connection with its investment oversight, portfolio management, and investment valuation procedures for its debt portfolio. This system takes into account both quantitative and qualitative factors of the portfolio company and the investments held therein.

There is no single standard for determining fair value in good faith, as fair value depends upon the specific circumstances of each individual investment. While management believes our valuation methodologies are appropriate and consistent with market participants, the recorded fair values of our investments may differ significantly from fair values that would have been used had an active market for the securities existed. In addition, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the valuations currently assigned. The Board of Directors has the ultimate responsibility for reviewing and determining, in good faith, the fair value of CSWC's investments in accordance with the 1940 Act.

**Fair Value Hierarchy**

CSWC has established and documented processes for determining the fair values of portfolio company investments on a recurring basis in accordance with the 1940 Act and ASC 820. As required by ASC 820, when the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. For example, a Level 3 fair value measurement may include inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Therefore, unrealized appreciation and depreciation related to such investments categorized within the Level 3 tables below may include changes in fair value that are attributable to both observable inputs (Levels 1 and 2) and unobservable inputs (Level 3). CSWC conducts reviews of fair value hierarchy classifications on a quarterly basis. We also use judgment and consider factors specific to the investment in determining the significance of an input to a fair value measurement.

The three levels of valuation inputs established by ASC 820 are as follows:

- *Level 1:* Investments whose values are based on unadjusted quoted prices in active markets for identical assets or liabilities.
- *Level 2:* Investments whose values are based on quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- *Level 3:* Investments whose values are based on unobservable inputs that are significant to the overall fair value measurement.

As of December 31, 2022 and March 31, 2022, 100% of the CSWC investment portfolio consisted of privately held debt and equity instruments for which inputs falling within the categories of Level 1 and Level 2 are generally not readily available. Therefore, CSWC determines the fair value of its investments (excluding investments for which fair value is measured at net asset value ("NAV") in good faith using Level 3 inputs, pursuant to CSWC's valuation policy and procedures that are established by the management of CSWC, with assistance from multiple third-party valuation advisors and approved by our Board of Directors.

**Investment Valuation Inputs**

ASC 820 defines fair value in terms of the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date excluding transaction costs. Under ASC 820, the fair value measurement also assumes that the transaction to sell an asset occurs in the principal market for the asset or, in the absence of a principal market, the most advantageous market for the asset. The principal market is the market in which the reporting entity would sell or transfer the asset with the greatest volume and level of activity for the asset. In determining the principal market for an asset or liability under ASC 820, it is assumed that the reporting entity has access to the market as of the measurement date.

The Level 3 inputs to CSWC's valuation process reflect our best estimate of the assumptions that would be used by market participants in pricing the investment in a transaction in the principal or most advantageous market for the asset.

The fair value determination of each portfolio investment categorized as Level 3 required one or more of the following unobservable inputs:

- Financial information obtained from each portfolio company, including unaudited statements of operations and balance sheets for the most recent period available as compared to budgeted numbers;
- Current and projected financial condition of the portfolio company;
- Current and projected ability of the portfolio company to service its debt obligations;
- Type and amount of collateral, if any, underlying the investment;
- Current financial ratios (e.g., fixed charge coverage ratio, interest coverage ratio and net debt/EBITDA ratio) applicable to the investment;
- Current liquidity of the investment and related financial ratios (e.g., current ratio and quick ratio);
- Indicative dealer quotations from brokers, banks, and other market participants;
- Market yields on other securities of similar risk;
- Pending debt or capital restructuring of the portfolio company;
- Projected operating results of the portfolio company;
- Current information regarding any offers to purchase the investment;
- Current ability of the portfolio company to raise any additional financing as needed;
- Changes in the economic environment which may have a material impact on the operating results of the portfolio company;
- Internal occurrences that may have an impact (both positive and negative) on the operating performance of the portfolio company;
- Qualitative assessment of key management;
- Contractual rights, obligations or restrictions associated with the investment; and
- Other factors deemed relevant.

CSWC uses several different valuation approaches depending on the security type including the Market Approach, the Income Approach, the Enterprise Value Waterfall Approach, and the NAV Valuation Method.

*Market Approach*

Market Approach is a qualitative and quantitative analysis of the aforementioned unobservable inputs. It is a combination of the Enterprise Value Waterfall Approach and Income Approach as described in detail below. For investments recently originated (within a quarterly reporting period) or where the value has not departed significantly from its cost, we generally rely on our cost basis or recent transaction price to determine the fair value, unless a material event has occurred since origination.

*Income Approach*

In valuing debt securities, CSWC typically uses an Income Approach model, which considers some or all of the factors listed above. Under the Income Approach, CSWC develops an expectation of the yield that a hypothetical market participant would require when purchasing each debt investment (the "Required Market Yield"). The Required Market Yield is calculated in a two-step process. First, using quarterly market data we estimate the current market yield of similar debt securities. Next, based on the factors described above, we modify the current market yield for each security to produce a unique Required Market Yield for each of our investments. The resulting Required Market Yield is the significant Level 3 input to the Income Approach model. If, with respect to an investment, the unobservable inputs have not fluctuated significantly from the date the investment was made or have not fluctuated significantly from CSWC's expectations on the date the investment was made, and there have been no significant fluctuations in the market pricing for such investments, we may conclude that the Required Market Yield for that investment is equal to the stated rate on the investment. In instances where CSWC determines that the Required Market Yield is different from the stated rate on the investment, we discount the contractual cash flows on the debt instrument using the Required Market Yield in order to estimate the fair value of the debt security.

In addition, under the Income Approach, CSWC also determines the appropriateness of the use of third-party broker quotes, if any, as a significant Level 3 input in determining fair value. In determining the appropriateness of the use of third-party broker quotes, CSWC evaluates the level of actual transactions used by the broker to develop the quote, whether the quote was an indicative price or binding offer, the depth and consistency of broker quotes, the source of the broker quotes, and the correlation of changes in broker quotes with underlying performance of the portfolio company and other market indices. To the extent sufficient observable inputs are available to determine fair value, CSWC may use third-party broker quotes or other independent pricing to determine the fair value of certain debt investments.

Fair value measurements using the Income Approach model can be sensitive to significant changes in one or more of the inputs. A significant increase (decrease) in the Required Market Yield for a particular debt security may result in a lower (higher) fair value for that security. A significant increase (decrease) in a third-party broker quote for a particular debt security may result in a higher (lower) value for that security.

*Enterprise Value Waterfall Approach*

In valuing equity securities (including warrants), CSWC estimates fair value using an Enterprise Value Waterfall valuation model. CSWC estimates the enterprise value of a portfolio company and then allocates the enterprise value to the portfolio company's securities in order of their relative liquidation preference. In addition, CSWC assumes that any outstanding debt or other securities that are senior to CSWC's equity securities are required to be repaid at par. Additionally, we may estimate the fair value of non-performing debt securities using the Enterprise Value Waterfall approach as needed.

To estimate the enterprise value of the portfolio company, CSWC uses a weighted valuation model based on public comparable companies, observable transactions and discounted cash flow analyses. A main input into the valuation model is a measure of the portfolio company's financial performance, which generally is either earnings before interest, taxes, depreciation and amortization, as adjusted ("Adjusted EBITDA") or revenues. In addition, we consider other factors, including but not limited to (1) offers from third parties to purchase the portfolio company and (2) the implied value of recent investments in the equity securities of the portfolio company. For certain non-performing assets, we may utilize the liquidation or collateral value of the portfolio company's assets in our estimation of its enterprise value.

The significant Level 3 inputs to the Enterprise Value Waterfall model are (1) an appropriate multiple derived from the comparable public companies and transactions, (2) discount rate assumptions used in the discounted cash flow model and (3) a measure of the portfolio company's financial performance, which generally is either Adjusted EBITDA or revenues. Inputs can be based on historical operating results, projections of future operating results or a combination thereof. The operating results of a portfolio company may be unaudited, projected or pro forma financial information and may require adjustments for certain non-recurring items. CSWC also may consult with the portfolio company's senior management to obtain updates on the portfolio company's performance, including information such as industry trends, new product development, loss of customers and other operational issues. Fair value measurements using the Enterprise Value Waterfall model can be sensitive to significant changes in one or more of the inputs. A significant increase (decrease) in either the multiple, Adjusted EBITDA or revenues for a particular equity security would result in a higher (lower) fair value for that security.

*NAV Valuation Method*

Under the NAV valuation method, for an investment in an investment fund that does not have a readily determinable fair value, CSWC measures the fair value of the investment predominately based on the NAV of the investment fund as of the measurement date. However, in determining the fair value of the investment, we may consider whether adjustments to the NAV are necessary in certain circumstances, based on the analysis of any restrictions on redemption of our investment as of the measurement date, recent actual sales or redemptions of interests in the investment fund, expected future cash flows available to equity holders, or other uncertainties surrounding CSWC's ability to realize the full NAV of its interests in the investment fund.

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The following fair value hierarchy tables set forth our investment portfolio by level as of December 31, 2022 and March 31, 2022 (in thousands):

| | | Fair Value Measurements at December 31, 2022 Using | | |
|---|---|---|---|---|
| Asset Category | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| First lien loans | $ 954,000 | $ — | $ — | $ 954,000 |
| Second lien loans | 35,446 | — | — | 35,446 |
| Subordinated debt | 852 | — | — | 852 |
| Preferred equity | 61,283 | — | — | 61,283 |
| Common equity & warrants | 50,840 | — | — | 50,840 |
| Investments measured at net asset value[1] | 47,625 | — | — | — |
| Total Investments | $ 1,150,046 | $ — | $ — | $ 1,102,421 |

| | | Fair Value Measurements at March 31, 2022 Using | | |
|---|---|---|---|---|
| Asset Category | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| First lien loans | $ 739,872 | $ — | $ — | $ 739,872 |
| Second lien loans | 52,645 | — | — | 52,645 |
| Subordinated debt | 1,317 | — | — | 1,317 |
| Preferred equity | 44,663 | — | — | 44,663 |
| Common equity & warrants | 40,514 | — | — | 40,514 |
| Investments measured at net asset value[1] | 57,603 | — | — | — |
| Total Investments | $ 936,614 | $ — | $ — | $ 879,011 |

[1] Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in Consolidated Statements of Assets and Liabilities. For the investment valued at NAV per share at December 31, 2022 and March 31, 2022, the redemption restrictions dictate that we cannot withdraw our membership interest without unanimous approval. We are permitted to sell or transfer our membership interest and must deliver written notice of such transfer to the other member no later than 60 business days prior to the sale or transfer.

The tables below present the Valuation Techniques and Significant Level 3 Inputs (ranges and weighted averages) used in the valuation of CSWC's debt and equity securities at December 31, 2022 and March 31, 2022. Significant Level 3 Inputs were weighted by the relative fair value of the investments. The tables are not intended to be all inclusive, but instead capture the significant unobservable inputs relevant to our determination of fair value.

| Type | Valuation Technique | Fair Value at December 31, 2022 (in thousands) | Significant Unobservable Inputs | Range | Weighted Average |
|---|---|---|---|---|---|
| First lien loans | Income Approach | $ 865,983 | Discount Rate | 6.9% - 38.1% | 13.2% |
| | | | Third Party Broker Quote | 5.6 - 98.5 | 95.5 |
| | Market Approach | 88,017 | Cost | 98.0 - 99.5 | 98.2 |
| | | | Exit Value | 75.0 - 100.0 | 95.7 |
| Second lien loans | Income Approach | 33,071 | Discount Rate | 14.2% - 29.0% | 21.9% |
| | | | Third Party Broker Quote | 66.0 - 66.0 | 66.0 |
| | Market Approach | 2,375 | Exit Value | 45.6 - 45.6 | 45.6 |
| Subordinated debt | Market Approach | 581 | Cost | 100.0 - 100.0 | 100.0 |
| | Enterprise Value Waterfall Approach | 271 | EBITDA Multiple | 7.6x - 7.6x | 7.6x |
| | | | Discount Rate | 21.0% - 21.0% | 21.0% |
| Preferred equity | Enterprise Value Waterfall Approach | 61,283 | EBITDA Multiple | 4.7x - 17.1x | 10.1x |
| | | | Discount Rate | 12.6% - 30.1% | 18.6% |
| Common equity & warrants | Enterprise Value Waterfall Approach | 48,225 | EBITDA Multiple | 5.5x - 11.0x | 9.3x |
| | | | Discount Rate | 11.3% - 78.4% | 16.8% |
| | Market Approach | 2,615 | Cost | 100.0 - 100.0 | 100.0 |
| Total Level 3 Investments | | $ 1,102,421 | | | |

| Type | Valuation Technique | Fair Value at March 31, 2022 (in thousands) | Significant Unobservable Inputs | Range | Weighted Average |
|---|---|---|---|---|---|
| First lien loans | Income Approach | $ 645,034 | Discount Rate | 7.3% - 30.6% | 10.7% |
| | | | Third Party Broker Quote | 5.5 - 96.5 | 93.2 |
| | Market Approach | 94,838 | Cost | 80.2 - 99.0 | 98.1 |
| | | | Exit Value | 100.0 - 102.0 | 101.8 |
| Second lien loans | Income Approach | 49,541 | Discount Rate | 10.3% - 37.8% | 15.4% |
| | | | Third Party Broker Quote | 97.3 - 97.3 | 97.3 |
| | Enterprise Value Waterfall Approach | 3,104 | EBITDA Multiple | 8.3x - 8.3x | 8.3x |
| | | | Discount Rate | 22.1% - 22.1% | 22.1% |
| Subordinated debt | Income Approach | 650 | Discount Rate | 27.4% - 27.4% | 27.4% |
| | Market Approach | 172 | Cost | 100.0 - 100.0 | 100.0 |
| | Enterprise Value Waterfall Approach | 495 | EBITDA Multiple | 8.1x - 8.1x | 8.1x |
| | | | Discount Rate | 20.5% - 20.5% | 20.5 |
| Preferred equity | Enterprise Value Waterfall Approach | 41,563 | EBITDA Multiple | 6.9x - 18.8x | 10.6x |
| | | | Discount Rate | 12.5% - 40.8% | 17.8% |
| | Market Approach | 3,100 | Cost | 100.0 - 100.0 | 100.0 |
| Common equity & warrants | Enterprise Value Waterfall Approach | 36,667 | EBITDA Multiple | 4.2x - 11.4x | 8.5x |
| | | | Discount Rate | 10.1% - 32.2% | 18.1% |
| | Market Approach | 1,757 | Exit Value | 351.4 - 351.4 | 351.4 |
| | Income Approach | 2,090 | Third Party Broker Quote | 158.7 - 158.7 | 158.7 |
| Total Level 3 Investments | | $ 879,011 | | | |

**Changes in Fair Value Levels**

We monitor the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model based valuation techniques may require the transfer of financial instruments from one fair value level to another. During the three and nine months ended December 31, 2022 and 2021, we had no transfers between levels.

The following tables provide a summary of changes in the fair value of investments measured using Level 3 inputs during the nine months ended December 31, 2022 and 2021 (in thousands):

| | Fair Value March 31, 2022 | Realized & Unrealized Gains (Losses) | Purchases of Investments[1] | Repayments | PIK Interest Capitalized | Divestitures | Conversion/Reclassification of Security | Fair Value December 31, 2022 | YTD Un Appre (Depreci Investmen perio |
|---|---|---|---|---|---|---|---|---|---|
| First lien loans | $ 739,872 | $ (14,263) | $ 335,069 | $ (96,475) | $ 3,512 | $ — | $ (13,715) | $ 954,000 | $ ( |
| Second lien loans | 52,645 | (7,512) | 2,930 | (12,239) | 314 | (692) | — | 35,446 | |
| Subordinated debt | 1,317 | (328) | 385 | — | 65 | — | (587) | 852 | |
| Preferred equity | 44,663 | (1,253) | 3,571 | — | — | — | 14,302 | 61,283 | |
| Common equity & warrants | 40,514 | 8,670 | 4,320 | — | — | (2,664) | — | 50,840 | |
| Total Investments | $ 879,011 | $ (14,686) | $ 346,275 | $ (108,714) | $ 3,891 | $ (3,356) | $ — | $ 1,102,421 | $ |

| | Fair Value March 31, 2021 | Realized & Unrealized Gains (Losses) | Purchases of Investments[1] | Repayments | PIK Interest Capitalized | Divestitures | Conversion/Reclassification of Security | Fair Value December 31, 2021 | YTD Un Appre (Depreci Investmen perio |
|---|---|---|---|---|---|---|---|---|---|
| First lien loans | $ 524,161 | $ (998) | $ 378,164 | $ (219,454) | $ 1,994 | $ — | $ (4,683) | $ 679,184 | $ |
| Second lien loans | 36,919 | (1,791) | 18,841 | (7,152) | 1,079 | (53) | 5,208 | 53,051 | |
| Subordinated debt | 11,534 | 165 | 270 | — | 477 | — | — | 12,446 | |
| Preferred equity | 22,608 | 7,796 | 7,511 | — | — | — | (525) | 37,390 | |
| Common equity & warrants | 36,052 | 8,677 | 4,257 | — | — | (11,881) | — | 37,105 | |
| Total Investments | $ 631,274 | $ 13,849 | $ 409,043 | $ (226,606) | $ 3,550 | $ (11,934) | $ — | $ 819,176 | $ |

[1] Includes purchases of new investments, as well as discount accretion on existing investments.

5. BORROWINGS

In accordance with the 1940 Act, with certain limitations, effective April 25, 2019, the Company is only allowed to borrow amounts such that its asset coverage (i.e., the ratio of assets less liabilities not represented by senior securities to senior securities such as borrowings), calculated pursuant to the 1940 Act, is at least 150% after such borrowing. The Board of Directors also approved a resolution which limits the Company's issuance of senior securities such that the asset coverage ratio, taking into account any such issuance, would not be less than 166%, which became effective April 25, 2019. On August 11, 2021, we received an exemptive order from SEC to permit us to exclude the senior securities issued by SBIC I or any future SBIC subsidiary of the Company from the definition of senior securities in the asset coverage requirement applicable to the Company under the 1940 Act. As of December 31, 2022, the Company's asset coverage was 229%.

The Company had the following borrowings outstanding as of December 31, 2022 and March 31, 2022 (amounts in thousands):

| December 31, 2022 | Outstanding Balance | Unamortized Debt Issuance Costs and Debt Discount/Premium | Recorded Value |
|---|---|---|---|
| SBA Debentures | $ 104,000 | $ (3,418) | $ 100,582 |
| Credit Facility | 225,000 | — | 225,000 |
| January 2026 Notes | 140,000 | (1,033) | 138,967 |
| October 2026 Notes | 150,000 | (2,922) | 147,078 |
| | $ 619,000 | $ (7,373) | $ 611,627 |
| **March 31, 2022** | | | |
| SBA Debentures | $ 40,000 | $ (1,648) | $ 38,352 |
| Credit Facility | 205,000 | — | 205,000 |
| January 2026 Notes | 140,000 | (1,286) | 138,714 |
| October 2026 Notes | 150,000 | (3,478) | 146,522 |
| | $ 535,000 | $ (6,412) | $ 528,588 |

*Credit Facility*

In August 2016, CSWC entered into a senior secured credit facility (the "Credit Facility") to provide additional liquidity to support its investment and operational activities.

On August 9, 2021, CSWC entered into the Second Amended and Restated Senior Secured Revolving Credit Agreement (as amended or otherwise modified from time to time, the "Credit Agreement"). Prior to the Credit Agreement, (1) borrowings under the Credit Facility accrued interest on a per annum basis at a rate equal to the applicable LIBOR rate plus 2.50% with no LIBOR floor, and (2) the total borrowing capacity was $340 million with commitments from a diversified group of eleven lenders. The Credit Agreement (1) decreased the total borrowing capacity under the Credit Facility to $335 million with commitments from a diversified group of ten lenders, (2) reduced the interest rate on borrowings to LIBOR plus 2.15% with no LIBOR floor and removed conditions related thereto as previously set forth in the Amended and Restated Senior Secured Revolving Credit Agreement, and (3) extended the end of the Credit Facility's revolver period from December 21, 2022 to August 9, 2025 and extended the final maturity from December 21, 2023 to August 9, 2026. The Credit Agreement also modified certain covenants in the Credit Facility, including, among other things, to increase the minimum obligors' net worth test from $180 million to $200 million.

The Credit Facility contains an accordion feature that allows CSWC to increase the total commitments under the Credit Facility up to $400 million from new and existing lenders on the same terms and conditions as the existing commitments.

On May 11, 2022, CSWC entered into Amendment No. 2 (the "Amendment") to the Credit Agreement. The Amendment changed the benchmark interest rate from LIBOR to Adjusted Term SOFR. In addition, CSWC entered into an Incremental Commitment Agreement, pursuant to which the total commitments under the Credit Agreement increased from $335 million to $380 million.

On November 16, 2022, CSWC entered into an Incremental Assumption Agreement that increased the total commitments under the accordion feature of the Credit Agreement by $20 million, which increased total commitments from $380 million to $400 million. The $20 million increase was provided by one existing lender and one new lender, bringing the total bank syndicate to eleven participants.

CSWC pays unused commitment fees of 0.50% to 1.00% per annum, based on utilization, on the unused lender commitments under the Credit Facility. The Credit Facility contains certain affirmative and negative covenants, including but not limited to: (1) certain reporting requirements, (2) maintaining RIC and BDC status, (3) maintaining a minimum senior coverage ratio of 2 to 1, (4) maintaining a minimum shareholders' equity, (5) maintaining a minimum consolidated net worth, (6) maintaining a regulatory asset coverage of not less than 150%, (7) maintaining an interest coverage ratio of at least 2.25 to 1.0, and (8) at any time the outstanding advances exceed 90% of the borrowing base, maintaining a minimum liquidity of not less than 10% of the covered debt amount.

The Credit Agreement also contains customary events of default, including, without limitation, nonpayment, misrepresentation of representations and warranties in a material respect, breach of covenant, bankruptcy, and change of control, with customary cure and notice provisions. If the Company defaults on its obligations under the Credit Agreement, the lenders may have the right to foreclose upon and sell, or otherwise transfer, the collateral subject to their security interests.

The Credit Facility is secured by (1) substantially all of the present and future property and assets of the Company and the guarantors and (2) 100% of the equity interests in the Company's wholly-owned subsidiary. As of December 31, 2022, substantially all of the Company's assets were pledged as collateral for the Credit Facility, except for assets held in SBIC I.

At December 31, 2022, CSWC had $225.0 million in borrowings outstanding under the Credit Facility. CSWC recognized interest expense related to the Credit Facility, including unused commitment fees and amortization of deferred loan costs, of $3.9 million and $8.8 million for the three and nine months ended December 31, 2022, respectively. For the three and nine months ended December 31, 2021, CSWC recognized interest expense of $1.6 million and $4.5 million, respectively. The weighted average interest rate on the Credit Facility was 6.02% and 4.63% for the three and nine months ended December 31, 2022, respectively. For the three and nine months ended December 31, 2021, the weighted average interest rate on the Credit Facility was 2.37% and 2.52%, respectively. Average borrowings for the three and nine months ended December 31, 2022 were $228.0 million and $208.6 million, respectively. For the three and nine months ended December 31, 2021, average borrowings were $200.2 million and $165.8 million, respectively. As of December 31, 2022, CSWC was in compliance with all financial covenants under the Credit Agreement.

*October 2024 Notes*

In September 2019, the Company issued $65.0 million in aggregate principal amount of 5.375% Notes due 2024 (the "Existing October 2024 Notes"). In October 2019, the Company issued an additional $10.0 million in aggregate principal amount of the October 2024 Notes (the "Additional October 2024 Notes"). In August 2020, the Company issued an additional $50.0 million in aggregate principal amount of the October 2024 Notes (the "New Notes" together with the Existing October 2024 Notes and the Additional October 2024 Notes, the "October 2024 Notes"). The Additional October 2024 Notes and the New Notes were treated as a single series with the Existing October 2024 Notes under the indenture and had the same terms as the Existing October 2024 Notes. The maturity date of the October 2024 Notes was October 1, 2024, and the October 2024 Notes were redeemable in whole or in part at any time prior to July 1, 2024, at par plus a "make-whole" premium, and thereafter at par. The October 2024 Notes bore interest at a rate of 5.375% per year.

On September 24, 2021, the Company redeemed $125.0 million in aggregate principal amount of the issued and outstanding October 2024 Notes. The October 2024 Notes were redeemed at 100% of their principal amount, plus (i) the accrued and unpaid interest thereon, through, but excluding the redemption date, and (ii) a "make-whole" premium.

Accordingly, the Company recognized a realized loss on extinguishment of debt, equal to the write-off of the related unamortized debt issuance costs of $1.8 million and the "make-whole" premium of $15.2 million during the three months ended September 30, 2021.

The Company did not recognize any interest expense related to the October 2024 Notes for the three months ended December 31, 2021. For the nine months ended December 31, 2021, the Company recognized interest expense related to the October 2024 Notes, including amortization of deferred issuance costs, of $3.6 million. From April 1, 2021 through September 24, 2021 (the redemption date of the October 2024 Notes), average borrowings were $125.0 million. The October 2024 Notes had a weighted average effective yield of 5.375%.

*January 2026 Notes*

In December 2020, the Company issued $75.0 million in aggregate principal amount of 4.50% Notes due 2026 (the "Existing January 2026 Notes"). The Existing January 2026 Notes were issued at par. In February 2021, the Company issued an additional $65.0 million in aggregate principal amount of the January 2026 Notes (the "Additional January 2026 Notes" together with the Existing January 2026 Notes, the "January 2026 Notes"). The Additional January 2026 Notes were issued at a price of 102.11% of the aggregate principal amount of the Additional January 2026 Notes, resulting in a yield-to-maturity of approximately 4.0% at issuance. The Additional January 2026 Notes are treated as a single series with the Existing January 2026 Notes under the indenture and have the same terms as the Existing January 2026 Notes. The January 2026 Notes mature on January 31, 2026 and may be redeemed in whole or in part at any time prior to October 31, 2025, at par plus a "make-whole" premium, and thereafter at par. The January 2026 Notes bear interest at a rate of 4.50% per year, payable semi-annually on January 31 and July 31 of each year. The January 2026 Notes are the direct unsecured obligations of the Company and rank pari passu with our other outstanding and future unsecured unsubordinated indebtedness and are effectively or structurally subordinated to all of our existing and future secured indebtedness, including borrowings under our Credit Facility and the SBA Debentures.

As of December 31, 2022, the carrying amount of the January 2026 Notes was $139.0 million on an aggregate principal amount of $140.0 million at a weighted average effective yield of 4.46%. As of December 31, 2022, the fair value of the January 2026 Notes was $121.9 million. This is a Level 3 fair value measurement under ASC 820 based on a valuation model using a discounted cash flow analysis. The Company recognized interest expense related to the January 2026 Notes, including amortization of deferred issuance costs, of $1.7 million and $5.0 million for the three and nine months ended December 31, 2022, respectively. For the three and nine months ended December 31, 2021, the Company recognized interest expense of $1.6 million and $5.0 million, respectively. For each of the three and nine months ended December 31, 2022 and 2021, average borrowings were $140.0 million.

The indenture governing the January 2026 Notes contains certain covenants, including certain covenants requiring the Company to comply with Section 18(a)(1)(A) as modified by Section 61(a)(2) of the 1940 Act, or any successor provisions, whether or not the Company continues to be subject to such provisions of the 1940 Act, but giving effect, in either case, to any exemptive relief granted to the Company by the SEC, to comply with Section 18(a)(1)(B) as modified by Section 61(a)(2) of the 1940 Act, or any successor provisions, after giving effect to any exemptive relief granted to the Company by the SEC and subject to certain other exceptions, and to provide financial information to the holders of the January 2026 Notes and the trustee under the indenture if the Company is no longer subject to the reporting requirements under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These covenants are subject to important limitations and exceptions that are described in the indenture and the third supplemental indenture relating to the January 2026 Notes.

In addition, holders of the January 2026 Notes can require the Company to repurchase some or all of the January 2026 Notes at a purchase price equal to 100% of their principal amount, plus accrued and unpaid interest to, but not including, the repurchase date upon the occurrence of a “Change of Control Repurchase Event,” as defined in the third supplemental indenture relating to the January 2026 Notes.

*October 2026 Notes*

In August 2021, the Company issued $100.0 million in aggregate principal amount of 3.375% Notes due 2026 (the "Existing October 2026 Notes"). The Existing October 2026 Notes were issued at a price of 99.418% of the aggregate principal amount of the Existing October 2026 Notes, resulting in a yield-to-maturity of 3.5%. In November

2021, the Company issued an additional $50.0 million in aggregate principal amount of the October 2026 Notes (the "Additional October 2026 Notes" together with the Existing October 2026 Notes, the "October 2026 Notes"). The Additional October 2026 Notes were issued at a price of 99.993% of the aggregate principal amount, resulting in a yield-to-maturity of approximately 3.375% at issuance. The Additional October 2026 Notes are treated as a single series with the Existing October 2026 Notes under the indenture and have the same terms as the Existing October 2026 Notes. The October 2026 Notes mature on October 1, 2026 and may be redeemed in whole or in part at any time prior to July 1, 2026, at par plus a "make-whole" premium, and thereafter at par. The October 2026 Notes bear interest at a rate of 3.375% per year, payable semi-annually in arrears on April 1 and October 1 of each year. The October 2026 Notes are the direct unsecured obligations of the Company and rank pari passu with our other outstanding and future unsecured unsubordinated indebtedness and are effectively or structurally subordinated to all of our existing and future secured indebtedness, including borrowings under our Credit Facility and the SBA Debentures.

As of December 31, 2022, the carrying amount of the October 2026 Notes was $147.1 million on an aggregate principal amount of $150.0 million at a weighted average effective yield of 3.5%. As of December 31, 2022, the fair value of the October 2026 Notes was $130.0 million. This is a Level 3 fair value measurement under ASC 820 based on a valuation model using a discounted cash flow analysis. The Company recognized interest expense related to the October 2026 Notes, including amortization of deferred issuance costs, of $1.4 million and $4.3 million for the three and nine ended December 31, 2022, respectively. For the three and nine months ended December 31, 2021, the Company recognized interest expense of $1.3 million and $1.7 million, respectively. For both the three and nine months ended December 31, 2022, average borrowings were $150.0 million. For the three months ended December 31, 2021, average borrowings were $128.8 million. Since the issuance of the October 2026 Notes on August 27, 2021 through December 31, 2021, average borrowings were $120.9 million.

The indenture governing the October 2026 Notes contains certain covenants, including certain covenants requiring the Company to comply with Section 18(a)(1)(A) as modified by Section 61(a)(2) of the 1940 Act, or any successor provisions, whether or not the Company continues to be subject to such provisions of the 1940 Act, but giving effect, in either case, to any exemptive relief granted to the Company by the SEC, to comply with Section 18(a)(1)(B) as modified by Section 61(a)(2) of the 1940 Act, or any successor provisions, after giving effect to any exemptive relief granted to the Company by the SEC and subject to certain other exceptions, and to provide financial information to the holders of the October 2026 Notes and the trustee under the indenture if the Company is no longer subject to the reporting requirements under the Exchange Act. These covenants are subject to important limitations and exceptions that are described in the indenture and the fourth supplemental indenture relating to the October 2026 Notes.

In addition, holders of the October 2026 Notes can require the Company to repurchase some or all of the October 2026 Notes at a purchase price equal to 100% of their principal amount, plus accrued and unpaid interest to, but not including, the repurchase date upon the occurrence of a "Change of Control Repurchase Event," as defined in the fourth supplemental indenture relating to the October 2026 Notes.

*SBA Debentures*

On April 20, 2021, SBIC I received a license from the SBA to operate as an SBIC under Section 301(c) of the Small Business Investment Act of 1958, as amended. The license allows SBIC I to obtain leverage by issuing SBA Debentures, subject to the issuance of a leverage commitment by the SBA. SBA Debentures are loans issued to an SBIC which have interest payable semi-annually and a ten-year maturity. The interest rate is fixed shortly after issuance at a market-driven spread over U.S. Treasury Notes with ten-year maturities. Interest on SBA Debentures is payable semi-annually on March 1 and September 1. Current statutes and regulations permit SBIC I to borrow up to $175 million in SBA Debentures with at least $87.5 million in regulatory capital (as defined in the SBA regulations).

On May 25, 2021, SBIC I received a leverage commitment from the SBA in the amount of $40.0 million to be issued on or prior to September 30, 2025. On January 28, 2022, SBIC I received an additional leverage commitment in the amount of $40.0 million to be issued on or prior to September 30, 2026. On November 22, 2022, SBIC I received an additional leverage commitment in the amount of $50.0 million to be issued on or prior to September 30, 2027. As of December 31, 2022, SBIC I had regulatory capital of $65.0 million and leverageable capital of $65.0 million. As of December 31, 2022, SBIC I had a total leverage commitment from the SBA in the amount of $130.0 million, of which $26.0 million remains unused. The SBA may limit the amount that may be drawn each year under these commitments, and each issuance of leverage is conditioned on the Company's full compliance, as determined by the SBA, with the terms and conditions set forth in the SBA regulations.

As of December 31, 2022, the carrying amount of SBA Debentures was $100.6 million on an aggregate principal amount of $104.0 million. As of December 31, 2022, the fair value of the SBA Debentures was $97.4 million. The fair value of the SBA Debentures is estimated by discounting the remaining payments using current market rates for similar instruments and considering such factors as the legal maturity date and the ability of market participants to prepay the SBA Debentures, which are Level 3 inputs under ASC 820. The Company recognized interest expense and related fees related to SBA Debentures of $0.9 million and $1.9 million for the three and nine months ended December 31, 2022, respectively. For the three and nine months ended December 31, 2021, the Company recognized interest expense of $0.1 million and $0.2 million, respectively. The weighted average interest rate on the SBA Debentures was 3.70% and 2.98% for the three and nine months ended December 31, 2022, respectively. For the three and nine months ended December 31, 2021, the weighted average interest rate on the SBA Debentures was 1.43% and 1.24%, respectively. For the three and nine months ended December 31, 2022, average borrowings were $83.9 million and $54.1 million, respectively. Average borrowings for the three and nine months ended December 31, 2021 were $21.0 million and $10.1 million, respectively.

As of December 31, 2022, the Company's issued and outstanding SBA Debentures mature as follows (amounts in thousands):

| Pooling Date (1) | Maturity Date | Fixed Interest Rate | December 31, 2022 |
|---|---|---|---|
| 9/22/2021 | 9/1/2031 | 1.575% | $ 15,000 |
| 3/23/2022 | 3/1/2032 | 3.209% | 25,000 |
| 9/21/2022 | 9/1/2032 | 4.533% | 40,000 |
| (2) | (2) | (2) | 24,000 |
| | | | $ 104,000 |

(1) The SBA has two scheduled pooling dates for SBA Debentures (in March and in September). Certain SBA Debentures funded during the reporting periods may not be pooled until the subsequent pooling date.

(2) The Company issued $24.0 million in SBA Debentures that will pool in March 2023. Until the pooling date, the SBA Debentures bear interest at a fixed rate with a weighted-average interim interest rate of 5.14%.

## 6. INCOME TAXES

We have elected, and intend to qualify annually, to be treated for U.S. federal income tax purposes as a RIC under Subchapter M of the Code and have a tax year end of December 31. In order to qualify as a RIC, we must annually distribute at least 90% of our investment company taxable income, as defined by the Code, to our shareholders in a timely manner. Investment company income generally includes net short-term capital gains but excludes net long-term capital gains. A RIC is not subject to federal income tax on the portion of its ordinary income and capital gains that is distributed to its shareholders, including “deemed distributions” as discussed below. As part of maintaining RIC tax treatment, undistributed taxable income and capital gain, which is subject to a 4% non-deductible U.S. federal excise tax, pertaining to a given fiscal year may be distributed up to 12 months subsequent to the end of that fiscal year, provided such dividends are declared on or prior to the later of (1) the extended due date of the U.S. federal income tax return for the applicable fiscal year and (2) the fifteenth day of the ninth month following the close of the year in which such taxable income was generated.

As of December 31, 2022, CSWC qualified for RIC tax treatment. We intend to meet the applicable qualifications to be taxed as a RIC in future periods. However, the Company’s ability to meet certain portfolio diversification requirements of RICs in future years may not be controllable by the Company.

Book and tax basis differences relating to dividends and distributions to our shareholders and other permanent book and tax differences are typically reclassified among the CSWC’s capital accounts. In addition, the character of income and gains to be distributed is determined in accordance with income tax regulations that may differ from U.S. GAAP; accordingly, for the nine months ended December 31, 2022 and 2021, CSWC reclassified for book purposes amounts arising from permanent book/tax differences related to the tax treatment of return of capital and/or deemed distributions, tax treatment of investments upon disposition, and non-deductible expenses, as follows (amounts in thousands):

| | Nine Months Ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Additional capital | $ (5,126) | $ (6,255) |
| Total distributable earnings | 5,126 | 6,255 |

The determination of the tax attributes for CSWC's distributions is made annually, based upon its taxable income for the full year and distributions paid for the full year. Therefore, any determination made on an interim basis is forward-looking based on currently available facts, rules and assumptions and may not be representative of the actual tax attributes of distributions for a full year.

During the quarter ended March 31, 2022, CSWC declared total dividends of $11.8 million, or $0.48 per share. During the quarter ended June 30, 2022, CSWC declared total dividends of $16.6 million, or $0.63 per share ($0.48 per share in regular dividends and $0.15 per share in special dividends). During the quarter ended September 30, 2022, CSWC declared total dividends of $14.3 million, or $0.50 per share. During the quarter ended December 31, 2022, CSWC declared total dividends of $19.3 million, or $0.57 per share ($0.52 per share in regular dividends and $0.05 per share in supplemental dividends).

Ordinary dividend distributions from a RIC do not qualify for the 20% maximum tax rate on dividend income from domestic corporations and qualified foreign corporations, except to the extent that the RIC received the income in the form of qualifying dividends from domestic corporations and qualified foreign corporations. The tax attributes for distributions will generally include both ordinary income and capital gains, but may also include qualified dividends or return of capital.

The tax character of distributions paid for the years ended December 31, 2022 and 2021 was as follows (amounts in thousands):

| | Twelve Months Ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Ordinary income | $ 60,960 | $ 56,633 |
| Distributions of long term capital gains | — | — |
| Distributions on tax basis | $ 60,960 | $ 56,633 |

The following reconciles net increase in net assets resulting from operations to estimated RIC taxable income for the nine months ended December 31, 2022 and 2021:

| | Nine Months Ended December 31, | |
|---|---|---|
| **Reconciliation of RIC Distributable Income**[1] | 2022 | 2021 |
| Net increase in net assets from operations | $ 14,917 | $ 23,146 |
| Net unrealized depreciation (appreciation) on investments | 13,989 | (4,306) |
| Income/gain (expense/loss) recognized for tax on pass-through entities | 10 | 1,558 |
| (Gain) loss recognized on dispositions | (1,473) | 329 |
| Capital loss carryover[2] | 14,454 | 308 |
| Net operating income - wholly-owned subsidiary | 1,071 | (9,186) |
| Dividend income from wholly-owned subsidiary | 1,068 | — |
| Non-deductible tax expense | 466 | 191 |
| Loss on extinguishment of debt | — | 12,950 |
| Non-deductible compensation | 2,443 | 2,688 |
| Compensation related book/tax differences | (1,471) | 2,542 |
| Other book/tax differences | 1,839 | 3,518 |
| Estimated distributable income before deductions for distributions | $ 47,313 | $ 33,738 |

[1] The calculation of taxable income for each period is an estimate and will not be finally determined until the Company files its tax return each year. Final taxable income may be different than this estimate.
[2] At December 31, 2022, the Company had long-term capital loss carryforwards of $31.9 million to offset future capital gains. These capital loss carryforwards are not subject to expiration.

A RIC may elect to retain all or a portion of its net capital gains by designating them as a "deemed distribution" to its shareholders and paying a federal tax on the net capital gains for the benefit of its shareholders. Shareholders then report their share of the retained capital gains on their income tax returns as if it had been received and report a tax credit for tax paid on their behalf by the RIC. Shareholders then add the amount of the "deemed distribution" net of such tax to the basis of their shares.

In addition, the Taxable Subsidiary holds a portion of one or more of our portfolio investments that are listed on the Consolidated Schedule of Investments. The Taxable Subsidiary is consolidated for financial reporting purposes in accordance with U.S. GAAP, so that our consolidated financial statements reflect our investments in the portfolio companies owned by the Taxable Subsidiary. The purpose of the Taxable Subsidiary is to permit us to hold certain interests in portfolio companies that are organized as limited liability companies, or LLCs (or other forms of pass-through entities) and still satisfy the RIC tax requirement that at least 90% of our gross income for U.S. federal income tax purposes must consist of qualifying investment income. Absent the Taxable Subsidiary, a proportionate amount of any gross income of a partnership or LLC (or other pass-through entity) portfolio investment would flow through directly to us. To the extent that our income did not consist of investment income, it could jeopardize our ability to qualify as a RIC and therefore cause us to incur significant amounts of U.S. federal income taxes at corporate rates. Where interests in LLCs (or other pass-through entities) are owned by the Taxable Subsidiary, however, the income from those interests is taxed to the Taxable Subsidiary and does not flow through to us, thereby helping us preserve our RIC tax treatment and resultant tax advantages. The Taxable Subsidiary is not consolidated for U.S. federal income tax purposes and may generate an income tax provision as a result of their ownership of the portfolio companies. The income tax provision, or benefit, and the related tax assets and liabilities, if any, are reflected in our Statement of Operations.

As of December 31, 2022, the cost of investments held at the RIC for U.S. federal income tax purposes was $1,116.8 million, with such investments having gross unrealized appreciation of $9.7 million and gross unrealized depreciation of $64.3 million, resulting in net unrealized depreciation of $54.6 million. As of December 31, 2022, the cost of investments held at the Taxable Subsidiary for U.S. federal income tax purposes was $33.8 million, with such investments having gross unrealized appreciation of $57.2 million and gross unrealized depreciation of $2.4 million, resulting in net unrealized appreciation of $54.8 million. On a consolidated basis, the total investment portfolio has net unrealized appreciation of $0.2 million for U.S. federal income tax purposes.

The Taxable Subsidiary is not a RIC and is required to pay taxes at the current corporate rate. For tax purposes, the Taxable Subsidiary has elected to be treated as a taxable entity, and therefore is not consolidated for tax purposes and is taxed at normal corporate tax rates based on its taxable income and, as a result of its activities, may generate an income tax provision or benefit.

The taxable income, or loss, of the Taxable Subsidiary may differ from book income, or loss, due to temporary book and tax timing differences and permanent differences. This income tax provision, or benefit, if any, and the related tax assets and liabilities, are reflected in our consolidated financial statements. The Taxable Subsidiary records valuation adjustments related to its investments on a quarterly basis. Deferred taxes related to the unrealized gain/loss on investments are also recorded on a quarterly basis. A valuation allowance is provided against deferred tax assets when it is more likely than not that some portion or all of the deferred tax asset will not be realized. Establishing a valuation allowance of a deferred tax asset requires management to make estimates related to expectations of future taxable income. As of December 31, 2022 and March 31, 2022, the Taxable Subsidiary had a deferred tax liability of $11.4 million and $5.7 million, respectively.

Based on our assessment of our unrecognized tax benefits, management believes that all benefits will be realized and they do not contain any uncertain tax positions.

The following table sets forth the significant components of the deferred tax assets and liabilities as of December 31, 2022 and March 31, 2022 (amounts in thousands):

| | December 31, 2022 | March 31, 2022 |
|---|---|---|
| **Deferred tax asset:** | | |
| Net operating loss carryforwards | $ — | $ — |
| Interest | 220 | 185 |
| Total deferred tax asset | 220 | 185 |
| **Deferred tax liabilities:** | | |
| Net unrealized appreciation on investments | (10,911) | (4,899) |
| Net basis differences in portfolio investments | (736) | (1,033) |
| Total deferred tax liabilities | (11,647) | (5,932) |
| Total net deferred tax (liabilities) assets | $ (11,427) | $ (5,747) |

The income tax provision, or benefit, and the related tax assets and liabilities, generated by CSWC and the Taxable Subsidiary, if any, are reflected in CSWC's consolidated financial statements. For the three months ended December 31, 2022, we recognized a net income tax benefit of $0.7 million, principally consisting of a $0.2 million accrual for U.S. federal excise tax and $0.9 million of tax benefit relating to the Taxable Subsidiary. For the nine months ended December 31, 2022, we recognized a net income tax benefit of $20.6 thousand, principally consisting of a $0.5 million accrual for U.S. federal excise tax and a $0.5 million tax benefit relating to the Taxable Subsidiary. For the three months ended December 31, 2021, we recognized a net income tax benefit of $0.1 million, principally consisting of a $0.1 million accrual for U.S. federal excise tax and a $0.2 million tax benefit relating to the Taxable Subsidiary. For the nine months ended December 31, 2021, we recognized a net income tax provision of $0.6 million, principally consisting of a $0.2 million accrual for U.S. federal excise tax and a $0.4 million tax provision relating to the Taxable Subsidiary.

Although we believe our tax returns are correct, the final determination of tax examinations could be different from what was reported on the returns. In our opinion, we have made adequate tax provisions for years subject to examination. Generally, we are currently open to audit under the statute of limitations by the Internal Revenue Service as well as state taxing authorities for the years ended December 31, 2019 through December 31, 2021.

The following table sets forth the significant components of income tax provision as of December 31, 2022 and 2021 (amounts in thousands):

| | Nine Months Ended December 31, | |
|---|---|---|
| **Components of Income Tax Provision** | **2022** | **2021** |
| Excise tax | $ 468 | $ |
| Tax (benefit) provision related to Taxable Subsidiary | (488) | |
| Total income tax (benefit) provision | $ (20) | $ |

7. SHAREHOLDERS' EQUITY

**Public Equity Offering**

On November 17, 2022, the Company completed an underwritten public equity offering of 2,534,436 shares of common stock, including shares issuable pursuant to the underwriters' option to purchase additional shares, at a public offering price of $18.15 per share, raising $46.0 million of gross proceeds. Net proceeds were $44.1 million after deducting underwriting discounts and offering expenses.

**Equity ATM Program**

On March 4, 2019, the Company established the Equity ATM Program, pursuant to which the Company may offer and sell, from time to time through sales agents, shares of its common stock having an aggregate offering price of up to $50,000,000. On February 4, 2020, the Company (i) increased the maximum amount of shares of its common stock to be sold through the Equity ATM Program to $100,000,000 from $50,000,000 and (ii) added two additional sales agents to the Equity ATM Program. On May 26, 2021, the Company (i) increased the maximum amount of shares of its common stock to be sold through the Equity ATM Program to $250,000,000 from $100,000,000 and (ii) reduced the commission paid to the sales agents for the Equity ATM Program to 1.5% from 2.0% of the gross sales price of shares of the Company's common stock sold through the sales agents pursuant to the Equity ATM Program on and after May 26, 2021. On August 2, 2022, the Company increased the maximum amount of shares of its common stock to be sold through the Equity ATM Program to $650,000,000 from $250,000,000.

The following table summarizes certain information relating to shares sold under the Equity ATM Program:

| | Three Months Ended December 31, 2022 | | 2021 | |
|---|---|---|---|---|
| Number of shares sold | | 3,264,878 | | 616,156 |
| Gross proceeds received (in thousands) | $ | 58,324 | $ | 16,000 |
| Net proceeds received (in thousands)[1] | $ | 57,449 | $ | 15,760 |
| Weighted average price per share | $ | 17.86 | $ | 25.97 |

| | Nine Months Ended December 31, 2022 | | 2021 | |
|---|---|---|---|---|
| Number of shares sold | | 6,909,446 | | 2,834,734 |
| Gross proceeds received (in thousands) | $ | 131,990 | $ | 74,463 |
| Net proceeds received (in thousands)[1] | $ | 130,010 | $ | 73,347 |
| Weighted average price per share | $ | 19.10 | $ | 26.27 |

[1] Net proceeds reflects proceeds after deducting commissions to the sales agents on shares sold and offering expenses. As of December 31, 2022, $2.7 million remained receivable and is included in other receivables in the Consolidated Statement of Assets and Liabilities. As of December 31, 2021, no proceeds remained receivable.

Cumulative to date, the Company has sold 15,087,106 shares of its common stock under the Equity ATM Program at a weighted-average price of $20.91, raising $315.5 million of gross proceeds. Net proceeds were $310.3 million after commissions to the sales agents on shares sold. As of December 31, 2022, the Company has $334.5 million available under the Equity ATM Program.

**Share Repurchases**

The right to grant restricted stock awards under the 2010 Plan terminated on July 18, 2021, ten years after the date that the 2010 Plan was approved by the Company’s shareholders pursuant to its terms. In connection with the termination of the 2010 Plan, the Company’s Board of Directors and shareholders approved the 2021 Employee Plan, which became effective on July 28, 2021, as part of the compensation package for its employees, the terms of which are, in all material respects, identical to the 2010 Plan. On July 19, 2021, we received an exemptive order that supersedes the prior exemptive order relating to the 2010 Plan (the “Order”) to permit the Company to (i) issue restricted stock as part of the compensation package for its employees in the 2021 Employee Plan, and (ii) withhold shares of the Company's common stock or purchase shares of the Company's common stock from the participants to satisfy tax withholding obligations relating to the vesting of restricted stock pursuant to the 2021 Employee Plan.

In addition, the Company's Board of Directors and shareholders approved the Capital Southwest Corporation 2021 Non-Employee Director Restricted Stock Plan (the "Non-Employee Director Plan"), which became effective on July 27, 2022, as part of the compensation package for non-employee directors of the Board of Directors. In connection therewith, on May 16, 2022, we received an exemptive order that supersedes the Order (the "Superseding Order") and will cover both employees and non-employee directors of the Board of Directors. The following table summarizes certain information relating to shares repurchased in connection with the vesting of restricted stock awards:

| | Three Months Ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Number of shares repurchased | 19,917 | 31,492 |
| Aggregate cost of shares repurchased (in thousands) | $ 380 | $ 862 |
| Weighted average price per share | $ 19.09 | $ 27.38 |

| | Nine Months Ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Number of shares repurchased | 49,590 | 52,124 |
| Aggregate cost of shares repurchased (in thousands) | $ 1,021 | $ 1,408 |
| Weighted average price per share | $ 20.59 | $ 27.01 |

On July 28, 2021, the Company's Board of Directors approved a share repurchase program authorizing the Company to repurchase up to $20 million of its outstanding shares of common stock in the open market at certain thresholds below its NAV per share, in accordance with guidelines specified in Rules 10b5-1(c)(1)(i)(B) and 10b-18 under the Exchange Act. On August 31, 2021, the Company entered into a share repurchase agreement, which became effective immediately, and the Company will cease purchasing its common stock under the share repurchase program upon the earlier of, among other things: (1) the date on which the aggregate purchase price for all shares equals $20 million including, without limitation, all applicable fees, costs and expenses; or (2) upon written notice by the Company to the broker that the share repurchase agreement is terminated.

8. STOCK BASED COMPENSATION PLANS

Under the 2010 Plan and the 2021 Employee Plan, a restricted stock award is an award of shares of our common stock, which have full voting and dividend rights but are restricted with regard to sale or transfer. Restricted stock awards are independent of stock grants and are generally subject to forfeiture if employment terminates prior to these restrictions lapsing. Unless otherwise specified in the award agreement, these shares vest in equal annual installments over a four-year period from the grant date and are expensed over the vesting period starting on the grant date.

The right to grant restricted stock awards under the 2010 Plan terminated on July 18, 2021, ten years after the date that the 2010 Plan was approved by the Company's shareholders pursuant to its terms.

In connection with the termination of the 2010 Plan, the Company's Board of Directors and shareholders approved the 2021 Employee Plan as part of the compensation packages for its employees, the terms of which are, in all material respects, identical to the 2010 Plan. The 2021 Employee Plan makes available for issuance 1,200,000 shares of common stock. As of December 31, 2022, there are 1,002,633 shares of common stock available for issuance under the 2021 Employee Plan.

In addition, the Company's Board of Directors and shareholders approved the Non-Employee Director Plan as part of the compensation package for non-employee directors of the Board of Directors. Under the Non-Employee Director Plan, at the beginning of each one-year term of service on our Board, each non-employee director will receive a number of shares equivalent to $50,000 based on the market value at the close of the Nasdaq Global Select Market on the date of grant. These shares will vest one year from the date of the grant and are expensed over the one-year term of non-employee directors. The Non-Employee Director Plan makes available for issuance 120,000 shares of common stock. As of December 31, 2022, there are 107,895 shares of common stock available for issuance under the Non-Employee Director Plan.

We expense the cost of the restricted stock awards, which is determined to equal the fair value of the restricted stock award at the date of grant on a straight-line basis over the requisite service period. For these purposes, the fair value of the restricted stock award is determined based upon the closing price of our common stock on the date of the grant.

During the three months ended December 31, 2022 and 2021, we recognized total share based compensation expense of $1.0 million (of which $62.9 thousand was related to restricted stock issued to non-employee directors) and $0.8 million, respectively, related to the restricted stock issued. During the nine months ended December 31, 2022 and 2021, we recognized total share based compensation expense of $2.9 million (of which $98.4 thousand was related to restricted stock issued to non-employee directors) and $2.8 million, respectively, related to the restricted stock issued.

During the three months ended June 30, 2021, the Company modified restricted stock awards to accelerate vesting of the unvested awards as of the separation date for one employee. The Company accounted for this as a modification of awards and recognized incremental compensation cost of $0.6 million. The incremental compensation cost is measured as the excess of the fair value of the modified award over the fair value of the original award immediately before its terms were modified and recognized as compensation cost on the date of modification for vested awards.

As of December 31, 2022, the total remaining unrecognized compensation expense related to non-vested restricted stock awards was $8.0 million, which will be amortized over the weighted-average vesting period of approximately 2.6 years.

The following table summarizes the restricted stock outstanding under the 2010 Plan and the 2021 Employee Plan as of December 31, 2022:

| Restricted Stock Awards | Number of Shares | Weighted Average Fair Value Per Share at grant date | Weighted Average Remaining Vesting Term (in Years) |
|---|---|---|---|
| Unvested at March 31, 2022 | 395,993 | $ 21.48 | 2.4 |
| Granted | 199,042 | 21.25 | 3.4 |
| Vested | (148,774) | 20.49 | — |
| Forfeited | (4,925) | 23.52 | — |
| Unvested at December 31, 2022 | 441,336 | $ 21.48 | 2.6 |

The following table summarizes the restricted stock outstanding under the Non-Employee Director Plan as of December 31, 2022:

| Restricted Stock Awards | Number of Shares | Weighted Average Fair Value Per Share at grant date | Weighted Average Remaining Vesting Term (in Years) |
|---|---|---|---|
| Unvested at March 31, 2022 | — | $ — | 0 |
| Granted | 12,105 | 20.66 | 0.6 |
| Vested | — | — | — |
| Forfeited | — | — | — |
| Unvested at December 31, 2022 | 12,105 | $ 20.66 | 0.6 |

## 9. OTHER EMPLOYEE COMPENSATION

We established a 401(k) plan (the “401K Plan”) effective October 1, 2015. All full-time employees are eligible to participate in the 401K Plan. The 401K Plan permits employees to defer a portion of their total annual compensation up to the Internal Revenue Service annual maximum based on age and eligibility. We made contributions to the 401K Plan of up to 4.5% of the Internal Revenue Service’s annual maximum eligible compensation, all of which is fully vested immediately. During the three months ended December 31, 2022 and 2021, we made matching contributions of approximately $28.6 thousand and $25.9 thousand, respectively. During the nine months ended December 31, 2022 and 2021, we made matching contributions of approximately $158.1 thousand and $133.9 thousand, respectively.

## 10. COMMITMENTS AND CONTINGENCIES

*Commitments*

In the normal course of business, the Company is a party to financial instruments with off-balance sheet risk, consisting primarily of unused commitments to extend financing to the Company's portfolio companies. Because commitments may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. Additionally, our commitment to fund delayed draw term loans generally is triggered upon the satisfaction of certain pre-negotiated terms and conditions, such as meeting certain financial performance hurdles or financial covenants, which may limit a borrower's ability to draw on such delayed draw term loans.

The balances of unused commitments to extend financing as of December 31, 2022 and March 31, 2022 were as follows (amounts in thousands):

| Portfolio Company | December 31, 2022 | March 31, 2022 |
|---|---|---|
| **Revolving Loans** | | |
| Acacia BuyerCo V LLC | $ 2,000 | $ — |
| Acceleration, LLC | 5,000 | — |
| Air Conditioning Specialist, Inc. | 1,000 | 1,000 |
| American Teleconferencing Services, Ltd. (DBA Premiere Global Services, Inc.) | 148 | 117 |
| ArborWorks, LLC | 1,000 | 3,000 |
| ATS Operating, LLC | 2,500 | 1,500 |
| Cadmium, LLC | — | 308 |
| Catbird NYC, LLC | 4,000 | 4,000 |
| Central Medical Supply LLC | 1,200 | 1,200 |
| Dynamic Communities, LLC | — | 500 |
| Exact Borrower, LLC | 2,500 | — |
| Fast Sandwich, LLC | — | 3,100 |
| FM Sylvan, Inc. | 10,000 | — |
| Gains Intermediate, LLC | 2,500 | — |
| GrammaTech, Inc. | 2,500 | 2,500 |
| GS Operating, LLC | — | 1,540 |
| Gulf Pacific Acquisition, LLC | 757 | — |
| ISI Enterprises, LLC | 1,200 | 1,200 |
| ITA Holdings Group, LLC | — | 1,250 |
| Klein Hersh, LLC | — | 938 |
| Lash OpCo, LLC | 247 | 481 |
| Lighting Retrofit International, LLC (DBA Envocore) | 2,083 | 2,083 |
| Lightning Intermediate II, LLC | 1,852 | — |
| Mako Steel LP | 283 | 943 |
| Microbe Formulas LLC | 1,627 | — |
| Muenster Milling Company, LLC | 7,000 | 5,000 |
| NeuroPsychiatric Hospitals, LLC | 600 | 600 |
| New Skinny Mixes, LLC | 4,000 | — |
| NinjaTrader, Inc. | 2,500 | 2,500 |
| NWN Parent Holdings, LLC | 90 | 1,380 |
| Opco Borrower, LLC (DBA Giving Home Health Care) | 667 | — |
| Outerbox, LLC | 2,000 | — |

| Portfolio Company | December 31, 2022 | March 31, 2022 |
|---|---|---|
| Pipeline Technique Ltd. | 3,333 | — |
| Roof OpCo, LLC | 1,833 | 3,056 |
| Roseland Management, LLC | 1,425 | 1,425 |
| RTIC Subsidiary Holdings LLC | 822 | — |
| Shearwater Research, Inc. | 2,446 | 2,446 |
| SIB Holdings, LLC | 205 | 655 |
| South Coast Terminals LLC | 1,935 | 1,935 |
| Spotlight AR, LLC | 2,000 | 2,000 |
| Student Resource Center, LLC | — | 1,333 |
| Systec Corporation (DBA Inspire Automation) | 1,500 | 1,150 |
| Versicare Management LLC | 2,500 | — |
| Wall Street Prep, Inc. | 1,000 | 1,000 |
| Well-Foam, Inc. | 4,500 | 4,500 |
| Winter Services Operations, LLC | 4,444 | 2,000 |
| Zenfolio Inc. | — | 1,000 |
| Total Revolving Loans | 87,197 | 57,640 |
| **Delayed Draw Term Loans** | | |
| Acacia BuyerCo V LLC | 10,000 | — |
| Acceleration, LLC | 5,000 | — |
| Central Medical Supply LLC | 1,400 | 1,400 |
| CityVet Inc. | — | 7,000 |
| Exact Borrower, LLC | 2,500 | — |
| Flip Electronics, LLC | — | 2,818 |
| FoodPharma Subsidiary Holdings, LLC | — | 5,470 |
| Gains Intermediate, LLC | 17,000 | — |
| GS Operating, LLC | — | 3,205 |
| Gulf Pacific Acquisition, LLC | 1,515 | — |
| Infolinks Media Buyco, LLC | 2,250 | 2,250 |
| KMS, LLC | 2,286 | 4,571 |
| Lash OpCo, LLC | — | 2,846 |
| Muenster Milling Company, LLC | — | 6,000 |
| NeuroPsychiatric Hospitals, LLC | — | 10,000 |
| New Skinny Mixes, LLC | 3,000 | — |
| NinjaTrader, Inc. | 4,692 | 4,692 |
| Roof OpCo, LLC | — | 4,644 |
| Shearwater Research, Inc. | — | 3,262 |
| SIB Holdings, LLC | — | 1,871 |
| STATinMED, LLC | 119 | — |
| Systec Corporation (DBA Inspire Automation) | 3,000 | 3,000 |
| US CourtScript Holdings, Inc. | 5,000 | — |
| Versicare Management LLC | 5,000 | — |
| Winter Services Operations, LLC | 4,444 | 4,444 |
| Zips Car Wash, LLC - B | — | 3,801 |

| Portfolio Company | December 31, 2022 | March 31, 2022 |
|---|---|---|
| Total Delayed Draw Term Loans | 67,206 | 71,274 |
| **Other** | | |
| Catbird NYC, LLC | 125 | 125 |
| Infolinks Media Buyco, LLC | 412 | 412 |
| I-45 SLF LLC | 4,800 | 4,800 |
| Total Other | 5,337 | 5,337 |
| Total unused commitments to extend financing | $ 159,740 | $ 134,251 |

As of December 31, 2022, total revolving and delayed draw loan commitments included commitments to issue letters of credit through a financial intermediary on behalf of certain portfolio companies. As of December 31, 2022, the Company had $0.9 million in letters of credit issued and outstanding under these commitments on behalf of portfolio companies. For all of these letters of credit issued and outstanding, the Company would be required to make payments to third parties if the portfolio companies were to default on their related payment obligations. Of these letters of credit, $0.4 million expire in February 2023, $0.2 million expire in April 2023, and $0.3 million expire in August 2023. As of December 31, 2022, none of the letters of credit issued and outstanding were recorded as a liability on the Company's balance sheet as such letters of credit are considered in the valuation of the investments in the portfolio company.

Effective April 1, 2019, ASC 842 required that a lessee evaluate its leases to determine whether they should be classified as operating or financing leases. The Company previously had an operating lease for its office space that commenced October 1, 2014 and expired February 28, 2022. In March 2021, the Company executed an agreement to lease new office space that commenced on February 1, 2022 and expires September 30, 2032. The Company identified the foregoing as an operating lease.

ASC 842 indicates that an ROU asset and lease liability should be recorded based on the effective date. As such, CSWC recorded an ROU asset, which is included in other assets on the Consolidated Statements of Assets and Liabilities, and a lease liability, which is included in other liabilities on the Consolidated Statements of Assets and Liabilities, as of February 1, 2022. The Company has recorded lease expense on a straight-line basis.

Total lease expense incurred for the three and nine months ended December 31, 2022 was $63.1 thousand and $189.2 thousand, respectively. For the three and nine months ended December 31, 2021, total lease expense incurred was $58.1 thousand and $174.4 thousand, respectively. As of December 31, 2022, the asset related to the operating lease was $1.9 million and the lease liability was $2.9 million. As of December 31, 2022, the remaining lease term was 9.8 years and the discount rate was 6.89%.

The following table shows future minimum payments under the Company's operating leases as of December 31, 2022 (in thousands):

| Year ending March 31, | Rent Commitment |
|---|---|
| 2023 | $ 92 |
| 2024 | 406 |
| 2025 | 416 |
| 2026 | 426 |
| 2027 | 436 |
| Thereafter | 2,578 |
| Total | $ 4,354 |

*Contingencies*

We may, from time to time, be involved in litigation arising out of our operations in the normal course of business or otherwise. Furthermore, third parties may try to seek to impose liability on us in connection with the activities of our portfolio companies. To our knowledge, we have no currently pending material legal proceedings to which we are party or to which any of our assets are subject.

11. RELATED PARTY TRANSACTIONS

As a BDC, we are obligated under the 1940 Act to make available to our portfolio companies significant managerial assistance. “Making available significant managerial assistance” refers to any arrangement whereby we provide significant guidance and counsel concerning the management, operations, or business objectives and policies of a portfolio company. We are also deemed to be providing managerial assistance to all portfolio companies that we control, either by ourselves or in conjunction with others. The nature and extent of significant managerial assistance provided by us will vary according to the particular needs of each portfolio company.

During each of the three and nine months ended December 31, 2022 and 2021, we did not receive any management fees from our portfolio companies. As of December 31, 2022 and March 31, 2022, we had dividends receivable from I-45 SLF LLC of $1.9 million and $1.7 million, respectively, which were included in dividends and interest receivables on the Consolidated Statements of Assets and Liabilities. Additionally, we recognized administrative fee income from I-45 SLF LLC of $25.0 thousand and $75.0 thousand, respectively, for the three and nine months ended December 31, 2022, which were included in fee income on the Consolidated Statement of Operations.

12. SUMMARY OF PER SHARE INFORMATION

The following presents a summary of per share data for the three and nine months ended December 31, 2022 and 2021 (share amounts presented in thousands).

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|---|---|---|---|
| **Per Share Data:** | 2022 | 2021 | 2022 | 2021 |
| Investment income[1] | $ 1.04 | $ 0.95 | $ 2.90 | $ 2.73 |
| Operating expenses[1] | (0.44) | (0.44) | (1.26) | (1.33) |
| Income taxes[1] | 0.02 | — | — | (0.03) |
| Net investment income[1] | 0.62 | 0.51 | 1.64 | 1.37 |
| Net realized (loss) gain, net of tax[1] | (0.36) | 0.12 | (0.62) | 0.23 |
| Net unrealized appreciation (depreciation) on investments, net of tax[1] | (0.17) | (0.09) | (0.49) | 0.19 |
| Realized loss on extinguishment of debt[1] | — | — | — | (0.76) |
| Total increase (decrease) from investment operations | 0.09 | 0.54 | 0.53 | 1.03 |
| Accretive effect of share issuances and repurchases | 0.17 | 0.24 | 0.43 | 1.17 |
| Dividends to shareholders | (0.57) | (0.97) | (1.70) | (2.04) |
| Issuance of restricted stock[1,2] | — | — | (0.14) | (0.10) |
| Common stock withheld for payroll taxes upon vesting of restricted stock | — | (0.01) | (0.01) | (0.03) |
| Share based compensation expense | 0.03 | 0.04 | 0.10 | 0.12 |
| Other[3] | — | (0.01) | 0.18 | 0.03 |
| (Decrease) increase in net asset value | (0.28) | (0.17) | (0.61) | 0.18 |
| Net asset value | | | | |
| Beginning of period | 16.53 | 16.36 | 16.86 | 16.01 |
| End of period | $ 16.25 | $ 16.19 | $ 16.25 | $ 16.19 |
| | | | | |
| **Ratios and Supplemental Data** | | | | |
| Ratio of operating expenses to average net assets[4] | 2.69 % | 2.71 % | 7.56 % | 8.09 % |
| Ratio of net investment income to average net assets[4] | 3.71 % | 3.08 % | 9.78 % | 8.31 % |
| Portfolio turnover | 2.19 % | 19.44 % | 11.04 % | 30.11 % |
| Total investment return[4,5] | 4.31 % | 4.25 % | (20.95)% | 23.51 % |
| Total return based on change in NAV[4,6] | 1.75 % | 4.89 % | 6.47 % | 13.87 % |
| | | | | |
| Per share market value at the end of the period | $ 17.10 | $ 25.28 | $ 17.10 | $ 25.28 |
| Weighted-average basic and diluted shares outstanding | 31,381 | 23,433 | 28,304 | 22,394 |
| Common shares outstanding at end of period | 34,559 | 23,926 | 34,559 | 23,926 |

1 Based on weighted average of common shares outstanding for the period.
2 Reflects impact of the different share amounts as a result of issuance or forfeiture of restricted stock during the period.
3 Includes the impact of the different share amounts as a result of calculating certain per share data based on the weighted-average basic shares outstanding during the period and certain per share data based on the shares outstanding as of a period end. The balance increases with the increase in variability of shares outstanding throughout the year due to share issuance and repurchase activity.
4 Not annualized.
5 Total investment return based on purchase of stock at the current market price on the first day and a sale at the current market price on the last day of each period reported on the table and assumes reinvestment of dividends at prices obtained by CSWC's dividend reinvestment plan during the period. The return does not reflect any sales load that may be paid by an investor.

[6] Total return based on change in NAV was calculated using the sum of ending NAV plus dividends to shareholders and other non-operating changes during the period, as divided by the beginning NAV, and has not been annualized.

13. SIGNIFICANT SUBSIDIARIES

**I-45 SLF LLC**

In September 2015, we entered into a limited liability company agreement with Main Street Capital Corporation ("Main Street") to form I-45 SLF LLC (the "Initial I-45 LLC Agreement"). I-45 SLF LLC began investing in UMM syndicated senior secured loans during the quarter ended December 31, 2015. The initial equity capital commitment to I-45 SLF LLC totaled $85.0 million, consisting of $68.0 million from CSWC and $17.0 million from Main Street. On April 30, 2020, pursuant to the terms of the Initial I-45 LLC Agreement, each of CSWC and Main Street made an additional equity capital commitment of $12.8 million and $3.2 million, respectively, which resulted in a total equity capital commitment to I-45 SLF LLC of $80.8 million and $20.2 million, respectively.

On March 11, 2021, the Company and Main Street entered into the Second Amended and Restated Limited Liability Company Operating Agreement (the "Amendment"), which increased the current profits interest that is allocated to the Company on a pro rata basis from (a) 75.6% to (b) an amount equal to: (i) 76.2625% as of the date of the Amendment through the quarter ended March 31, 2021; (ii) 76.925% for quarter ended June 30, 2021; (iii) 77.5875% for the quarter ended September 30, 2021; and (iv) 78.25% for the quarter ended December 31, 2021 and periods thereafter.

On March 25, 2021, I-45 SLF LLC declared a return of capital dividend to its members in the amount of $10.0 million. As of December 31, 2022, total funded equity capital totaled $95.0 million, consisting of $76.0 million from CSWC and $19.0 million from Main Street. CSWC owns 80% of I-45 SLF LLC and has a current profits interest of 78.25%, while Main Street owns 20% and has a current profits interest of 21.75%. I-45 SLF LLC's Board of Managers makes all investment and operational decisions for the fund, and consists of equal representation from CSWC and Main Street.

As of December 31, 2022 and March 31, 2022, I-45 SLF LLC had total assets of $166.2 million and $189.1 million, respectively. I-45 SLF LLC had approximately $161.0 million and $176.7 million of total investments at fair value as of December 31, 2022 and March 31, 2022, respectively. The portfolio companies in I-45 SLF LLC are in industries similar to those in which CSWC may invest directly. During the three months ended December 31, 2022, I-45 SLF LLC declared a total dividend of $2.4 million of which $1.9 million was paid to CSWC in January 2023.

Additionally, I-45 SLF LLC closed on a $75.0 million 5-year senior secured credit facility (the “I-45 credit facility”) in November 2015. The I-45 credit facility includes an accordion feature which will allow I-45 SLF LLC to achieve leverage of approximately 2x debt-to-equity. Borrowings under the I-45 credit facility are secured by all of the assets of I-45 SLF LLC and bear interest at a rate equal to LIBOR plus 2.5% per annum. During the year ended March 31, 2017, I-45 SLF LLC increased debt commitments outstanding by an additional $90.0 million by adding three additional lenders to the syndicate, bringing total debt commitments to $165.0 million. In July 2017, the I-45 credit facility was amended to extend the maturity to July 2022. Additionally, the amendment reduced the interest rate on borrowings to LIBOR plus 2.4% per annum. In November 2019, the I-45 credit facility was amended to extend the maturity to November 2024 and to reduce the interest rate on borrowings to LIBOR plus 2.25% per annum. On April 30, 2020, the I-45 credit facility was amended to permanently reduce the I-45 credit facility amount through a prepayment of $15.0 million and to change the minimum utilization requirements. In March 2021, the I-45 credit facility was amended to extend the maturity to March 25, 2026 and to reduce the interest rate on borrowings to LIBOR plus 2.15%. Under the I-45 credit facility, $104.0 million has been drawn as of December 31, 2022.

Below is certain summarized financial information for I-45 SLF LLC as of December 31, 2022 and March 31, 2022 and for the three and nine months ended December 31, 2022 and 2021 (amounts in thousands):

| | December 31, 2022 | March 31, 2022 |
|---|---|---|
| **Selected Balance Sheet Information:** | | |
| Investments, at fair value (cost $184,529 and $187,714) | $ 160,998 | $ 176,704 |
| Cash and cash equivalents | 2,794 | 9,949 |
| Interest receivable | 1,343 | 850 |
| Accounts receivable | 269 | 123 |
| Deferred financing costs and other assets | 831 | 1,518 |
| Total assets | $ 166,235 | $ 189,144 |
| | | |
| Senior credit facility payable | $ 104,000 | $ 114,500 |
| Other liabilities | 2,654 | 2,596 |
| Total liabilities | $ 106,654 | $ 117,096 |
| Members’ equity | 59,581 | 72,048 |
| Total liabilities and members' equity | $ 166,235 | $ 189,144 |

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | December 31, 2022 | December 31, 2021 | December 31, 2022 | December 31, 2021 |
| **Selected Statement of Operations Information:** | | | | |
| Total revenues | $ 4,648 | $ 3,114 | $ 12,217 | $ 9,262 |
| Total expenses | (2,195) | (1,023) | (5,253) | (3,041) |
| Net investment income | 2,453 | 2,091 | 6,964 | 6,221 |
| Net unrealized depreciation | (4,031) | (2,405) | (12,522) | (3,603) |
| Net realized (losses) gains | (29) | 58 | 42 | 231 |
| Net (decrease) increase in members’ equity resulting from operations | $ (1,607) | $ (256) | $ (5,516) | $ 2,849 |

Below is a summary of I-45 SLF LLC's portfolio, followed by a listing of the individual loans in I-45 SLF LLC's portfolio as of December 31, 2022 and March 31, 2022 (in thousands):

**I-45 SLF LLC Loan Portfolio as of December 31, 2022**

| Portfolio Company | Industry | Investment Type | Maturity Date | Current Interest Rate[1] | Principal | Cost | Fair Value[2] |
|---|---|---|---|---|---|---|---|
| AAC New Holdco Inc. | Healthcare services | First Lien | 6/25/2025 | 18.00% PIK | $ 2,140 | $ 2,140 | $ 2,108 |
| | | 304,075 shares common stock | — | — | — | 1,449 | 581 |
| | | Warrants (Expiration - December 11, 2025) | — | — | — | 482 | 193 |
| ADS Tactical, Inc. | Aerospace & defense | First Lien | 3/19/2026 | L+5.75% (Floor 1.00%) | 6,142 | 6,052 | 5,528 |
| American Teleconferencing Services, Ltd.[3] | Telecommunications | Revolving Loan | 1/31/2023 | P+5.50% (Floor 2.00%) | 992 | 986 | 56 |
| | | First Lien | 6/8/2023 | P+5.50% (Floor 2.00%) | 5,597 | 5,566 | 315 |
| ATX Networks (Toronto) Corporation | Technology products & components | First Lien | 9/1/2026 | L+7.50%, (Floor 1.00%) | 2,276 | 2,270 | 2,128 |
| | | Senior Subordinated Debt | 9/1/2028 | 10.00% PIK | 1,136 | 1,136 | 869 |
| | | 196 Class A units | — | — | — | — | 1,218 |
| Burning Glass Intermediate Holding Company, Inc. | Software & IT services | Revolving Loan[4] | 6/10/2028 | L+5.00% (Floor 1.00%) | — | (5) | — |
| | | First Lien | 6/10/2028 | L+5.00% (Floor 1.00%) | 3,165 | 3,119 | 3,165 |
| Corel Inc. | Software & IT services | First Lien | 7/2/2026 | L+5.00% | 6,531 | 6,392 | 6,104 |
| Emerald Technologies (U.S.) Acquisitionco, Inc. | Technology products & components | First Lien | 12/29/2027 | SOFR+6.25% (Floor 1.00%) | 4,514 | 4,456 | 4,284 |
| Evergreen AcqCo 1 LP | Consumer products & retail | First Lien | 4/26/2028 | SOFR+5.50% (Floor 0.75%) | 8,117 | 8,009 | 7,867 |
| Evergreen North America Acquisitions, LLC | Industrial services | First Lien | 8/13/2026 | L+6.75% (Floor 1.00%) | 6,690 | 6,586 | 6,689 |
| Geo Parent Corporation | Building & infrastructure products | First Lien | 12/19/2025 | SOFR+5.25% | 6,787 | 6,758 | 6,447 |
| Infogain Corporation | Software & IT services | First Lien | 7/28/2028 | SOFR+5.75% (Floor 1.00%) | 4,748 | 4,688 | 4,748 |
| InfoGroup Inc. | Software & IT services | First Lien | 4/3/2023 | L+5.00% (Floor 1.00%) | 2,828 | 2,826 | 2,354 |

| Portfolio Company | Industry | Investment Type | Maturity Date | Current Interest Rate[1] | Principal | Cost | Fair Value[2] |
|---|---|---|---|---|---|---|---|
| Integro Parent Inc. | Business services | First Lien | 5/8/2023 | SOFR+12.50% PIK (Floor 1.00%) | 397 | 397 | 361 |
| Intermedia Holdings, Inc. | Software & IT services | First Lien | 7/21/2025 | L+6.00% (Floor 1.00%) | 6,625 | 6,575 | 5,118 |
| Inventus Power, Inc. | Technology products & components | First Lien | 3/29/2024 | SOFR+5.00% (Floor 1.00%) | 6,878 | 6,847 | 6,809 |
| INW Manufacturing, LLC | Food, agriculture, & beverage | First Lien | 3/25/2027 | L+5.75% (Floor 0.75%) | 2,813 | 2,746 | 2,405 |
| Isagenix International, LLC[3] | Consumer products & retail | First Lien | 6/14/2025 | L+7.75% (Floor 1.00%) | 1,650 | 1,641 | 502 |
| KORE Wireless Group Inc. | Telecommunications | First Lien | 12/20/2024 | SOFR+5.50% | 5,611 | 5,595 | 5,415 |
| Lab Logistics, LLC | Healthcare services | First Lien | 9/25/2023 | SOFR+7.25% (Floor 1.00%) | 10,073 | 10,024 | 10,003 |
| Lash OpCo, LLC | Consumer products & retail | First Lien | 3/18/2026 | L+7.00% (Floor 1.00%) | 6,128 | 6,007 | 5,981 |
| Lift Brands, Inc. | Consumer services | Tranche A | 6/29/2025 | L+7.50% (Floor 1.00%) | 2,483 | 2,483 | 2,409 |
| | | Tranche B | 6/29/2025 | 9.50% | 592 | 592 | 533 |
| | | Tranche C | 6/29/2025 | — | 565 | 565 | 508 |
| | | 1,051 shares common stock | — | — | — | 749 | 553 |
| Lightbox Intermediate, L.P. | Software & IT services | First Lien | 5/9/2026 | L+5.00% | 6,894 | 6,846 | 6,653 |
| LOGIX Holdings Company, LLC | Telecommunications | First Lien | 12/23/2024 | L+5.75% (Floor 1.00%) | 4,443 | 4,430 | 3,666 |
| Mills Fleet Farm Group LLC | Consumer products & retail | First Lien | 10/24/2024 | L+6.25% (Floor 1.00%) | 4,491 | 4,459 | 4,401 |
| National Credit Care | Consumer services | First Lien - Term Loan A | 12/23/2026 | L+6.50% (Floor 1.00%) | 2,159 | 2,123 | 2,144 |
| | | First Lien - Term Loan B | 12/23/2026 | L+7.50% (Floor 1.00%) | 2,159 | 2,123 | 2,144 |
| NBG Acquisition, Inc. | Wholesale | First Lien | 4/26/2024 | L+5.50% (Floor 1.00%) | 2,606 | 2,593 | 847 |
| NinjaTrader, Inc. | Financial services | First Lien | 12/18/2024 | L+6.25% (Floor 1.00%) | 5,000 | 4,931 | 4,975 |
| Research Now Group, Inc. | Business services | First Lien | 12/20/2024 | L+5.50% (Floor 1.00%) | 5,889 | 5,847 | 4,458 |
| Retail Services WIS Corporation | Business services | First Lien | 5/20/2025 | L+7.75% (Floor 1.00%) | 2,864 | 2,827 | 2,807 |
| SIB Holdings, LLC | Business services | First Lien | 10/29/2026 | L+6.25% (Floor 1.00%) | 2,948 | 2,900 | 2,859 |

| Portfolio Company | Industry | Investment Type | Maturity Date | Current Interest Rate[1] | Principal | Cost | Fair Value[2] |
|---|---|---|---|---|---|---|---|
| Stellant Midco, LLC | Aerospace & defense | First Lien | 10/2/2028 | SOFR+5.50% (Floor 0.75%) | 2,271 | 2,252 | 2,135 |
| Tacala, LLC | Consumer products & retail | First Lien | 2/5/2027 | L+3.50% (Floor 0.75%) | 992 | 950 | 957 |
| | | Second Lien | 2/4/2028 | L+7.50% (Floor 0.75%) | 6,000 | 5,956 | 5,468 |
| TEAM Services Group, LLC | Healthcare services | First Lien | 12/20/2027 | L+5.00% (Floor 1.00%) | 6,637 | 6,597 | 6,338 |
| UniTek Global Services, Inc. | Telecommunications | First Lien | 8/20/2024 | SOFR+5.50%, 2.00% PIK (Floor 1.00%) | 2,853 | 2,845 | 2,692 |
| U.S. TelePacific Corp. | Telecommunications | First Lien | 5/1/2026 | SOFR+1.00%, 7.25% PIK (Floor 1.00%) | 5,532 | 5,532 | 2,068 |
| Veregy Consolidated, Inc. | Environmental services | First Lien | 11/3/2027 | L+6.00% (Floor 1.00%) | 1,960 | 1,956 | 1,715 |
| Vida Capital, Inc. | Financial services | First Lien | 10/1/2026 | L+6.00% | 3,340 | 3,308 | 2,605 |
| Wahoo Fitness Acquisition, LLC | Consumer products & retail | First Lien | 8/14/2028 | SOFR+5.75% (Floor 1.00%) | 4,875 | 4,751 | 2,803 |
| YS Garments, LLC | Consumer products & retail | First Lien | 8/9/2024 | L+5.50% (Floor 1.00%) | 4,188 | 4,172 | 4,012 |
| Total Investments | | | | | | $ 184,529 | $ 160,998 |

1 Represents the interest rate as of December 31, 2022. All interest rates are payable in cash, unless otherwise noted. The majority of investments bear interest at a rate that may be determined by reference to London Interbank Offered Rate (“LIBOR” or “L”), Prime (“P”) or Secured Overnight Financing Rate ("SOFR"), which reset daily, monthly, quarterly, or semiannually. For each investment, the Company has provided the spread over LIBOR, Prime, or SOFR in effect at December 31, 2022. Certain investments are subject to an interest rate floor.

2 Represents the fair value determined utilizing a similar process as the Company in accordance with ASC 820. However, the determination of such fair value is determined by the Board of Managers of I-45 SLF LLC. It is not included in the Company’s Board of Directors’ valuation process described elsewhere herein.

3 Investment is on non-accrual status as of December 31, 2022, meaning the Company has ceased to recognize interest income on the investment.

4 The investment has approximately $0.4 million in an unfunded revolving loan commitment as of December 31, 2022.

**I-45 SLF LLC Loan Portfolio as of March 31, 2022**

| Portfolio Company | Industry | Investment Type | Maturity Date | Current Interest Rate[1] | Principal | Cost[2] | Fair Value[3] |
|---|---|---|---|---|---|---|---|
| AAC New Holdco Inc. | Healthcare services | First Lien | 6/25/2025 | 10.00%, 8.00% PIK | $ 1,899 | $ 1,899 | $ 1,833 |
| | | 304,075 shares common stock | — | — | — | 1,449 | 1,449 |
| | | Warrants (Expiration - December 11, 2025) | — | — | — | 482 | 482 |
| ADS Tactical, Inc. | Aerospace & defense | First Lien | 3/19/2026 | L+5.75% (Floor 1.00%) | 6,394 | 6,283 | 6,133 |
| American Teleconferencing Services, Ltd.[4] | Telecommunications | Revolving Loan | 6/30/2022 | P+5.50% | 1,027 | 1,021 | 64 |
| | | First Lien | 6/8/2023 | P+5.50% | 5,598 | 5,566 | 308 |
| ATX Networks (Toronto) Corporation | Technology products & components | First Lien | 9/1/2026 | L+7.50% (Floor 1.00%) | 2,617 | 2,610 | 2,499 |
| | | Senior Subordinated Debt | 9/1/2028 | 10.00% PIK | 1,081 | 1,081 | 729 |
| | | 196 Class A units | — | — | — | — | — |
| Burning Glass Intermediate Holding Company, Inc. | Software & IT services | Revolving Loan[5] | 6/10/2028 | L+5.00% (Floor 1.00%) | 74 | 67 | 67 |
| | | First Lien | 6/10/2028 | L+5.00% (Floor 1.00%) | 3,189 | 3,140 | 3,189 |
| Corel, Inc. | Software & IT services | First Lien | 7/2/2026 | L+5.00% | 6,803 | 6,650 | 6,805 |
| Emerald Technologies (U.S.) Acquisitionco, Inc. | Technology products & components | First Lien | 12/29/2027 | SOFR +6.25% (Floor 1.00%) | 3,125 | 3,063 | 3,078 |
| Evergreen AcqCo 1 LP | Consumer products & retail | First Lien | 4/26/2028 | L+5.50% (Floor 0.75%) | 4,179 | 4,142 | 4,158 |
| Evergreen North America Acquisitions, LLC | Industrial services | First Lien | 8/13/2026 | L+6.75% (Floor 1.00%) | 6,740 | 6,623 | 6,740 |
| Geo Parent Corporation | Building & infrastructure products | First Lien | 12/19/2025 | L+5.25% | 6,840 | 6,809 | 6,806 |
| GS Operating, LLC | Distribution | First Lien | 1/3/2028 | SOFR +6.00% (Floor 0.75%) | 4,988 | 4,891 | 4,988 |
| Infogain Corporation | Software & IT services | First Lien | 7/28/2028 | L+5.75% (Floor 1.00%) | 4,784 | 4,719 | 4,769 |
| InfoGroup Inc. | Software & IT services | First Lien | 4/3/2023 | L+5.00% (Floor 1.00%) | 2,850 | 2,845 | 2,704 |
| Integro Parent Inc. | Business services | First Lien | 10/28/2022 | L+5.75% (Floor 1.00%) | 3,217 | 3,209 | 3,043 |

| Portfolio Company | Industry | Investment Type | Maturity Date | Current Interest Rate[1] | Principal | Cost[2] | Fair Value[3] |
|---|---|---|---|---|---|---|---|
| Intermedia Holdings, Inc. | Software & IT services | First Lien | 7/21/2025 | L+6.00% (Floor 1.00%) | 5,677 | 5,659 | 5,638 |
| Inventus Power, Inc. | Technology products & components | First Lien | 3/29/2024 | SOFR +5.00% (Floor 1.00%) | 6,930 | 6,884 | 6,791 |
| INW Manufacturing, LLC | Food, agriculture, & beverage | First Lien | 3/25/2027 | L+5.75% (Floor 0.75%) | 2,925 | 2,867 | 2,867 |
| Isagenix International, LLC | Consumer products & retail | First Lien | 6/14/2025 | L+5.75% (Floor 1.00%) | 1,685 | 1,677 | 1,088 |
| KORE Wireless Group Inc. | Telecommunications | First Lien | 12/20/2024 | L+5.50% | 4,658 | 4,639 | 4,640 |
| Lab Logistics, LLC | Healthcare services | First Lien | 9/25/2023 | L+7.25% (Floor 1.00%) | 6,242 | 6,213 | 6,242 |
| Lash OpCo, LLC | Consumer products & retail | First Lien | 3/18/2026 | L+7.00% (Floor 1.00%) | 4,988 | 4,881 | 4,878 |
| | | Delayed Draw Term Loan[6] | 3/18/2026 | L+7.00% (Floor 1.00%) | 1,187 | 1,152 | 1,161 |
| Lift Brands, Inc. | Consumer services | Tranche A | 6/29/2025 | L+7.50% (Floor 1.00%) | 2,502 | 2,502 | 2,252 |
| | | Tranche B | 6/29/2025 | 9.50% PIK | 583 | 583 | 437 |
| | | Tranche C | 6/29/2025 | — | 565 | 564 | 423 |
| | | 1,051 shares common stock | — | — | — | 749 | 749 |
| Lightbox Intermediate, L.P. | Software & IT services | First Lien | 5/9/2026 | L+5.00% | 4,948 | 4,914 | 4,874 |
| LOGIX Holdings Company, LLC | Telecommunications | First Lien | 12/23/2024 | L+5.75% (Floor 1.00%) | 5,826 | 5,807 | 5,491 |
| Mills Fleet Farm Group LLC | Consumer products & retail | First Lien | 10/24/2024 | L+6.25% (Floor 1.00%) | 4,623 | 4,584 | 4,623 |
| National Credit Care, LLC | Consumer services | First Lien - Term Loan A | 12/23/2026 | L+6.50% (Floor 1.00%) | 2,500 | 2,453 | 2,483 |
| | | First Lien - Term Loan B | 12/23/2026 | L+7.50% (Floor 1.00%) | 2,500 | 2,453 | 2,483 |
| NBG Acquisition, Inc. | Wholesale | First Lien | 4/26/2024 | L+5.50% (Floor 1.00%) | 2,663 | 2,647 | 1,807 |
| NinjaTrader, Inc. | Financial services | First Lien | 12/18/2024 | L+6.25% (Floor 1.00%) | 5,000 | 4,908 | 5,000 |
| NorthStar Group Services, Inc. | Environmental services | First Lien | 11/9/2026 | L+5.50% (Floor 1.00%) | 2,961 | 2,948 | 2,950 |
| Research Now Group, Inc. | Business services | First Lien | 12/20/2024 | L+5.50% (Floor 1.00%) | 4,936 | 4,936 | 4,861 |
| Retail Services WIS Corporation | Business services | First Lien | 5/20/2025 | L+7.75% (Floor 1.00%) | 2,959 | 2,912 | 2,914 |

| Portfolio Company | Industry | Investment Type | Maturity Date | Current Interest Rate[1] | Principal | Cost[2] | Fair Value[3] |
|---|---|---|---|---|---|---|---|
| SIB Holdings, LLC | Business services | First Lien | 10/29/2026 | L+6.00% (Floor 1.00%) | 3,000 | 2,945 | 2,958 |
| Stellant Midco, LLC | Aerospace & defense | First Lien | 10/2/2028 | L+5.50% (Floor 0.75%) | 2,289 | 2,267 | 2,254 |
| Tacala, LLC | Consumer products & retail | Second Lien | 2/7/2028 | L+7.50% (Floor 0.75%) | 5,000 | 4,991 | 4,944 |
| TEAM Services Group, LLC | Healthcare services | First Lien | 12/20/2027 | L+5.00% (Floor 1.00%) | 6,687 | 6,644 | 6,637 |
| TestEquity, LLC | Capital equipment | First Lien | 4/28/2022 | L+6.25% (Floor 1.00%) | 3,805 | 3,804 | 3,805 |
| | | First Lien - Term Loan B | 4/28/2022 | L+6.25% (Floor 1.00%) | 942 | 942 | 942 |
| UniTek Global Services, Inc. | Telecommunications | First Lien | 8/20/2024 | L+5.50%, 2.00% PIK (Floor 1.00%) | 2,814 | 2,802 | 2,627 |
| U.S. TelePacific Corp. | Telecommunications | First Lien | 5/1/2026 | L+1.00%, 7.25% PIK (Floor 1.00%) | 5,239 | 5,239 | 3,714 |
| Veregy Consolidated, Inc. | Environmental services | First Lien | 11/3/2027 | L+6.00% (Floor 1.00%) | 1,975 | 1,970 | 1,936 |
| Vida Capital, Inc. | Financial services | First Lien | 10/1/2026 | L+6.00% | 3,565 | 3,531 | 3,283 |
| Wahoo Fitness Acquisition, LLC | Consumer products & retail | First Lien | 8/14/2028 | L+5.75% (Floor 1.00%) | 4,969 | 4,833 | 4,869 |
| YS Garments, LLC | Consumer products & retail | First Lien | 8/9/2024 | L+5.50% (Floor 1.00%) | 4,282 | 4,265 | 4,239 |
| Total Investments | | | | | | $ 187,714 | $ 176,704 |

1 Represents the interest rate as of March 31, 2022. All interest rates are payable in cash, unless otherwise noted. The majority of investments bear interest at a rate that may be determined by reference to London Interbank Offered Rate (“LIBOR” or “L”), Secured Overnight Financing Rate ("SOFR") or Prime (“Prime”) which reset daily, monthly, quarterly, or semiannually. For each, the Company has provided the spread over LIBOR, SOFR or Prime in effect at March 31, 2022. Certain investments are subject to an interest rate floor. Certain investments, as noted, accrue payment-in-kind ("PIK") interest.

2 Represents amortized cost.

3 Represents the fair value determined utilizing a similar process as the Company in accordance with ASC 820. However, the determination of such fair value is determined by the Board of Managers of I-45 SLF LLC. It is not included in the Company’s Board of Directors’ valuation process described elsewhere herein.

4 Investment is on non-accrual status as of March 31, 2022, meaning the Company has ceased to recognize interest income on the investment.

5 The investment has approximately $0.3 million in an unfunded revolving loan commitment as of March 31, 2022.

6 The investment has approximately $0.8 million in an unfunded delayed draw term loan commitment as of March 31, 2022.

14. SUBSEQUENT EVENTS

On January 25, 2023, the Board of Directors declared a total dividend of $0.58 per share, comprised of a regular dividend of $0.53 and a supplemental dividend of $0.05, for the quarter ending March 31, 2023. The record date for the dividend is March 15, 2023. The payment date for the dividend is March 31, 2023.

**CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES**
**Consolidated Schedule of Investments in and Advances to Affiliates (Unaudited)**
**Nine Months Ended December 31, 2022**
**(amounts in thousands)**

| Portfolio Company | Type of Investment (1) | December 31, 2022 Principal Amount - Debt Investments | Amount of Interest or Dividends Credited in Income (2) | Fair Value at March 31, 2022 | Gross Additions (3) | Gross Reductions (4) | Amount of Realized Gain/(Loss) (5) | Amount of Unrealized Gain/(Loss) | Fair Value at December 31, 2022 |
|---|---|---|---|---|---|---|---|---|---|
| **Control Investments** | | | | | | | | | |
| **I-45 SLF LLC** | 80% LLC equity interest | $ — | $ 5,439 | $ 57,603 | $ — | $ — | $ — | $ (9,978) | $ 47,625 |
| **Total Control Investments** | | $ — | $ 5,439 | $ 57,603 | $ — | $ — | $ — | $ (9,978) | $ 47,625 |
| **Affiliate Investments** | | | | | | | | | |
| **Air Conditioning Specialists, Inc.** | Revolving Loan | $ — | $ 12 | $ — | $ 603 | $ (600) | $ — | $ (3) | $ — |
| | First Lien | 25,101 | 1,137 | 12,535 | 12,221 | (106) | — | 451 | 25,101 |
| | 766,738.93 Preferred Units | — | — | 634 | 186 | — | — | 382 | 1,202 |
| **Catbird NYC, LLC** | Revolving Loan | — | 27 | — | 12 | — | — | (12) | — |
| | First Lien | 15,600 | 1,164 | 15,884 | 44 | (300) | — | (28) | 15,600 |
| | 1,000,000 Class A Units | — | 72 | 1,221 | — | — | — | 437 | 1,658 |
| | 500,000 Class B Units | — | 29 | 572 | — | — | — | 142 | 714 |
| **Central Medical Supply LLC** | Revolving Loan | 300 | 36 | 290 | 5 | — | — | (2) | 293 |
| | First Lien | 7,500 | 685 | 7,260 | 21 | — | — | 46 | 7,327 |
| | Delayed Draw Term Loan | 100 | 19 | 97 | 5 | — | — | (4) | 98 |
| | 1,380,500 Preferred Units | — | — | 641 | — | — | — | (284) | 357 |
| **Chandler Signs, LLC** | 1,500,000 units of Class A-1 common stock | — | — | 924 | — | — | — | 1,969 | 2,893 |
| **Delphi Intermediate Healthco LLC** | First Lien | 1,649 | 108 | 1,402 | 108 | — | — | (1,510) | — |
| | First Lien | 1,829 | 98 | 1,472 | 97 | — | — | (1,569) | — |
| | Protective Advance | 1,448 | 79 | 526 | 922 | — | — | (362) | 1,086 |
| | 1,681.04 Common Units | — | — | 2,460 | — | — | — | (2,460) | — |

| Portfolio Company | Type of Investment (1) | December 31, 2022 Principal Amount - Debt Investments | Amount of Interest or Dividends Credited in Income (2) | Fair Value at March 31, 2022 | Gross Additions (3) | Gross Reductions (4) | Amount of Realized Gain/(Loss) (5) | Amount of Unrealized Gain/(Loss) | Fair Value at December 31, 2022 |
|---|---|---|---|---|---|---|---|---|---|
| **Dynamic Communities, LLC** | Revolving Loan | — | 1 | — | — | — | 1 | (1) | — |
| | First Lien | — | 286 | 10,323 | 12 | (11,159) | — | 824 | — |
| | First Lien - Term Loan A | 3,759 | 163 | — | 9,467 | (4,604) | (1,124) | — | 3,739 |
| | First Lien - Term Loan B | 3,761 | 14 | — | 9,318 | (4,484) | (1,095) | — | 3,739 |
| | Senior subordinated debt | — | 41 | 650 | 41 | (587) | (104) | — | — |
| | 2,000,000 Preferred units | — | — | 1,274 | — | — | (2,000) | 726 | — |
| | 250,000 Class A Preferred units | — | — | — | 250 | — | — | 375 | 625 |
| | 5,435,211.03 Class B Preferred units | — | — | — | 2,218 | — | — | — | 2,218 |
| | 255,984.22 Class C Preferred units | — | — | — | — | — | — | — | — |
| | 2,500,000 Common units | — | — | — | — | — | — | — | — |
| **GrammaTech, Inc.** | Revolving Loan | — | 7 | — | 7 | — | — | (7) | — |
| | First Lien | 10,031 | 970 | 9,775 | 58 | (1,500) | 15 | 680 | 9,028 |
| | 1,000 Class A units | — | — | 674 | — | — | — | (330) | 344 |
| | 247.54 Class A-1 units | — | — | 38 | 191 | — | — | (144) | 85 |
| **ITA Holdings Group, LLC** | Revolving loan | 7,000 | 499 | 750 | 6,208 | — | — | 42 | 7,000 |
| | First Lien - Term Loan | 10,086 | 885 | 10,041 | 64 | — | — | 21 | 10,126 |
| | First Lien - Term Loan B | 5,043 | 555 | 5,061 | 29 | — | — | (22) | 5,068 |
| | First Lien - PIK Note A | 3,189 | 437 | 2,959 | 430 | — | — | (266) | 3,123 |
| | First Lien - PIK Note B | 126 | 9 | 117 | 9 | — | — | (3) | 123 |
| | Warrants | — | — | 3,199 | — | — | — | 656 | 3,855 |
| | 9.25% Class A membership interest | — | — | 3,063 | — | — | — | 988 | 4,051 |

| Portfolio Company | Type of Investment (1) | December 31, 2022 Principal Amount - Debt Investments | Amount of Interest or Dividends Credited in Income (2) | Fair Value at March 31, 2022 | Gross Additions (3) | Gross Reductions (4) | Amount of Realized Gain/(Loss) (5) | Amount of Unrealized Gain/(Loss) | Fair Value at December 31, 2022 |
|---|---|---|---|---|---|---|---|---|---|
| **Lighting Retrofit International, LLC (DBA Envocore)** | Revolving Loan | — | 31 | — | 833 | (833) | — | — | — |
| | First Lien | 5,156 | 297 | 4,780 | — | (39) | — | 415 | 5,156 |
| | Second Lien | 5,208 | — | 3,104 | — | — | — | (729) | 2,375 |
| | 208,333.3333 Series A Preferred units | — | — | — | — | — | — | — | — |
| | 203,124.9999 Common units | — | — | — | — | — | — | — | — |
| **Outerbox, LLC** | Revolving Loan | — | 6 | — | (26) | — | — | 26 | — |
| | First Lien | 10,800 | 616 | — | 10,653 | — | — | 93 | 10,746 |
| | 5,000 Class A common units | — | — | — | 500 | — | — | — | 500 |
| **Roseland Management, LLC** | Revolving Loan | 575 | 61 | 575 | 5 | — | — | (39) | 541 |
| | First Lien | 14,557 | 1,314 | 14,125 | 586 | (109) | — | (904) | 13,698 |
| | 1,100 Class A-1 units | — | — | — | 66 | — | — | 134 | 200 |
| | 16,084 Class A units | — | — | 1,905 | — | — | — | (949) | 956 |
| **SIMR, LLC** | First Lien | — | — | 10,588 | 191 | (13,081) | (211) | 2,513 | — |
| | First Lien - Incremental | — | — | — | 191 | (191) | — | — | — |
| | 9,374,510.2 Class B Common Units | — | — | — | — | — | (6,107) | 6,107 | — |
| | 904,903.31 Class W Units | — | — | — | — | — | — | — | — |
| **Sonobi, Inc.** | 500,000 Class A Common units | — | — | 2,960 | — | — | — | (939) | 2,021 |
| **STATinMED, LLC** | First Lien | 7,039 | 444 | — | 7,230 | (191) | — | — | 7,039 |
| | Delayed Draw Term Loan | 119 | — | — | 117 | — | — | 2 | 119 |
| | 4,718.62 Class A Preferred Units | — | — | — | 4,838 | — | — | (214) | 4,624 |
| | 37,807.58 Class B Preferred Units | — | — | — | 1,400 | — | — | (61) | 1,339 |
| **Student Resource Center LLC** | First Lien | 8,889 | 2 | — | 8,720 | — | — | — | 8,720 |
| | 10,502,487.46 Preferred units | — | — | — | 5,845 | — | — | — | 5,845 |
| | 2,000,000 Preferred units | — | — | — | — | — | — | — | — |

| Portfolio Company | Type of Investment (1) | December 31, 2022 Principal Amount - Debt Investments | Amount of Interest or Dividends Credited in Income (2) | Fair Value at March 31, 2022 | Gross Additions (3) | Gross Reductions (4) | Amount of Realized Gain/(Loss) (5) | Amount of Unrealized Gain/(Loss) | Fair Value at December 31, 2022 |
|---|---|---|---|---|---|---|---|---|---|
| **Total Affiliate Investments** | | $ 148,865 | $ 10,104 | $ 131,879 | $ 83,675 | $ (37,784) | (10,625) | $ 6,187 | $ 173,332 |
| **Total Control & Affiliate Investments** | | $ 148,865 | $ 15,543 | $ 189,482 | $ 83,675 | $ (37,784) | $ (10,625) | $ (3,791) | $ 220,957 |

(1) The principal amount and ownership detail as shown in the Consolidated Schedules of Investments.
(2) Represents the total amount of interest or dividends credited to income for the portion of the year an investment was included in the Control or Affiliate categories, respectively.
(3) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, follow-on investments, accrued PIK interest, and accretion of OID. Gross additions also include movement of an existing portfolio company into this category and out of a different category.
(4) Gross reductions include decreases in the cost basis of investments resulting from principal repayments or sales and the exchange of one or more existing securities for one or more new securities. Gross reductions also include movement of an existing portfolio company out of this category and into a different category.
(5) The schedule does not reflect realized gains or losses on escrow receivables for investments which were previously exited and were not held during the period presented. Gains and losses on escrow receivables are classified in the Consolidated Statements of Operations according to the control classification at the time the investment was exited.

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

*The following discussion should be read in conjunction with our consolidated financial statements and the notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q.*

*The information contained herein may contain "forward-looking statements" based on our current expectations, assumptions and estimates about us and our industry. These forward-looking statements involve risks and uncertainties. Words such as "may," "predict," "will," "continue," "likely," "would," "could," "should," "expect," "anticipate," "potential," "estimate," "indicate," "seek," "believe," "target," "intend," "plan," or "project" and other similar expressions identify forward-looking statements. These risks include risks related to changes in the markets in which the Company invests; changes in the financial and lending markets; interest rate volatility, including the decommissioning of LIBOR and rising interest rates; the impact of supply chain constraints and labor difficulties on our portfolio companies and the global economy; the elevated level of inflation, and its impact on our portfolio companies and on the industries in which we invest; regulatory changes; tax treatment and general economic and business conditions; our ability to operate our wholly owned subsidiary, Capital Southwest SBIC I, LP, as a small business investment company; and uncertainties associated with the continued impact from the COVID-19 pandemic and new variants of COVID-19, including its impact on the global and U.S. capital markets and the global and U.S. economy, the length and duration of the COVID-19 pandemic in the United States as well as worldwide and the magnitude of the economic impact of that outbreak; the effect of the COVID-19 pandemic on our business prospects and the operational and financial performance of our portfolio companies, including our ability and their ability to achieve their respective objectives, and the effects of the disruptions caused by the COVID-19 pandemic on our ability to continue to effectively manage our business. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements that are subject to risks, uncertainties and assumptions. Our actual results could differ materially from those we express in the forward-looking statements as a result of several factors more fully described in "Risk Factors" and elsewhere in our Annual Report on Form 10-K for the fiscal year ended March 31, 2022 and in this Quarterly Report on Form 10-Q. The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. You should read the following discussion in conjunction with the consolidated financial statements and related footnotes and other financial information included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2022. We undertake no obligation to update publicly any forward-looking statements for any reason, whether as a result of new information, future events or otherwise, except as required by law.*

**OVERVIEW**

We are an internally managed closed-end, non-diversified management investment company that has elected to be regulated as a BDC under the 1940 Act. We specialize in providing customized debt and equity financing to LMM companies and debt capital to UMM companies in a broad range of investment segments located primarily in the United States. Our investment objective is to produce attractive risk-adjusted returns by generating current income from our debt investments and capital appreciation from our equity and equity related investments. Our investment strategy is to partner with business owners, management teams and financial sponsors to provide flexible financing solutions to fund growth, changes of control, or other corporate events. We invest primarily in senior debt securities, secured by security interests in portfolio company assets. We also invest in equity interests in our portfolio companies alongside our debt securities.

We focus on investing in companies with histories of generating revenues and positive cash flow, established market positions and proven management teams with strong operating discipline. We primarily target senior debt and equity investments in LMM companies, and opportunistically target first and second lien loans in UMM companies. Our target LMM companies typically have annual EBITDA between $3.0 million and $20.0 million, and our LMM investments generally range in size from $5.0 million to $35.0 million. Our UMM investments generally include first and second lien loans in companies with EBITDA generally greater than $20.0 million, and our UMM investments typically range in size from $5.0 million to $20.0 million.

We seek to fill the financing gap for LMM companies, which, historically, have had more limited access to financing from commercial banks and other traditional sources. The underserved nature of the LMM creates the opportunity for us to meet the financing needs of LMM companies while also negotiating favorable transaction terms and equity participations. Our ability to invest across a LMM company's capital structure, from secured loans to equity securities, allows us to offer portfolio companies a comprehensive suite of financing options. Providing customized financing solutions is important to LMM companies. We generally seek to partner directly with financial sponsors, entrepreneurs, management teams and business owners in making our investments. Our LMM debt investments typically include senior loans with a first lien on the assets of the portfolio company. Our LMM debt investments typically have a term of between five and seven years from the original investment date. We also often seek to invest in the equity securities of our LMM portfolio companies.

Our investments in UMM companies primarily consist of direct investments in or secondary purchases of interest bearing debt securities in privately held companies that are generally larger in size than the LMM companies included in our portfolio. Our UMM debt investments are generally secured by either a first or second priority lien on the assets of the portfolio company and typically have an expected duration of between three and seven years from the original investment date.

Because we are internally managed, we do not pay any external investment advisory fees, but instead directly incur the operating costs associated with employing investment and portfolio management professionals. We believe that our internally managed structure provides us with a beneficial operating expense structure when compared to other publicly traded and privately held investment firms that are externally managed, and our internally managed structure allows us the opportunity to leverage our non-interest operating expenses as we grow our investment portfolio. For the nine months ended December 31, 2022 and 2021, the ratio of our last twelve months ("LTM") operating expenses, excluding interest expense, as a percentage of our LTM average total assets was 1.89% and 2.73%, respectively.

## CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

The preparation of our consolidated financial statements in accordance with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses for the periods covered by the consolidated financial statements. We have identified investment valuation and revenue recognition as our most critical accounting estimates. On an on-going basis, we evaluate our estimates, including those related to the matters below. These estimates are based on the information that is currently available to us and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ materially from those estimates under different assumptions or conditions. A discussion of our critical accounting policies follows.

### Valuation of Investments

The most significant determination inherent in the preparation of our consolidated financial statements is the valuation of our investment portfolio and the related amounts of unrealized appreciation and depreciation. As of December 31, 2022 and March 31, 2022, our investment portfolio at fair value represented approximately 95.7% and 96.2% of our total assets, respectively. We are required to report our investments at fair value. We follow the provisions of ASC 820. ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and enhances disclosure requirements for fair value measurements. ASC 820 requires us to assume that the portfolio investment is to be sold in the principal market to independent market participants, which may be a hypothetical market. See Note 4 — Fair Value Measurements in the notes to consolidated financial statements for a detailed discussion of our investment portfolio valuation process and procedures.

Due to the inherent uncertainty in the valuation process, our determination of fair value for our investment portfolio may differ materially from the values that would have been determined had a ready market for the securities actually existed. In addition, changes in the market environment, portfolio company performance, and other events may occur over the lives of the investments that may cause the gains or losses ultimately realized on these investments to be materially different than the valuations currently assigned. We determine the fair value of each individual investment and record changes in fair value as unrealized appreciation or depreciation.

Our Board of Directors is responsible for determining, in good faith, the fair value for our investment portfolio and our valuation procedures, consistent with 1940 Act requirements. Our Board of Directors believes that our investment portfolio as of December 31, 2022 and March 31, 2022 reflects the fair value as of those dates based on the markets in which we operate and other conditions in existence on those reporting dates.

## Revenue Recognition

*Interest and Dividend Income*

Interest and dividend income is recorded on an accrual basis to the extent amounts are expected to be collected. Dividend income is recognized on the date dividends are declared by the portfolio company or at the point an obligation exists for the portfolio company to make a distribution. Discounts/premiums received to par on loans purchased are capitalized and accreted or amortized into income over the life of the loan using the effective interest method. In accordance with our valuation policy, accrued interest and dividend income is evaluated quarterly for collectability. When we do not expect the debtor to be able to service all of its debt or other obligations, we will generally establish a reserve against interest income receivable, thereby placing the loan or debt security on non-accrual status, and cease to recognize interest income on that loan or debt security until the borrower has demonstrated the ability and intent to pay contractual amounts due. If a loan or debt security's status significantly improves regarding its ability to service debt or other obligations, it will be restored to accrual basis. As of December 31, 2022, investments on non-accrual status represented approximately 0.3% of our total investment portfolio's fair value and approximately 1.4% of its cost. As of March 31, 2022, investments on non-accrual status represented approximately 1.5% of our total investment portfolio's fair value and approximately 2.6% of its cost.

## Recently Issued Accounting Standards

In March 2020, the FASB issued ASU 2020-04, "Reference rate reform (Topic 848)—Facilitation of the effects of reference rate reform on financial reporting." The amendments in this update provide optional expedients and exceptions for applying U.S. GAAP to certain contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform and became effective upon issuance for all entities. The Company has agreements that have LIBOR as a reference rate with certain portfolio companies and certain lenders. Many of these agreements include an alternative successor rate or language for choosing an alternative successor rate when LIBOR reference is no longer considered to be appropriate. With respect to other agreements, the Company intends to work with its portfolio companies and certain lenders to modify agreements to choose an alternative successor rate. Contract modifications are required to be evaluated in determining whether the modifications result in the establishment of new contracts or the continuation of existing contracts. On December 21, 2022, the FASB issued ASU 2022-06 "Reference rate reform (Topic 848)—Deferral of the Sunset Date of Topic 848," which defers the sunset date of ASC 848 until December 31, 2024. ASU 2022-06 became effective upon issuance. The expedients and exceptions provided by the amendments do not apply to contract modifications and hedging relationships entered into or evaluated after December 31, 2024, except for hedging transactions as of December 31, 2024, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. The Company does not believe it will have a material impact on its consolidated financial statements or its disclosure and did not utilize the optional expedients and exceptions provided by ASU 2020-04 during the nine months ended December 31, 2022.

In June 2022, the FASB issued ASU 2022-03, "Fair Value Measurement (Topic 820) - Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions," which was issued to (1) clarify the guidance in Topic 820, Fair Value Measurement, when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security, (2) amend a related illustrative example, and (3) introduce new disclosure requirements for equity securities subject to contractual sale restrictions that are measured at fair value in accordance with Topic 820. The new guidance is effective for interim and annual periods beginning after December 15, 2023. The Company is currently evaluating the impact of the new standard on the Company's consolidated financial statements and related disclosures and does not believe it will have a material impact on its consolidated financial statements or its disclosure.

## INVESTMENT PORTFOLIO COMPOSITION

The total value of our investment portfolio was $1,150.0 million as of December 31, 2022, as compared to $936.6 million as of March 31, 2022. As of December 31, 2022, we had investments in 82 portfolio companies with an aggregate cost of $1,159.7 million. As of March 31, 2022, we had investments in 73 portfolio companies with an aggregate cost of $938.3 million.

As of December 31, 2022 and March 31, 2022, approximately $957.4 million, or 96.7%, and $772.7 million, or 97.3%, respectively, of our debt investment portfolio (at fair value) bore interest at floating rates, of which 100.0% were subject to contractual minimum interest rates. As of both December 31, 2022 and March 31, 2022, the weighted average contractual minimum interest rate is 1.14% and 1.08%, respectively. As of December 31, 2022 and March 31, 2022, approximately $32.9 million, or 3.3%, and $21.1 million, or 2.7%, respectively, of our debt investment portfolio (at fair value) bore interest at fixed rates.

The following tables provide a summary of our investments in portfolio companies as of December 31, 2022 and March 31, 2022 (excluding our investment in I-45 SLF LLC):

| | December 31, 2022 | March 31, 2022 |
|---|---|---|
| | (dollars in thousands) | |
| Number of portfolio companies (a) | 81 | 72 |
| Fair value | $ 1,102,421 | $ 879,011 |
| Cost | $ 1,083,712 | $ 862,303 |
| % of portfolio at fair value - debt | 89.8 % | 90.3 % |
| % of portfolio at fair value - equity | 10.2 % | 9.7 % |
| % of investments at fair value secured by first lien | 86.5 % | 84.2 % |
| Weighted average annual effective yield on debt investments (b) | 12.0 % | 9.3 % |
| Weighted average annual effective yield on total investments (c) | 11.7 % | 9.0 % |
| Weighted average EBITDA (d) | $ 22,102 | $ 20,889 |
| Weighted average leverage through CSWC security (e) | 3.6x | 4.0x |

(a) At December 31, 2022 and March 31, 2022, we had equity ownership in approximately 59.3% and 56.9%, respectively, of our investments.

(b) The weighted average annual effective yields were computed using the effective interest rates during the quarter for all debt investments at cost as of December 31, 2022 and March 31, 2022, respectively, including accretion of original issue discount but excluding fees payable upon repayment of the debt instruments. As of December 31, 2022, investments on non-accrual status represented approximately 0.3% of our total investment portfolio's fair value and approximately 1.4% of its cost. As of March 31, 2022, investments on non-accrual status represented approximately 1.5% of our total investment portfolio's fair value and approximately 2.6% of its cost. Weighted average annual effective yield is not a return to shareholders and is higher than what an investor in shares in our common stock will realize on its investment because it does not reflect our expenses or any sales load paid by an investor.

(c) The weighted average annual effective yields on total investments were calculated by dividing total investment income, exclusive of non-recurring fees, by average total investments at fair value.

(d) Includes CSWC debt investments only. Weighted average EBITDA metric is calculated using investment cost basis weighting. For the quarter ended December 31, 2022, nine portfolio companies are excluded from this calculation due to a reported debt to adjusted EBITDA ratio that was not meaningful. For the year ended March 31, 2022, three portfolio companies are excluded from this calculation due to a reported debt to adjusted EBITDA ratio that was not meaningful.

(e) Includes CSWC debt investments only. Calculated as the amount of each portfolio company's debt (including CSWC's position and debt senior or pari passu to CSWC's position, but excluding debt subordinated to CSWC's position) in the capital structure divided by each portfolio company's adjusted EBITDA. Weighted average leverage is calculated using investment cost basis weighting. Management uses this metric as a guide to evaluate relative risk of its position in each portfolio debt investment. For the quarter ended December 31, 2022, nine portfolio companies are excluded from this calculation due to a reported debt to adjusted EBITDA ratio that was not meaningful. For the year ended March 31, 2022, three portfolio companies are excluded from this calculation due to a reported debt to adjusted EBITDA ratio that was not meaningful.

**Portfolio Asset Quality**

We utilize an internally developed investment rating system to rate the performance and monitor the expected level of returns for each debt investment in our portfolio. The investment rating system takes into account both quantitative and qualitative factors of the portfolio company and the investments held therein, including each investment's expected level of returns and the collectability of our debt investments, comparisons to competitors and other industry participants and the portfolio company's future outlook. The ratings are not intended to reflect the performance or expected level of returns of our equity investments.

- Investment Rating 1 represents the least amount of risk in our portfolio. The investment is performing materially above underwriting expectations and the trends and risk factors are generally favorable. The investment generally has a higher probability of being prepaid in part or in full.
- Investment Rating 2 indicates the investment is performing as expected at the time of underwriting and the trends and risk factors are generally favorable to neutral. All new loans are initially rated 2.
- Investment Rating 3 involves an investment performing below underwriting expectations and the trends and risk factors are generally neutral to negative. The investment may be out of compliance with financial covenants and interest payments may be impaired, however principal payments are generally not past due.
- Investment Rating 4 indicates that the investment is performing materially below underwriting expectations, the trends and risk factors are generally negative and the risk of the investment has increased substantially. Interest and principal payments on our investment are likely to be impaired.

As the COVID-19 pandemic continues to evolve, we are closely monitoring the impact of the COVID-19 pandemic (including any new variants of COVID-19) on our portfolio companies, our due diligence and underwriting processes, and financial markets. The operational and financial performance of the portfolio companies in which we make investments may be significantly impacted by COVID-19, which may in turn impact the valuation of our investments.

We also have observed, and continue to observe, supply chain disruptions, labor and resource shortages, commodity inflation, elements of financial market instability (including rapidly rising interest rates), an uncertain economic outlook for the United States (which may include a recession), and elements of geopolitical instability (including the ongoing war in Ukraine and U.S. and China relations). In the event that the U.S. economy enters into a protracted recession, it is possible that the results of certain U.S. middle market companies could experience deterioration. We are closely monitoring the effect of such market volatility may have on our portfolio companies and our investment activities, and we have also increased oversight of credits in vulnerable industries to mitigate any decline in loan performance and reduce credit risk.

The following table shows the distribution of our debt portfolio investments on the 1 to 4 investment rating scale at fair value as of December 31, 2022 and March 31, 2022:

| | As of December 31, 2022 | |
|---|---|---|
| **Investment Rating** | **Debt Investments at Fair Value** | **Percentage of Debt Portfolio** |
| | **(dollars in thousands)** | |
| 1 | $ 118,016 | 11.9 % |
| 2 | 823,966 | 83.2 |
| 3 | 47,993 | 4.8 |
| 4 | 323 | 0.1 |
| Total | $ 990,298 | 100.0 % |

| Investment Rating | As of March 31, 2022 | |
|---|---|---|
| | Debt Investments at Fair Value | Percentage of Debt Portfolio |
| | (dollars in thousands) | |
| 1 | $ 124,192 | 15.6 % |
| 2 | 632,675 | 79.7 |
| 3 | 36,648 | 4.6 |
| 4 | 319 | 0.1 |
| Total | $ 793,834 | 100.0 % |

Interest and dividend income is recorded on an accrual basis to the extent amounts are expected to be collected. When we do not expect the debtor to be able to service all of its debt or other obligations, we will generally establish a reserve against interest income receivable, thereby placing the loan or debt security on non-accrual status, and cease to recognize interest income on that loan or debt security until the borrower has demonstrated the ability and intent to pay contractual amounts due.

As of December 31, 2022, investments on non-accrual status represented approximately 0.3% of our total investment portfolio's fair value and approximately 1.4% of its cost. As of March 31, 2022, investments on non-accrual status represented approximately 1.5% of our total investment portfolio's fair value and approximately 2.6% of its cost.

**Investment Activity**

During the nine months ended December 31, 2022, we made new debt investments totaling $221.3 million, follow-on debt investments totaling $85.4 million, and equity investments totaling $7.9 million. We received contractual principal repayments totaling approximately $18.4 million and full prepayments of approximately $72.6 million. We funded $28.8 million on revolving loans and received $17.7 million in repayments on revolving loans. In addition, we received proceeds from sales of debt and equity investments totaling $3.4 million.

During the nine months ended December 31, 2021, we made new debt investments totaling $350.3 million, follow-on debt investments totaling $29.5 million, and equity investments totaling $11.8 million. We also funded $3.2 million on our existing equity commitment to I-45 SLF LLC. We received contractual principal repayments totaling approximately $11.7 million and full prepayments of approximately $209.8 million. We funded $15.3 million on revolving loans and received $5.1 million in repayments on revolving loans. In addition, we received proceeds from sales of investments totaling $11.9 million.

Total portfolio investment activity for the nine months ended December 31, 2022 and 2021 was as follows (dollars in thousands):

| Nine months ended December 31, 2022 | First Lien Loans | Second Lien Loans | Subordinated Debt | Preferred & Common Equity | I-45 SLF, LLC | Total |
|---|---|---|---|---|---|---|
| Fair value, beginning of period | $ 739,872 | $ 52,645 | $ 1,317 | $ 85,177 | $ 57,603 | $ 936,614 |
| New investments | 332,391 | 2,735 | 385 | 7,891 | — | 343,402 |
| Proceeds from sales of investments | — | (692) | — | (2,664) | — | (3,356) |
| Principal repayments received | (96,475) | (12,239) | — | — | — | (108,714) |
| Conversion of security | (13,715) | — | (587) | 14,302 | — | — |
| PIK interest earned | 3,512 | 314 | 65 | — | — | 3,891 |
| Accretion of loan discounts | 2,678 | 195 | — | — | — | 2,873 |
| Realized (loss) gain | (5,083) | (2,240) | (104) | (9,260) | — | (16,687) |
| Unrealized gain (loss) | (9,180) | (5,272) | (224) | 16,677 | (9,978) | (7,977) |
| Fair value, end of period | $ 954,000 | $ 35,446 | $ 852 | $ 112,123 | $ 47,625 | $ 1,150,046 |

| Nine months ended December 31, 2021 | First Lien Loans | Second Lien Loans | Subordinated Debt | Preferred & Common Equity | I-45 SLF, LLC | Total |
|---|---|---|---|---|---|---|
| Fair value, beginning of period | $ 524,161 | $ 36,919 | $ 11,534 | $ 58,660 | $ 57,158 | $ 688,432 |
| New investments | 376,192 | 18,669 | 237 | 11,768 | 3,200 | 410,066 |
| Proceeds from sales of investments | — | (53) | — | (11,881) | — | (11,934) |
| Principal repayments received | (219,454) | (7,152) | — | — | — | (226,606) |
| Conversion of security | (4,683) | 5,208 | — | (525) | — | — |
| PIK interest earned | 1,994 | 1,079 | 477 | — | — | 3,550 |
| Accretion of loan discounts | 1,972 | 172 | 33 | — | — | 2,177 |
| Realized gain | (580) | (2,274) | — | 8,845 | — | 5,991 |
| Unrealized gain (loss) | (418) | 483 | 165 | 7,628 | (2,769) | 5,089 |
| Fair value, end of period | $ 679,184 | $ 53,051 | $ 12,446 | $ 74,495 | $ 57,589 | $ 876,765 |

## RESULTS OF OPERATIONS

The composite measure of our financial performance in the Consolidated Statements of Operations is captioned “Net increase in net assets from operations” and consists of four elements. The first is “Net investment income,” which is the difference between income from interest, dividends and fees and our combined operating and interest expenses, net of applicable income taxes. The second element is “Net realized (loss) gain on investments, net of tax,” which is the difference between the proceeds received from the disposition of portfolio securities and their stated cost. The third element is the “Net unrealized appreciation (depreciation) on investments, net of tax,” which is the net change in the market or fair value of our investment portfolio, compared with stated cost. The “Net realized (loss) gain on investments before income tax” and “Net unrealized appreciation (depreciation) on investments, net of tax” are directly related in that when an appreciated portfolio security is sold to realize a gain, a corresponding decrease in net unrealized appreciation occurs by transferring the gain associated with the transaction from being “unrealized” to being “realized.” Conversely, when a loss is realized on a depreciated portfolio security, an increase in net unrealized appreciation occurs. The fourth element is the “Realized loss on extinguishment of debt”, which is the difference between the principal amount due at maturity adjusted for any unamortized debt issuance costs and any "make-whole" premium payable at the time of the debt extinguishment.

**Comparison of three months ended December 31, 2022 and December 31, 2021**

| | Three Months Ended December 31, | | Net Change | |
|---|---|---|---|---|
| | 2022 | 2021 | Amount | % |
| | (in thousands) | | | |
| Total investment income | $ 32,766 | $ 22,311 | $ 10,455 | 46.9 % |
| Interest expense | (7,937) | (4,655) | (3,282) | 70.5 % |
| Other operating expenses | (6,150) | (5,819) | (331) | 5.7 % |
| Income before taxes | 18,679 | 11,837 | 6,842 | 57.8 % |
| Income tax benefit | (746) | (62) | (684) | 1,103.2 % |
| Net investment income | 19,425 | 11,899 | 7,526 | 63.2 % |
| Net realized (loss) gain on investments, net of tax | (11,086) | 2,715 | (13,801) | (508.3)% |
| Net unrealized (depreciation) appreciation on investments, net of tax | (5,390) | (2,054) | (3,336) | (162.4)% |
| Net increase (decrease) in net assets from operations | $ 2,949 | $ 12,560 | $ (9,611) | (76.5)% |

***Investment Income***

Total investment income consisted of interest income, dividend income, fee income and other income for each applicable period. For the three months ended December 31, 2022, we reported investment income of $32.8 million, a $10.5 million, or 46.9%, increase as compared to the three months ended December 31, 2021. The increase was primarily due to an $11.4 million increase in interest income generated from our debt investments due to a 34.4% increase in the cost basis of debt investments held by us from $754.0 million to $1,013.4 million year-over-year, partially offset by a decrease in fee income of $1.7 million due to more non-recurring fees received in the prior quarter.

***Operating Expenses***

Due to the nature of our business, the majority of our operating expenses are related to interest and fees on our borrowings, employee compensation (including both cash and share-based compensation) and general and administrative expenses.

*Interest and Fees on our Borrowings*

For the three months ended December 31, 2022, our total interest expense was $7.9 million, an increase of $3.3 million, as compared to the total interest expense of $4.7 million for the three months ended December 31, 2021. The increase was primarily attributable to an increase in average borrowings outstanding and an increase in the weighted average interest rate on our total debt from 3.18% to 4.69% for the three months ended December 31, 2021 and

December 31, 2022, respectively. This increase in the weighted average interest rate was primarily due to an increase to the base rate on our Credit Facility.

*Salaries, General and Administrative Expenses*

For the three months ended December 31, 2022, our total employee compensation expense (including both cash and share-based compensation) increased by $0.2 million, or 4.1%, as compared to the total employee compensation expense for the three months ended December 31, 2021. For the three months ended December 31, 2022, our total general and administrative expense was $1.8 million, an increase of $0.2 million or 9.9%, as compared to the total general and administrative expense of $1.6 million for the three months ended December 31, 2021. The increase was due to individually immaterial increases across several general operating expenses.

***Net Investment Income***

For the three months ended December 31, 2022, income before taxes increased by $6.8 million, or 57.8%. Net investment income increased from the prior year period by $7.5 million, or 63.2%, to $19.4 million as a result of a $10.5 million increase in total investment income and a $0.7 million increase in income tax benefit, partially offset by a $3.3 million increase in interest expense.

***Net Realized and Unrealized Gains (Losses) on Investments***

During the three months ended December 31, 2022, we recognized net realized and unrealized losses totaling $16.5 million, which primarily consisted of net realized and unrealized losses on debt investments of $8.5 million, our investment in I-45 SLF LLC of $3.3 million and equity investments of $1.2 million. These realized and unrealized gains and losses were due to changes in fair value based on the overall EBITDA performance and cash flows of each investment, as well as exits of investments. We also recorded an income tax provision related to realized gains on investments of $0.1 million and net unrealized depreciation related to deferred tax of $3.4 million associated with the Taxable Subsidiary.

During the three months ended December 31, 2021, we recognized net realized and unrealized gains totaling $0.7 million, which primarily consisted of net realized and unrealized gains on equity investments of $5.5 million, partially offset by net realized and unrealized losses on debt investments of $2.1 million and our investment in I-45 SLF LLC of $2.0 million. These realized and unrealized gains and losses were due to changes in fair value based on the overall EBITDA performance and cash flows of each investment, as well as exits of investments. We also recorded an income tax provision related to realized gains on investments of $1.4 million and net unrealized appreciation related to deferred tax associated with the Taxable Subsidiary of $0.7 million.

**Comparison of nine months ended December 31, 2022 and December 31, 2021**

| | Nine Months Ended December 31, 2022 | Nine Months Ended December 31, 2021 | Net Change Amount | Net Change % |
|---|---|---|---|---|
| | (in thousands) | | | |
| Total investment income | $ 82,108 | $ 61,186 | $ 20,922 | 34.2 % |
| Interest expense | (20,050) | (15,015) | (5,035) | 33.5 % |
| Other operating expenses | (15,771) | (14,855) | (916) | 6.2 % |
| Income before taxes | 46,287 | 31,316 | 14,971 | 47.8 % |
| Income tax (benefit) provision | (20) | 648 | (668) | (103.1)% |
| Net investment income | 46,307 | 30,668 | 15,639 | 51.0 % |
| Net realized (loss) gain on investments, net of tax | (17,401) | 5,259 | (22,660) | (430.9)% |
| Net unrealized (depreciation) appreciation on investments, net of tax | (13,989) | 4,306 | (18,295) | (424.9)% |
| Realized loss on extinguishment of debt | — | (17,087) | 17,087 | (100.0)% |
| Net increase in net assets from operations | $ 14,917 | $ 23,146 | $ (8,229) | (35.6)% |

***Investment Income***

Total investment income consisted of interest income, dividend income, fee income and other income for each applicable period. For the nine months ended December 31, 2022, we reported investment income of $82.1 million, a $20.9 million, or 34.2%, increase as compared to the nine months ended December 31, 2021. The increase was primarily due to a $21.3 million increase in interest income generated from our debt investments due to a 34.4% increase in the cost basis of debt investments held by us from $754.0 million to $1,013.4 million year-over-year, partially offset by a decrease of $1.1 million in fee income.

***Operating Expenses***

Due to the nature of our business, the majority of our operating expenses are related to interest and fees on our borrowings, employee compensation (including both cash and share-based compensation) and general and administrative expenses.

*Interest and Fees on our Borrowings*

For the nine months ended December 31, 2022, our total interest expense was $20.1 million, an increase of $5.0 million, as compared to the total interest expense of $15.0 million for the nine months ended December 31, 2021. The increase was primarily attributable to an increase in average borrowings outstanding and an increase in the weighted average interest rate on our total debt from 3.71% to 4.05% for the nine months ended December 31, 2021 and December 31, 2022, respectively. The increase in the weighted average interest rate was primarily due to an increase to the base rate on our Credit Facility.

*Salaries, General and Administrative Expenses*

For the nine months ended December 31, 2022, our total employee compensation expense (including both cash and share-based compensation) increased by $0.1 million, or 1.2%, as compared to the total employee compensation expense for the nine months ended December 31, 2021. For the nine months ended December 31, 2022, our total general and administrative expense was $5.7 million, an increase of $0.8 million, or 16.2%, as compared to the total general and administrative expense of $4.9 million for the nine months ended December 31, 2021. The increase was primarily due to an increase in professional fees incurred in connection with the compensation consultant engaged by the Compensation Committee, an increase in audit fees and an increase in expenses related to the Company's new office space.

***Net Investment Income***

For the nine months ended December 31, 2022, income before taxes increased by $15.0 million, or 47.8%. Net investment income increased from the prior year period by $15.6 million, or 51.0%, to $46.3 million as a result of a $20.9 million increase in total investment income and a $0.7 million decrease in income tax provision, partially offset by a $5.0 million increase in interest expense.

***Net Realized and Unrealized Gains (Losses) on Investments***

During the nine months ended December 31, 2022, we recognized net realized and unrealized losses totaling $31.4 million, which primarily consisted of net realized and unrealized losses on debt investments of $22.4 million and on I-45 SLF LLC of $10.0 million, partially offset by net realized and unrealized gains on equity investments of $7.3 million. These realized and unrealized gains and losses were due to changes in fair value based on the overall EBITDA performance and cash flows of each investment, as well as exits of investments. We also recorded an income tax provision related to realized gains on investments of $0.3 million and net unrealized depreciation related to deferred tax of $6.0 million associated with the Taxable Subsidiary.

During the nine months ended December 31, 2021, we recognized net realized and unrealized gains totaling $9.6 million, which primarily consisted of net realized and unrealized gains on equity investments of $16.5 million, partially offset by net realized and unrealized losses on debt investments of $1.9 million and I-45 SLF LLC of $2.8 million. These realized and unrealized gains and losses were due to changes in fair value based on the overall EBITDA performance and cash flows of each investment, as well as exits of investments. We also recorded an income tax provision related to realized gains on investments of $1.4 million and net unrealized depreciation related to deferred tax associated with the Taxable Subsidiary of $0.8 million.

***Realized Loss on Extinguishment of Debt***

During the nine months ended December 31, 2022, we did not recognize any loss on extinguishment of debt. During the nine months ended December 31, 2021, we recognized a loss on extinguishment of debt of $17.1 million due to the full redemption of the October 2024 Notes, which included a make-whole premium of $15.2 million.

## FINANCIAL LIQUIDITY AND CAPITAL RESOURCES

Our liquidity and capital resources are generated primarily from cash flows from operations, the net proceeds of public offerings of debt and equity securities, advances from the Credit Facility and our continued access to the debentures guaranteed by the Small Business Administration (the "SBA Debentures"). Management believes that the Company's cash and cash equivalents, cash available from investments, and commitments under the Credit Facility are adequate to meet its needs for the next twelve months. We anticipate that we will continue to fund our investment activities through existing cash and cash equivalents, cash flows generated through our ongoing operating activities, utilization of available borrowings under our Credit Facility and future issuances of debt and equity on terms we believe are favorable to the Company and our shareholders (including the Equity ATM Program, as described below). Our primary uses of funds will be investments in portfolio companies and operating expenses. Due to the diverse capital sources available to us at this time, we believe we have adequate liquidity to support our near-term capital requirements. As the impact of COVID-19 continues to evolve and in light of current market conditions, we will continually evaluate our overall liquidity position and take proactive steps to maintain that position based on the current circumstances. This "Financial Liquidity and Capital Resources" section should be read in conjunction with the notes of our consolidated financial statements.

***Cash Flows***

For the nine months ended December 31, 2022, we experienced a net increase in cash and cash equivalents in the amount of $10.3 million. During the foregoing period, our operating activities used $193.6 million in cash, consisting primarily of new portfolio investments of $343.4 million, partially offset by $106.6 million from sales and repayments received from debt investments in portfolio companies and $2.7 million from sales and return of capital of equity investments in portfolio companies. In addition, our financing activities provided cash of $204.1 million, consisting primarily of net proceeds from the Equity ATM Program of $130.1 million, net proceeds from an underwritten equity offering of $44.1 million, net proceeds from the issuance of SBA debentures of $62.4 million and net borrowings on our Credit Facility of $20.0 million, partially offset by cash dividends paid in the amount of $50.2 million. At December 31, 2022, the Company had cash and cash equivalents of approximately $21.7 million.

For the nine months ended December 31, 2021, we experienced a net decrease in cash and cash equivalents in the amount of $12.9 million. During that period, our operating activities used $139.1 million in cash, consisting primarily of new portfolio investments of $410.1 million, partially offset by $221.5 million from sales and repayments received from debt investments in portfolio companies and $11.9 million from sales and return of capital of equity investments in portfolio companies. In addition, our financing activities provided cash of $126.2 million, consisting primarily of net borrowings on our Credit Facility of $70.0 million, net proceeds from the Equity ATM Program of $73.3 million, net proceeds from the issuance of the October 2026 Notes of $146.4 million and net proceeds from issuance of SBA debentures of $28.3 million, partially offset by the redemption of the October 2024 Notes of $125.0 million and cash dividends paid in the amount of $46.8 million. At December 31, 2021, the Company had cash and cash equivalents of approximately $18.7 million.

***Financing Transactions***

In accordance with the 1940 Act, with certain limitations, effective April 25, 2019, the Company is only allowed to borrow amounts such that its asset coverage (i.e., the ratio of assets less liabilities not represented by senior securities to senior securities such as borrowings), calculated pursuant to the 1940 Act, is at least 150% after such borrowing. The Board of Directors also approved a resolution which limits the Company's issuance of senior securities such that the asset coverage ratio, taking into account any such issuance, would not be less than 166%, which became effective April 25, 2019. On August 11, 2021, we received an exemptive order from SEC to permit us to exclude the senior securities issued by SBIC I or any future SBIC subsidiary of the Company from the definition of senior securities in the asset coverage requirement applicable to the Company under the 1940 Act. As of December 31, 2022, the Company's asset coverage was 229%.

*Credit Facility*

In August 2016, CSWC entered into a senior secured credit facility (the "Credit Facility") to provide additional liquidity to support its investment and operational activities.

On August 9, 2021, CSWC entered into the Second Amended and Restated Senior Secured Revolving Credit Agreement (as amended or otherwise modified from time to time, the "Credit Agreement"). Prior to the Credit Agreement, (1) borrowings under the Credit Facility accrued interest on a per annum basis at a rate equal to the applicable LIBOR rate plus 2.50% with no LIBOR floor, and (2) the total borrowing capacity was $340 million with commitments from a diversified group of eleven lenders. The Credit Agreement (1) decreased the total borrowing capacity under the Credit Facility to $335 million with commitments from a diversified group of ten lenders, (2) reduced the interest rate on borrowings to LIBOR plus 2.15% with no LIBOR floor and removed conditions related thereto as previously set forth in the Amended and Restated Senior Secured Revolving Credit Agreement, and (3) extended the end of the Credit Facility's revolver period from December 21, 2022 to August 9, 2025 and extended the final maturity from December 21, 2023 to August 9, 2026. The Credit Agreement also modified certain covenants in the Credit Facility, including, among other things, to increase the minimum obligors' net worth test from $180 million to $200 million.

The Credit Facility contains an accordion feature that allows CSWC to increase the total commitments under the Credit Facility up to $400 million from new and existing lenders on the same terms and conditions as the existing commitments.

On May 11, 2022, CSWC entered into Amendment No. 2 (the "Amendment") to the Credit Agreement. The Amendment changed the benchmark interest rate from LIBOR to Adjusted Term SOFR. In addition, CSWC entered into an Incremental Commitment Agreement, pursuant to which the total commitments under the Credit Agreement increased from $335 million to $380 million.

On November 16, 2022, CSWC entered into an Incremental Assumption Agreement that increased the total commitments under the accordion feature of the Credit Agreement by $20 million, which increased total commitments from $380 million to $400 million. The $20 million increase was provided by one existing lender and one new lender, bringing the total bank syndicate to eleven participants.

CSWC pays unused commitment fees of 0.50% to 1.00% per annum, based on utilization, on the unused lender commitments under the Credit Facility. The Credit Facility contains certain affirmative and negative covenants, including but not limited to: (1) certain reporting requirements, (2) maintaining RIC and BDC status, (3) maintaining a minimum senior coverage ratio of 2 to 1, (4) maintaining a minimum shareholders' equity, (5) maintaining a minimum consolidated net worth, (6) maintaining a regulatory asset coverage of not less than 150%, (7) maintaining an interest coverage ratio of at least 2.25 to 1.0, and (8) at any time the outstanding advances exceed 90% of the borrowing base, maintaining a minimum liquidity of not less than 10% of the covered debt amount.

The Credit Agreement also contains customary events of default, including, without limitation, nonpayment, misrepresentation of representations and warranties in a material respect, breach of covenant, bankruptcy, and change of control, with customary cure and notice provisions. If the Company defaults on its obligations under the Credit Agreement, the lenders may have the right to foreclose upon and sell, or otherwise transfer, the collateral subject to their security interests.

The Credit Facility is secured by (1) substantially all of the present and future property and assets of the Company and the guarantors and (2) 100% of the equity interests in the Company's wholly-owned subsidiary. As of December 31, 2022, substantially all of the Company's assets were pledged as collateral for the Credit Facility, except for assets held in SBIC I.

At December 31, 2022, CSWC had $225.0 million in borrowings outstanding under the Credit Facility. CSWC recognized interest expense related to the Credit Facility, including unused commitment fees and amortization of deferred loan costs, of $3.9 million and $8.8 million for the three and nine months ended December 31, 2022, respectively. For the three and nine months ended December 31, 2021, CSWC recognized interest expense of $1.6 million and $4.5 million, respectively. The weighted average interest rate on the Credit Facility was 6.02% and 4.63% for the three and nine months ended December 31, 2022, respectively. For the three and nine months ended December 31, 2021, the weighted average interest rate on the Credit Facility was 2.37% and 2.52%, respectively. Average borrowings for the three and nine months ended December 31, 2022 were $228.0 million and $208.6 million, respectively. For the three and nine months ended December 31, 2021, average borrowings were $200.2 million and $165.8 million, respectively. As of December 31, 2022, CSWC was in compliance with all financial covenants under the Credit Agreement.

*October 2024 Notes*

In September 2019, the Company issued $65.0 million in aggregate principal amount of 5.375% Notes due 2024 (the “Existing October 2024 Notes”). In October 2019, the Company issued an additional $10.0 million in aggregate principal amount of the October 2024 Notes (the "Additional October 2024 Notes"). In August 2020, the Company issued an additional $50.0 million in aggregate principal amount of the October 2024 Notes (the "New Notes" together with the Existing October 2024 Notes and the Additional October 2024 Notes, the "October 2024 Notes"). The Additional October 2024 Notes and the New Notes were treated as a single series with the Existing October 2024 Notes under the indenture and had the same terms as the Existing October 2024 Notes. The maturity date of the October 2024 Notes was October 1, 2024, and the October 2024 Notes were redeemable in whole or in part at any time prior to July 1, 2024, at par plus a “make-whole” premium, and thereafter at par. The October 2024 Notes bore interest at a rate of 5.375% per year.

On September 24, 2021, the Company redeemed $125.0 million in aggregate principal amount of the issued and outstanding October 2024 Notes. The October 2024 Notes were redeemed at 100% of their principal amount, plus (i) the accrued and unpaid interest thereon, through, but excluding the redemption date, and (ii) a "make-whole" premium. Accordingly, the Company recognized a realized loss on extinguishment of debt, equal to the write-off of the related unamortized debt issuance costs of $1.8 million and the "make-whole" premium of $15.2 million during the three months ended September 30, 2021.

The Company did not recognize any interest expense related to the October 2024 Notes for the three months ended December 31, 2021. For the nine months ended December 31, 2021, the Company recognized interest expense related to the October 2024 Notes, including amortization of deferred issuance costs, of $3.6 million. From April 1, 2021 through September 24, 2021 (the redemption date of the October 2024 Notes), average borrowings were $125.0 million. The October 2024 Notes had a weighted average effective yield of 5.375%.

*January 2026 Notes*

In December 2020, the Company issued $75.0 million in aggregate principal amount of 4.50% Notes due 2026 (the "Existing January 2026 Notes"). The Existing January 2026 Notes were issued at par. In February 2021, the Company issued an additional $65.0 million in aggregate principal amount of the January 2026 Notes (the "Additional January 2026 Notes" together with the Existing January 2026 Notes, the "January 2026 Notes"). The Additional January 2026 Notes were issued at a price of 102.11% of the aggregate principal amount of the Additional January 2026 Notes, resulting in a yield-to-maturity of approximately 4.0% at issuance. The Additional January 2026 Notes are treated as a single series with the Existing January 2026 Notes under the indenture and have the same terms as the Existing January 2026 Notes. The January 2026 Notes mature on January 31, 2026 and may be redeemed in whole or in part at any time prior to October 31, 2025, at par plus a "make-whole" premium, and thereafter at par. The January 2026 Notes bear interest at a rate of 4.50% per year, payable semi-annually on January 31 and July 31 of each year. The January 2026 Notes are the direct unsecured obligations of the Company and rank pari passu with our other outstanding and future unsecured unsubordinated indebtedness and are effectively or structurally subordinated to all of our existing and future secured indebtedness, including borrowings under our Credit Facility and the SBA Debentures.

As of December 31, 2022, the carrying amount of the January 2026 Notes was $139.0 million on an aggregate principal amount of $140.0 million at a weighted average effective yield of 4.46%. As of December 31, 2022, the fair value of the January 2026 Notes was $121.9 million. This is a Level 3 fair value measurement under ASC 820 based on a valuation model using a discounted cash flow analysis. The Company recognized interest expense related to the January 2026 Notes, including amortization of deferred issuance costs, of $1.7 million and $5.0 million for the three and nine months ended December 31, 2022, respectively. For the three and nine months ended December 31, 2021, the Company recognized interest expense of $1.6 million and $5.0 million, respectively. For each of the three and nine months ended December 31, 2022 and 2021, average borrowings were $140.0 million.

The indenture governing the January 2026 Notes contains certain covenants, including certain covenants requiring the Company to comply with Section 18(a)(1)(A) as modified by Section 61(a)(2) of the 1940 Act, or any successor provisions, whether or not the Company continues to be subject to such provisions of the 1940 Act, but giving effect, in either case, to any exemptive relief granted to the Company by the SEC, to comply with Section 18(a)(1)(B) as modified by Section 61(a)(2) of the 1940 Act, or any successor provisions, after giving effect to any exemptive relief granted to the Company by the SEC and subject to certain other exceptions, and to provide financial information to the holders of the January 2026 Notes and the trustee under the indenture if the Company is no longer subject to the reporting requirements under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These covenants are subject to important limitations and exceptions that are described in the indenture and the third supplemental indenture relating to the January 2026 Notes.

In addition, holders of the January 2026 Notes can require the Company to repurchase some or all of the January 2026 Notes at a purchase price equal to 100% of their principal amount, plus accrued and unpaid interest to, but not including, the repurchase date upon the occurrence of a “Change of Control Repurchase Event,” as defined in the third supplemental indenture relating to the January 2026 Notes.

*October 2026 Notes*

In August 2021, the Company issued $100.0 million in aggregate principal amount of 3.375% Notes due 2026 (the "Existing October 2026 Notes"). The Existing October 2026 Notes were issued at a price of 99.418% of the aggregate principal amount of the Existing October 2026 Notes, resulting in a yield-to-maturity of 3.5%. In November 2021, the Company issued an additional $50.0 million in aggregate principal amount of the October 2026 Notes (the "Additional October 2026 Notes" together with the Existing October 2026 Notes, the "October 2026 Notes"). The Additional October 2026 Notes were issued at a price of 99.993% of the aggregate principal amount, resulting in a yield-to-maturity of approximately 3.375% at issuance. The Additional October 2026 Notes are treated as a single series with the Existing October 2026 Notes under the indenture and have the same terms as the Existing October 2026 Notes. The October 2026 Notes mature on October 1, 2026 and may be redeemed in whole or in part at any time prior to July 1, 2026, at par plus a "make-whole" premium, and thereafter at par. The October 2026 Notes bear interest at a rate of 3.375% per year, payable semi-annually in arrears on April 1 and October 1 of each year. The October 2026 Notes are the direct unsecured obligations of the Company and rank pari passu with our other outstanding and future unsecured unsubordinated indebtedness and are effectively or structurally subordinated to all of our existing and future secured indebtedness, including borrowings under our Credit Facility and the SBA Debentures.

As of December 31, 2022, the carrying amount of the October 2026 Notes was $147.1 million on an aggregate principal amount of $150.0 million at a weighted average effective yield of 3.5%. As of December 31, 2022, the fair value of the October 2026 Notes was $130.0 million. This is a Level 3 fair value measurement under ASC 820 based on a valuation model using a discounted cash flow analysis. The Company recognized interest expense related to the October 2026 Notes, including amortization of deferred issuance costs, of $1.4 million and $4.3 million for the three and nine ended December 31, 2022, respectively. For the three and nine months ended December 31, 2021, the Company recognized interest expense of $1.3 million and $1.7 million, respectively. For both the three and nine months ended December 31, 2022, average borrowings were $150.0 million. For the three months ended December 31, 2021, average borrowings were $128.8 million. Since the issuance of the October 2026 Notes on August 27, 2021 through December 31, 2021, average borrowings were $120.9 million.

The indenture governing the October 2026 Notes contains certain covenants, including certain covenants requiring the Company to comply with Section 18(a)(1)(A) as modified by Section 61(a)(2) of the 1940 Act, or any successor provisions, whether or not the Company continues to be subject to such provisions of the 1940 Act, but giving effect, in either case, to any exemptive relief granted to the Company by the SEC, to comply with Section 18(a)(1)(B) as modified by Section 61(a)(2) of the 1940 Act, or any successor provisions, after giving effect to any exemptive relief granted to the Company by the SEC and subject to certain other exceptions, and to provide financial information to the holders of the October 2026 Notes and the trustee under the indenture if the Company is no longer subject to the reporting requirements under the Exchange Act. These covenants are subject to important limitations and exceptions that are described in the indenture and the fourth supplemental indenture relating to the October 2026 Notes.

In addition, holders of the October 2026 Notes can require the Company to repurchase some or all of the October 2026 Notes at a purchase price equal to 100% of their principal amount, plus accrued and unpaid interest to, but not including, the repurchase date upon the occurrence of a “Change of Control Repurchase Event,” as defined in the fourth supplemental indenture relating to the October 2026 Notes.

*SBA Debentures*

On April 20, 2021, SBIC I received a license from the SBA to operate as an SBIC under Section 301(c) of the Small Business Investment Act of 1958, as amended. The license allows SBIC I to obtain leverage by issuing SBA

Debentures, subject to the issuance of a leverage commitment by the SBA. SBA Debentures are loans issued to an SBIC which have interest payable semi-annually and a ten-year maturity. The interest rate is fixed shortly after issuance at a market-driven spread over U.S. Treasury Notes with ten-year maturities. Interest on SBA Debentures is payable semi-annually on March 1 and September 1. Current statutes and regulations permit SBIC I to borrow up to $175 million in SBA Debentures with at least $87.5 million in regulatory capital (as defined in the SBA regulations).

On May 25, 2021, SBIC I received a leverage commitment from the SBA in the amount of $40.0 million to be issued on or prior to September 30, 2025. On January 28, 2022, SBIC I received an additional leverage commitment in the amount of $40.0 million to be issued on or prior to September 30, 2026. On November 22, 2022, SBIC I received an additional leverage commitment in the amount of $50.0 million to be issued on or prior to September 30, 2027. As of December 31, 2022, SBIC I had regulatory capital of $65.0 million and leverageable capital of $65.0 million. As of December 31, 2022, SBIC I had a total leverage commitment from the SBA in the amount of $130.0 million, of which $26.0 million remains unused. The SBA may limit the amount that may be drawn each year under these commitments, and each issuance of leverage is conditioned on the Company's full compliance, as determined by the SBA, with the terms and conditions set forth in the SBA regulations.

As of December 31, 2022, the carrying amount of SBA Debentures was $100.6 million on an aggregate principal amount of $104.0 million. As of December 31, 2022, the fair value of the SBA Debentures was $97.4 million. The fair value of the SBA Debentures is estimated by discounting the remaining payments using current market rates for similar instruments and considering such factors as the legal maturity date and the ability of market participants to prepay the SBA Debentures, which are Level 3 inputs under ASC 820. The Company recognized interest expense and related fees related to SBA Debentures of $0.9 million and $1.9 million for the three and nine months ended December 31, 2022, respectively. For the three and nine months ended December 31, 2021, the Company recognized interest expense of $0.1 million and $0.2 million, respectively. The weighted average interest rate on the SBA Debentures was 3.70% and 2.98% for the three and nine months ended December 31, 2022, respectively. For the three and nine months ended December 31, 2021, the weighted average interest rate on the SBA Debentures was 1.43% and 1.24%, respectively. For the three and nine months ended December 31, 2022, average borrowings were $83.9 million and $54.1 million, respectively. Average borrowings for the three and nine months ended December 31, 2021 were $21.0 million and $10.1 million, respectively.

As of December 31, 2022, the Company's issued and outstanding SBA Debentures mature as follows (amounts in thousands):

| Pooling Date (1) | Maturity Date | Fixed Interest Rate | December 31, 2022 |
|---|---|---|---|
| 9/22/2021 | 9/1/2031 | 1.575% | $ 15,000 |
| 3/23/2022 | 3/1/2032 | 3.209% | 25,000 |
| 9/21/2022 | 9/1/2032 | 4.533% | 40,000 |
| (2) | (2) | (2) | 24,000 |
| | | | $ 104,000 |

(1) The SBA has two scheduled pooling dates for SBA Debentures (in March and in September). Certain SBA Debentures funded during the reporting periods may not be pooled until the subsequent pooling date.
(2) The Company issued $24.0 million in SBA Debentures that will pool in March 2023. Until the pooling date, the SBA Debentures bear interest at a fixed rate with a weighted-average interim interest rate of 5.14%.

*Equity Capital Activities*

On November 17, 2022, the Company completed an underwritten public equity offering of 2,534,436 shares of common stock, including shares issuable pursuant to the underwriters' option to purchase additional shares, at a public offering price of $18.15 per share, raising $46.0 million of gross proceeds. Net proceeds were $44.1 million after deducting underwriting discounts and offering expenses.

On March 4, 2019, the Company established an "at-the-market" offering (the "Equity ATM Program") pursuant to which the Company may offer and sell, from time to time through sales agents, shares of its common stock having an aggregate offering price of up to $50,000,000. On February 4, 2020, the Company (i) increased the maximum amount of shares of its common stock to be sold through the Equity ATM Program to $100,000,000 from $50,000,000 and (ii) added two additional sales agents to the Equity ATM Program. On May 26, 2021, the Company (i) increased the maximum amount of shares of its common stock to be sold through the Equity ATM Program to $250,000,000 from $100,000,000 and (ii) reduced the commission paid to the sales agents for the Equity ATM Program to 1.5% from 2.0% of the gross sales price of shares of the Company's common stock sold through the sales agents pursuant to the Equity ATM Program on and after May 26, 2021. On August 2, 2022, the Company increased the maximum amount of shares of its common stock to be sold through the Equity ATM Program to $650,000,000 from $250,000,000.

The following table summarizes certain information relating to shares sold under the Equity ATM Program:

| | Three Months Ended December 31, 2022 | Three Months Ended December 31, 2021 |
|---|---|---|
| Number of shares sold | 3,264,878 | 616,156 |
| Gross proceeds received (in thousands) | $ 58,324 | $ 16,000 |
| Net proceeds received (in thousands)[1] | $ 57,449 | $ 15,760 |
| Weighted average price per share | $ 17.86 | $ 25.97 |

| | Nine Months Ended December 31, 2022 | Nine Months Ended December 31, 2021 |
|---|---|---|
| Number of shares sold | 6,909,446 | 2,834,734 |
| Gross proceeds received (in thousands) | $ 131,990 | $ 74,463 |
| Net proceeds received (in thousands)[1] | $ 130,010 | $ 73,347 |
| Weighted average price per share | $ 19.10 | $ 26.27 |

[1] Net proceeds reflects proceeds after deducting commissions to the sales agents on shares sold and offering expenses. As of December 31, 2022, $2.7 million remained receivable and is included in other receivables in the Consolidated Statement of Assets and Liabilities. As of December 31, 2021, no proceeds remained receivable.

Cumulative to date, the Company has sold 15,087,106 shares of its common stock under the Equity ATM Program at a weighted-average price of $20.91, raising $315.5 million of gross proceeds. Net proceeds were $310.3 million after commissions to the sales agents on shares sold. As of December 31, 2022, the Company has $334.5 million available under the Equity ATM Program.

On July 28, 2021, the Company's Board of Directors approved a share repurchase program authorizing the Company to repurchase up to $20 million of its outstanding shares of common stock in the open market at certain thresholds below its NAV per share, in accordance with guidelines specified in Rules 10b5-1(c)(1)(i)(B) and 10b-18 under the Exchange Act. On August 31, 2021, the Company entered into a share repurchase agreement, which became effective immediately, and the Company will cease purchasing its common stock under the share repurchase program upon the earlier of, among other things: (1) the date on which the aggregate purchase price for all shares equals $20 million including, without limitation, all applicable fees, costs and expenses; or (2) upon written notice by the Company to the broker that the share repurchase agreement is terminated. During the three and nine months ended December 31, 2022, the Company did not repurchase any shares under the share repurchase program.

## CONTRACTUAL OBLIGATIONS

As shown below, we had the following contractual obligations as of December 31, 2022.

| Contractual Obligations | Payments Due By Period (in thousands) Total | Less than 1 Year | 1-3 Years | 3-5 Years | More Than 5 Years |
|---|---|---|---|---|---|
| Operating lease obligations | $ 4,354 | $ 395 | $ 837 | $ 878 | $ 2,244 |
| Credit Facility (1) | 274,543 | 13,741 | 27,520 | 233,282 | — |
| January 2026 Notes (2) | 162,050 | 6,300 | 12,600 | 143,150 | — |
| October 2026 Notes (2) | 170,250 | 5,062 | 10,125 | 155,063 | — |
| | $ 611,197 | $ 25,498 | $ 51,082 | $ 532,373 | $ 2,244 |

(1) Amounts include interest payments calculated at an average rate of 6.02% of outstanding Credit Facility borrowings, which were $225.0 million as of December 31, 2022.
(2) Includes interest payments.

## OFF-BALANCE SHEET ARRANGEMENTS

We may be a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. These instruments may include commitments to extend credit and fund equity capital and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. Because commitments may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. Additionally, our commitment to fund delayed draw term loans generally is triggered upon the satisfaction of certain pre-negotiated terms and conditions, such as meeting certain financial performance hurdles or financial covenants, which may limit a borrower's ability to draw on such delayed draw term loans.

At December 31, 2022 and March 31, 2022, we had a total of approximately $159.7 million and $134.3 million, respectively, in currently unfunded commitments (as discussed in Note 10 to the Consolidated Financial Statements). As of December 31, 2022, the total unfunded commitments included commitments to issue letters of credit through a financial intermediary on behalf of certain portfolio companies. As of December 31, 2022, we had $0.9 million in letters of credit issued and outstanding under these commitments on behalf of the portfolio companies. For the letters of credit issued and outstanding, we would be required to make payments to third parties if the portfolio companies were to default on their related payment obligations. Of these letters of credit, $0.4 million expire in February 2023, $0.2 million expire in April 2023, and $0.3 million expire in August 2023. As of December 31, 2022, none of the letters of credit issued and outstanding were recorded as a liability on the Company's balance sheet as such letters of credit are considered in the valuation of the investments in the portfolio company.

The Company believes its assets will provide adequate coverage to satisfy these unfunded commitments. As of December 31, 2022, the Company had cash and cash equivalents of $21.7 million and $174.4 million in available borrowings under the Credit Facility.

## RECENT DEVELOPMENTS

On January 25, 2023, the Board of Directors declared a total dividend of $0.58 per share, comprised of a regular dividend of $0.53 and a supplemental dividend of $0.05, for the quarter ending March 31, 2023. The record date for the dividend is March 15, 2023. The payment date for the dividend is March 31, 2023.

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

We are subject to market risk. Market risk includes risk that arise from changes in interest rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. The prices of securities held by us may decline in response to certain events, including those directly involving the companies in which we invest; conditions affecting the general economy, including the impact of COVID-19 and any new variants of COVID-19; overall market changes, including an increase in market volatility due to COVID-19; legislative reform; local, regional, national or global political, social or economic instability; and interest rate volatility, including the decommissioning of LIBOR and rising interest rates.

Interest Rate Risk

We are subject to interest rate risk. Interest rate risk is defined as the sensitivity of our current and future earnings to interest rate volatility, variability of spread relationships, the difference in re-pricing internals between our assets and liabilities and the effect that interest rates may have on our cash flows. Changes in the general level of interest rates can affect our net interest income, which is the difference between the interest income earned on interest earning assets and our interest expense incurred in connection with our interest-bearing liabilities. Changes in interest rates can also affect, among other things, our ability to acquire and originate loans and securities and the value of our investment portfolio. Our net investment income is affected by fluctuations in various interest rates, including the decommissioning of LIBOR and changes in alternate rates and prime rates, to the extent our debt investments include floating interest rates. A large portion of our portfolio is comprised of floating rate investments that utilize LIBOR or an alternative rate.

Since March 2022, the Federal Reserve has been rapidly raising interest rates and has indicated that it would consider additional rate hikes in response to ongoing inflation concerns. In a rising interest rate environment, our cost of funds would increase, which could reduce our net investment income if there is not a corresponding increase in interest income generated by our investment portfolio. It is possible that the Federal Reserve's tightening cycle could result the United States into a recession, which would likely decrease interest rates. A prolonged reduction in interest rates will reduce our gross investment income and could result in a decrease in our net investment income if such decreases in base rates, such as LIBOR or SOFR, are not offset by a corresponding increase in the spread over such base rate that we earn on any portfolio investments or a decrease in the interest rate of our floating interest rate liabilities tied to such base rate. See “Risk Factors — Changes in interest rates may affect our cost of capital the value of investments and net investment income,” “Risk Factors — The interest rates of our loans to our portfolio companies, any LIBOR-linked securities, and other financial obligations that extend beyond 2021 might be subject to change based on recent regulatory changes, including the decommissioning of LIBOR” and “Risk Factors — The interest rates of our loans to our portfolio companies, any LIBOR-linked securities, and other financial obligations that extend beyond 2021 might be subject to change based on recent regulatory changes, including the decommissioning of LIBOR” in our Annual Report on Form 10-K for the fiscal year ended March 31, 2022 for more information.

Our interest expenses also will be affected by changes in the published SOFR rate in connection with our Credit Facility. The interest rates on the October 2026 Notes, the January 2026 Notes and SBA Debentures are fixed for the life of such debt. Our risk management systems and procedures are designed to identify and analyze our risk, to set appropriate policies and limits and to continually monitor these risks. We regularly measure exposure to interest rate risk and determine whether or not any hedging transactions are necessary to mitigate exposure to changes in interest rates. As of December 31, 2022, we were not a party to any hedging arrangements.

As of December 31, 2022, approximately 96.7% of our debt investment portfolio (at fair value) bore interest at floating rates, 100.0% of which were subject to contractual minimum interest rates. Based on interest rates as of December 31, 2022, a hypothetical 100 basis point increase in interest rates could increase our net investment income by a maximum of $8.2 million, or $0.22 per share, on an annual basis. A hypothetical 100 basis point decrease in interest rates could decrease our net investment income by a maximum of $8.2 million, or $0.22 per share, on an annual basis. Our Credit Facility bears interest on a per annum basis equal to the applicable Adjusted Term SOFR rate plus 2.15%. We pay unused commitment fees of 0.50% to 1.00% per annum, based on utilization.

Although we believe that the foregoing analysis is indicative of our sensitivity to interest rate changes, it does not adjust for potential changes in the credit market, credit quality, size and composition of the assets in our portfolio. It also does not adjust for other business developments, including future borrowings that could affect the net increase in net assets resulting from operations, or net income. It also does not assume any repayments from borrowers. Accordingly, no assurances can be given that actual results would not differ materially from the statement above.

Because we currently borrow, and plan to borrow in the future, money to make investments, our net investment income is dependent upon the difference between the rate at which we borrow funds and the rate at which we invest the funds borrowed. Accordingly, there can be no assurance that a significant change in interest rates will not have a material adverse effect on our net investment income. In periods of rising interest rates, our cost of funds would increase, which could reduce our net investment income if there is not a corresponding increase in interest income generated by our investment portfolio.

**Item 4. Controls and Procedures**

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of our management, including the President and Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15 of the Securities Exchange Act of 1934). Based upon this evaluation, management, including our President and Chief Executive Officer and our Chief Financial Officer, concluded that our current disclosure controls and procedures are effective as of December 31, 2022.

During the three months ended December 31, 2022, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

# PART II. – OTHER INFORMATION

## Item 1. Legal Proceedings

We may, from time to time, be involved in litigation arising out of our operations in the normal course of business or otherwise. Furthermore, third parties may try to seek to impose liability on us in connection with the activities of our portfolio companies. We have no currently pending material legal proceedings to which we are party or to which any of our assets is subject.

## Item 1A. Risk Factors

Investing in our common stock involves a number of significant risks. There have been no material changes to the risk factors as previously disclosed in our Annual Report on Form 10-K for the fiscal year ended March 31, 2022 that we filed with the SEC on May 24, 2022.

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

*Sales of Unregistered Securities*

None.

*Issuer Purchases of Equity Securities*

On July 28, 2021, the Company's Board of Directors approved a share repurchase program authorizing the Company to repurchase up to $20 million of its outstanding shares of common stock in the open market at certain thresholds below its NAV per share, in accordance with guidelines specified in Rules 10b5-1(c)(1)(i)(B) and 10b-18 under the Exchange Act. On August 31, 2021 the Company entered into a share repurchase agreement, which became effective immediately, and the Company will cease purchasing its common stock under the share repurchase program upon the earlier of, among other things: (1) the date on which the aggregate purchase price for all shares equals $20 million including, without limitation, all applicable fees, costs and expenses; or (2) upon written notice by the Company to the broker that the share repurchase agreement is terminated. During the three months ended December 31, 2022, the Company did not repurchase any shares under the share repurchase program.

## Item 3. Defaults Upon Senior Securities.

None.

## Item 4. Mine Safety Disclosures.

Not applicable.

## Item 5. Other Information.

None.

## Item 6. Exhibits

| Exhibit No. | Description |
|---|---|
| 3.1 | Articles of Incorporation, dated April 19, 1961, including amendments dated June 30, 1969, July 20, 1987, April 23, 2007 and July 15, 2013 (incorporated by reference to Exhibit (a) to Registration Statement on Form N-2 (Reg. No. 333-220385) filed on September 8, 2017). |
| 3.2 | Certificate of Amendment to the Articles of Incorporation, dated August 1, 2019 (Incorporated by reference to Exhibit 3.1 to Form 8-K (File No. 814-00061) filed on August 1, 2019). |
| 3.3 | Second Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to Form 10-Q (File No. 814-00061) filed on November 7, 2017). |
| 3.4 | Amendment to Second Amended and Restated Bylaws of Capital Southwest Corporation (Incorporated by reference to Exhibit 3.1 to Form 8-K (File No. 814-00061) filed April 25, 2019). |
| 4.1 | Specimen of Common Stock certificate (incorporated by reference to Exhibit 4.1 to Form 10-K (File No. 811-01056) filed on June 14, 2002). |
| 4.2 | Indenture, dated October 23, 2017, between the Company and U.S. Bank National Association, Trustee (incorporated by reference to Exhibit (d)(2) to Registration Statement on Form N-2 (Reg. No. 333-220385) filed on October 23, 2017). |
| 4.3 | Third Supplemental Indenture, dated as of December 29, 2020, relating to the 4.50% Notes due 2026, by and between the Company and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to Current Report on Form 8-K filed on December 29, 2020). |
| 4.4 | Form of Global Note with respect to the 4.50% Notes due 2026 (incorporated by reference to Exhibit 4.3 to Current Report on Form 8-K filed on December 29, 2020). |
| 4.5 | Fourth Supplemental Indenture, dated as of August 27, 2021, relating to the 3.375% Notes due 2026, by and between the Company and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to Current Report on Form 8-K filed on August 27, 2021). |
| 4.6 | Form of Global Note with respect to the 3.375% Notes due 2026 (incorporated by reference to Exhibit 4.3 to Current Report on Form 8-K filed on August 27, 2021). |
| 10.1 | Incremental Commitment and Assumption Agreement dated November 16, 2022 among the Company, as borrower, ING Capital LLC, as Administrative Agent, the Increasing Lenders Party thereto, as Increasing Lenders and the Assuming Lenders Party thereto, as Assuming Lenders (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on November 16, 2022). |
| 31.1* | Certification of President and Chief Executive Officer required by Rule 13a-14(a) of the Exchange Act. |
| 31.2* | Certification of Chief Financial Officer required by Rule 13a-14(a) of the Exchange Act. |
| 32.1*^ | Certification of President and Chief Executive Officer required by Rule 13a-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code. |
| 32.2*^ | Certification of Chief Financial Officer required by Rule 13a-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code. |

* Filed herewith.

^ The certifications, attached as Exhibits 32.1 and 32.2 accompany this Quarterly Report pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, shall not be deemed “filed” by the registrant for purposes of Section 18 of the Exchange Act, and are not to be incorporated by reference into any of the registrant’s filings under the Securities Act or the Exchange Act, whether made before or after the date of this Quarterly Report, irrespective of any general incorporation language contained in any such filing.

## SIGNATURES

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

**CAPITAL SOUTHWEST CORPORATION**

| | | |
|---|---|---|
| January 31, 2023 | By: | /s/ Bowen S. Diehl |
| Date | | Bowen S. Diehl<br>President and Chief Executive Officer |
| January 31, 2023 | By: | /s/ Michael S. Sarner |
| Date | | Michael S. Sarner<br>Chief Financial Officer, Secretary and Treasurer |

**Exhibit 31.1**

**CERTIFICATIONS**

I, Bowen S. Diehl, certify that:

1 I have reviewed this quarterly report on Form 10-Q of Capital Southwest Corporation (the “registrant”);

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4 The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5 The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: January 31, 2023

By: /s/ Bowen S. Diehl
Bowen S. Diehl
President and Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATIONS**

I, Michael S. Sarner, certify that:

1 I have reviewed this quarterly report on Form 10-Q of Capital Southwest Corporation (the “registrant”);

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4 The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5 The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: January 31, 2023

By: /s/ Michael S. Sarner
Michael S. Sarner
Chief Financial Officer

**Exhibit 32.1**

**Certification of the President and Chief Executive Officer**
**Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the**
**Sarbanes-Oxley Act of 2002**

I, Bowen S. Diehl, President and Chief Executive Officer of Capital Southwest Corporation, certify that, to my knowledge:

1. The Form 10-Q for the quarter ended December 31, 2022, filed with the Securities and Exchange Commission on January 31, 2023 (“accompanied report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the accompanied report fairly presents, in all material respects, the consolidated financial condition and results of operations of Capital Southwest Corporation.

Date: January 31, 2023

By: /s/ Bowen S. Diehl
Bowen S. Diehl
President and Chief Executive Officer

**Exhibit 32.2**

**Certification of the Chief Financial Officer**
**Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the**
**Sarbanes-Oxley Act of 2002**

I, Michael S. Sarner, Chief Financial Officer of Capital Southwest Corporation, certify that, to my knowledge:

1. The Form 10-Q for the quarter ended December 31, 2022, filed with the Securities and Exchange Commission on January 31, 2023 (“accompanied report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the accompanied report fairly presents, in all material respects, the consolidated financial condition and results of operations of Capital Southwest Corporation.

Date: January 31, 2023

By: /s/ Michael S. Sarner
Michael S. Sarner
Chief Financial Officer