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

FORM 10-Q

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

For the quarterly period ended September 30, 2026

☐ **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: 001-39995

ADVANCED FLOWER CAPITAL INC.

(Exact name of registrant as specified in its charter)

Maryland	**85-1807125**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

477 S. Rosemary Ave., Suite 301, West Palm Beach, FL 33401
(Address of principal executive offices) (Zip Code)

(561) 510-2390
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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, $0.01 par value per share	**AFCG**	**The Nasdaq Stock Market LLC**

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

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 ☒

Class	**Outstanding at November 2, 2026**
Common stock, $0.01 par value per share	22,403,782

ADVANCED FLOWER CAPITAL INC.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

ADVANCED FLOWER CAPITAL INC.
CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
(unaudited)

		As of September 30, 2026
Assets		
Non-controlled, non-affiliated investments at fair value (cost of $351,041,722)	$	289,566,636
Cash and cash equivalents		102,117,304
Interest receivable		1,866,810
Prepaid expenses and other assets		1,549,265
Total assets	**$**	**395,100,015**
Liabilities		
Accrued interest	$	2,080,541
Distribution payable		1,120,189
Management fee payable		922,690
Income-based incentive fee payable		750,152
Accrued direct administrative expenses		1,002,368
Director fees payable		63,750
Accounts payable and other liabilities		893,965
Senior notes payable, net		76,703,853
Line of credit payable		115,000,000
Line of credit payable to affiliate		5,000,000
Total liabilities		**203,537,508**
Commitments and contingencies (Note 8)		
Net assets		
Common stock, par value $0.01 per share, 50,000,000 shares authorized; 22,403,782 shares issued and outstanding at September 30, 2026		224,038
Additional paid-in capital		254,944,250
Distributable (loss) earnings		(63,605,781)
Total net assets		**191,562,507**
Total liabilities and net assets	**$**	**395,100,015**
Net asset value per share	$	8.55

See accompanying notes to the consolidated financial statements

ADVANCED FLOWER CAPITAL INC.
CONSOLIDATED BALANCE SHEET

	As of December 31, 2025
Assets	
Loans held for investment at fair value (cost of $53,744,253)	$ 26,080,763
Loans held for investment at carrying value, net	253,625,119
Current expected credit loss reserve	(46,059,838)
Loans held for investment at carrying value, net of current expected credit loss reserve	207,565,281
Cash and cash equivalents	38,605,507
Interest receivable	899,382
Prepaid expenses and other assets	2,443,814
Total assets	**$ 275,594,747**
Liabilities	
Accrued interest	$ 763,180
Current expected credit loss reserve	76,469
Accrued management and incentive fees	716,181
Accrued direct administrative expenses	374,852
Accounts payable and other liabilities	773,585
Senior notes payable, net	76,322,493
Line of credit payable	21,000,000
Total liabilities	**100,026,760**
Commitments and contingencies (Note 8)	
Shareholders' equity	
Preferred stock, par value $0.01 per share, 10,000 shares authorized; 0 shares issued and outstanding at December 31, 2025	—
Common stock, par value $0.01 per share, 50,000,000 shares authorized; 23,528,844 shares issued and outstanding at December 31, 2025	235,288
Additional paid-in capital	258,694,609
Accumulated (deficit) earnings	(83,361,910)
Total shareholders' equity	**175,567,987**
Total liabilities and shareholders' equity	**$ 275,594,747**

See accompanying notes to the consolidated financial statements

ADVANCED FLOWER CAPITAL INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(unaudited)

	Three months ended September 30, 2026	Nine months ended September 30, 2026
Investment income:		
From non-controlled/non-affiliated investments:		
Interest income	$ 7,616,438	$ 23,195,973
Payment-in-kind interest income	949,002	2,064,702
Other income	—	1,809,788
Total investment income	**8,565,440**	**27,070,463**
Expenses:		
Interest expense	1,868,647	5,517,066
Management fee	1,099,110	3,151,137
Incentive fee on net investment income	750,152	2,512,332
General and administrative expenses	931,792	2,809,598
Director fees	63,750	191,300
Professional fees	297,363	1,117,329
Total expenses	**5,010,814**	**15,298,762**
Management fee rebate	(176,420)	(586,828)
Net expenses	**4,834,394**	**14,711,934**
Net investment income before taxes	**3,731,046**	**12,358,529**
Income tax expense	194,615	514,679
Net investment income	**3,536,431**	**11,843,850**
Net change in unrealized appreciation on investments	3,081,851	12,324,711
Provision for taxes on unrealized appreciation on investments	(218,034)	(980,918)
Net unrealized gain on investments, net of taxes	**2,863,817**	**11,343,793**
Net increase in net assets resulting from operations	**$ 6,400,248**	**$ 23,187,643**
Per share data:		
Basic and diluted net investment income per share	$ 0.16	$ 0.51
Basic and diluted net increase in net assets resulting from operations per share	$ 0.28	$ 1.00
Basic and diluted weighted average shares of common stock outstanding	22,582,809	23,100,040

See accompanying notes to the consolidated financial statements

ADVANCED FLOWER CAPITAL INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(unaudited)

	Three months ended September 30, 2025	Nine months ended September 30, 2025
Revenue:		
Interest income	$ 8,162,075	$ 24,681,832
Interest expense	(1,631,127)	(5,304,572)
Net interest income	**6,530,948**	**19,377,260**
Expenses:		
Management and incentive fees, net (less rebate of $235,670 and $624,992, respectively)	715,138	2,211,686
General and administrative expenses	674,342	2,255,049
Stock-based compensation	487,436	1,525,687
Professional fees	354,803	1,087,843
BDC conversion expenses	579,192	805,972
Total expenses	**2,810,911**	**7,886,237**
Provision for current expected credit losses	(7,372,778)	(22,524,920)
Change in unrealized losses on loans at fair value, net	(9,712,427)	(11,453,875)
Net loss before income taxes	**(13,365,168)**	**(22,487,772)**
Income tax benefit	(874,662)	(900,300)
Net loss	**$ (12,490,506)**	**$ (21,587,472)**
Earnings per common share:		
Basic	$ (0.57)	$ (0.99)
Diluted	$ (0.57)	$ (0.99)
Weighted average number of common shares outstanding:		
Basic weighted average shares of common stock outstanding	22,114,761	22,109,088
Diluted weighted average shares of common stock outstanding	22,160,176	22,129,116

See accompanying notes to the consolidated financial statements

ADVANCED FLOWER CAPITAL INC.
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
(unaudited)

	Three months ended September 30, 2026	Nine months ended September 30, 2026
Increase in net assets resulting from operations:		
Net investment income	$ 3,536,431	$ 11,843,850
Net unrealized gain on investments, net of taxes	2,863,817	11,343,793
Net increase in net assets resulting from operations	6,400,248	23,187,643
Distributions to shareholders:		
Distributions declared ($0.05 and $0.15 per share, respectively)	(1,120,189)	(3,431,514)
Net decrease in net assets resulting from distributions	(1,120,189)	(3,431,514)
Share transactions:		
Repurchases of common stock	(987,052)	(3,761,609)
Net decrease in net assets from share transactions	(987,052)	(3,761,609)
Total increase in net assets	4,293,007	15,994,520
Net assets, beginning of the period	187,269,500	175,567,987
Net assets, end of the period	**$ 191,562,507**	**$ 191,562,507**

See accompanying notes to the consolidated financial statements

ADVANCED FLOWER CAPITAL INC.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(unaudited)

Three months ended September 30, 2025

	Common Stock		Additional Paid-In-Capital	Accumulated Earnings (Deficit)	Total Shareholders' Equity
	Shares	Amount			
Balance at June 30, 2025	**22,595,111**	**$ 225,951**	**$ 252,901,392**	**$ (68,396,269)**	**$ 184,731,074**
Stock-based compensation, net of forfeitures	(570)	(6)	487,442	—	487,436
Dividends declared on common shares ($0.15 per share)	—	—	—	(3,389,181)	(3,389,181)
Net loss	—	—	—	(12,490,506)	(12,490,506)
Balance at September 30, 2025	**22,594,541**	**$ 225,945**	**$ 253,388,834**	**$ (84,275,956)**	**$ 169,338,823**

Nine months ended September 30, 2025

	Common Stock		Additional Paid-In-Capital	Accumulated Earnings (Deficit)	Total Shareholders' Equity
	Shares	Amount			
Balance at December 31, 2024	**22,332,927**	**$ 223,329**	**$ 251,865,763**	**$ (50,712,954)**	**$ 201,376,138**
Stock-based compensation, net of forfeitures	261,614	2,616	1,523,071	—	1,525,687
Dividends declared on common shares ($0.53 per share)	—	—	—	(11,975,530)	(11,975,530)
Net loss	—	—	—	(21,587,472)	(21,587,472)
Balance at September 30, 2025	**22,594,541**	**$ 225,945**	**$ 253,388,834**	**$ (84,275,956)**	**$ 169,338,823**

See accompanying notes to the consolidated financial statements

ADVANCED FLOWER CAPITAL INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited)

	Nine months ended September 30, 2026
Operating activities:	
Net increase in net assets resulting from operations	$ 23,187,643
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:	
Net change in unrealized appreciation on investments	(12,324,711)
Net accretion of discount on investments	(2,480,713)
Amortization of deferred financing costs - revolving credit facilities	206,304
Amortization of deferred financing costs - senior notes	407,610
Payment-in-kind interest	(2,055,478)
Purchases of investments	(98,211,692)
Proceeds from principal repayments and sale of investments	59,075,533
Changes in operating assets and liabilities:	
Interest receivable	(967,428)
Prepaid expenses and other assets	1,007,980
Accrued interest	1,317,361
Management fee payable	206,509
Income-based incentive fee payable	750,152
Accrued direct administrative expenses	627,516
Accounts payable and other liabilities	184,130
Net cash used in operating activities	**(29,069,284)**
Cash flows from financing activities:	
Payment of financing costs	(345,985)
Borrowings on revolving credit facilities	419,125,000
Repayments on revolving credit facilities	(320,125,000)
Distributions paid to common shareholders	(2,311,325)
Repurchases of common stock	(3,761,609)
Net cash provided by financing activities	**92,581,081**
Net increase in cash and cash equivalents	**63,511,797**
Cash and cash equivalents, beginning of period	38,605,507
Cash and cash equivalents, end of period	**$ 102,117,304**
Supplemental disclosure of non-cash activity:	
OID withheld from funding of loans	**$ 2,143,654**
Distributions declared and not yet paid	**$ 1,120,189**
Supplemental information:	
Interest paid during the period	**$ 3,585,792**
Income taxes paid (net of refunds received) during the period	**$ 565,217**

See accompanying notes to the consolidated financial statements

ADVANCED FLOWER CAPITAL INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited)

	Nine months ended September 30, 2025
Operating activities:	
Net loss	$ (21,587,472)
Adjustments to reconcile net income to net cash provided by operating activities:	
Provision for current expected credit losses	22,524,920
Change in unrealized losses on loans at fair value, net	11,453,875
Accretion of deferred loan original issue discount and other discounts	(2,640,604)
Amortization of deferred financing costs - revolving credit facility	210,915
Amortization of deferred financing costs - senior notes	471,994
Stock-based compensation	1,525,687
Payment-in-kind interest	(418,023)
Changes in operating assets and liabilities:	
Interest receivable	1,201,663
Prepaid expenses and other assets	(1,181,684)
Accrued interest	1,305,197
Accrued management and incentive fees, net	(1,217,108)
Accrued direct administrative expenses	(463,658)
Accounts payable and other liabilities	610,532
Net cash provided by operating activities	**11,796,234**
Cash flows from investing activities:	
Issuance of and fundings on loans	(39,430,409)
Principal repayment of loans	63,277,253
Net cash provided by investing activities	**23,846,844**
Cash flows from financing activities:	
Payment of financing costs	(176,934)
Borrowings on revolving credit facilities	70,600,000
Repayments on revolving credit facilities	(148,600,000)
Dividends paid to common shareholders	(15,956,215)
Net cash used in financing activities	**(94,133,149)**
Net decrease in cash and cash equivalents	**(58,490,071)**
Cash and cash equivalents, beginning of period	103,610,460
Cash and cash equivalents, end of period	**$ 45,120,389**
Supplemental disclosure of non-cash activity:	
OID withheld from funding of loans	**$ 1,270,000**
Dividends declared and not yet paid	**$ 3,389,181**
Supplemental information:	
Interest paid during the period	**$ 3,316,466**
Income taxes paid (net of refunds received) during the period	**$ 185,668**

See accompanying notes to the consolidated financial statements

ADVANCED FLOWER CAPITAL INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
As of September 30, 2026
(unaudited)

Company[1][2]		Reference Rate and Spread[3]	Interest Rate[3]	Maturity Date[4]	Principal[5]	Amortized Cost[5]	Fair Value[7]	% of Net Assets
Non-controlled, non-affiliated debt investments								
Cannabis								
Devi Holdings Inc.	[8][9]	Cash 13.00% + 2.50% PIK	15.5%	5/8/2024	$40,556,808	$37,689,377	$20,501,466	
MI Opportunity Fund I, LLC		Fixed	10.0%	12/8/2028	5,537,784	4,358,784	4,454,317	
Trulieve Cannabis Corp.	[15]	Fixed	10.5%	12/17/2030	5,000,000	5,000,000	5,212,500	
Justice Cannabis Company	[9][10]	Prime + 10.25%	17.3%	5/1/2026	78,768,556	77,323,709	42,456,252	
DMA Holdings (MA), LLC	[11]	SOFR (M) + Cash 12.00% + 2.00% PIK	17.9%	5/3/2027	12,195,762	11,513,143	5,073,437	
Story of Natures Medicine LLC		Fixed	15.0%	12/31/2026	19,099,497	18,847,595	18,934,286	
High End Holdings LLC		SOFR (M) + 8.00%	12.5%	12/15/2027	17,790,725	17,510,282	15,158,587	
High End Holdings LLC		SOFR (M) + 8.00%	12.5%	12/15/2027	15,832,384	15,585,134	13,489,983	
Theratrue, Inc.		SOFR (M) + 8.75%	13.8%	9/1/2028	8,602,937	8,392,104	8,295,812	
Story of Maryland LLC		SOFR (M) + 7.50%	12.0%	11/1/2027	26,668,445	26,380,337	26,591,106	
Story of Ohio LLC		Fixed	14.0%	11/1/2027	13,571,586	13,410,550	13,571,586	
Standard Wellness Company, LLC		Cash 12.50% + 1.50% PIK	14.0%	4/1/2029	12,813,586	12,568,109	12,709,156	
Cresco Labs, LLC	[15]	Fixed	12.5%	8/13/2030	10,000,000	9,693,333	10,200,000	
					266,438,070	258,272,457	196,648,488	102.7%
Commercial & Professional Services								
STAT Buyer, LLC		SOFR (M) + 8.50%	12.4%	2/1/2031	55,800,000	54,760,000	54,893,250	28.7%
Health Care Providers & Services								
CM Counsel Management LLC	[6][9]	SOFR (Q) + 4.50% + 5.00% PIK	13.6%	7/10/2030	3,163,124	3,075,172	3,075,172	1.6%
Insurance								
BCIS AH Borrower LLC	[12]	Cash 7.50% + 9.00% PIK	16.5%	2/1/2030	30,507,634	29,879,220	29,897,481	15.6%
Leisure Products								
Kristoff Parent, LLC	[13]	15.00% PIK	15.0%	10/18/2031	2,668,320	2,616,331	2,613,086	
Kristoff Buyer, LLC	[14]	SOFR (Q) + 5.50%	9.6%	4/21/2031	2,484,375	2,438,542	2,439,159	
					$5,152,695	$5,054,873	$5,052,245	2.6%
Total investments[16]					**$361,061,523**	**$351,041,722**	**$289,566,636**	**151.2%**

(1) The Company's investments are all first lien senior term loans that are qualifying assets geographically located in the United States.

(2) All debt investments are income producing unless otherwise indicated.

(3) As of September 30, 2026, the floating benchmark rates included one-month ("M") and three-month ("Q") Secured Overnight Financing Rate ("SOFR") and U.S. prime. One-month SOFR was quoted at 3.9% and subject to a weighted average floor of 3.8% based on the outstanding principal of performing debt investments. Three-month SOFR was quoted at 4.1% and subject to a weighted average floor of 3.3% based on the outstanding principal of performing debt investments. U.S. prime rate was quoted at 7.00% and subject to a weighted average floor of 4.5%, which relates to a single debt investment on nonaccrual status; the Company held no performing debt investments bearing interest at U.S. prime as of September 30, 2026.

(4) Certain loans are subject to contractual extension options and may be subject to performance based or other conditions as stipulated in the loan agreement. Actual maturities may differ from contractual maturities stated herein as certain borrowers may have the right to prepay with or without paying a prepayment penalty. The Company may also extend contractual maturities and amend other terms of the loans in connection with loan modifications.

(5) The difference between the amortized cost and the outstanding principal amount of the investments consists of unaccreted original issue discount and loan origination costs.

(6) Position or portion thereof is an unfunded loan commitment, and no interest is being earned on the unfunded portion, although the investment may be subject to unused commitment fees. The unfunded loan commitment may be subject to a commitment termination date that may expire prior to the maturity date stated. Refer to Note 8 for more information on the Company's unfunded commitments.

(7) Refer to Note 5.

(8) Effective March 1, 2024, the Company placed the investment on nonaccrual status. The maturity date passed without repayment.

(9) Represents co-investments made with the Company's affiliates. Refer to Note 3 Related Party Transactions.

(10) Effective December 1, 2023, the Company placed the investment on nonaccrual status. The maturity date passed without repayment.

(11) Effective December 1, 2023, the Company placed the investment on nonaccrual status.

(12) The loan bears cash interest at a rate of 7.5% and 9.0% interest paid-in kind, with the option for the borrower to elect to pay cash interest at a rate of 5.5% and 13.0% interest paid-in kind until the end of the fiscal quarter following the first anniversary of the initial closing date.

(13) The loan bears cash interest at a rate of 10.0% and 3.0% interest paid-in kind, with the option for the borrower to elect to pay interest at a rate of 15.0% paid-in kind at the borrower's election each quarter through maturity.

(14) The loan bears interest at SOFR plus an applicable margin, which adjusts quarterly between 5.25% and 5.75% based on the ratio of first lien debt to consolidated EBITDA. As of September 30, 2026, the applicable margin was 5.50%.

(15) These investments are generally classified as "restricted securities" as such term is defined under Regulation S-X Rule 6-03(f) or Securities Act Rule 144.

(16) Unless otherwise indicated, all of the Company's investments or a portion thereof are pledged as collateral under the Revolving Credit Facility. See Note 7 "Debt" included in these consolidated financial statements.

See accompanying notes to the consolidated financial statements

ADVANCED FLOWER CAPITAL INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
As of December 31, 2025
(unaudited)[1]

Company[1][2]		Reference Rate and Spread[3]	Interest Rate[3]	Maturity Date[4]	Principal[5]	Amortized Cost[5]	Fair Value[7]	% of Net Assets
Debt investments								
Cannabis								
Devi Holdings Inc.	[8][9]	Cash 13.00% + 2.50% PIK	15.5%	5/8/2024	$46,790,684	$43,923,253	$16,259,763	
MI Opportunity Fund I, LLC		Fixed	10.0%	12/8/2028	6,000,000	4,821,000	4,821,000	
Trulieve Cannabis Corp.	[11]	Fixed	10.5%	12/17/2030	5,000,000	5,000,000	5,000,000	
Justice Cannabis Company	[9][10]	Fixed	12.5%	5/1/2026	78,768,556	77,323,709	43,907,721	
DMA Holdings (MA), LLC	[10]	SOFR + Cash 12.00% + 2.00% PIK	17.7%	5/3/2027	12,195,762	11,513,143	5,451,148	
Bloom Hold Co.		SOFR + 8.00%	13.0%	5/1/2026	25,146,957	25,029,524	25,029,524	
Story of Natures Medicine LLC		Fixed	9.0%	7/31/2026	23,599,497	22,668,405	22,043,979	
High End Holdings LLC		SOFR + 8.00%	12.5%	4/1/2028	19,327,505	18,888,550	15,775,932	
High End Holdings LLC		SOFR + 8.00%	12.5%	4/1/2028	17,200,000	16,813,000	14,038,855	
Gron Holdings, Inc.	[6]	SOFR + 8.50%	13.5%	6/1/2028	5,358,890	5,111,731	5,111,731	
Theratrue, Inc.	[6]	SOFR + 8.75%	13.8%	9/1/2028	7,479,626	7,186,293	7,051,381	
Story of Maryland LLC		SOFR + 7.50%	12.0%	11/1/2027	33,179,518	32,691,950	32,691,950	
Story of Ohio LLC		Fixed	14.0%	3/1/2028	15,000,000	14,736,486	14,736,486	
Standard Wellness Company, LLC	[6]	Cash 12.50% + 1.50% PIK	14.0%	4/1/2029	12,370,245	12,028,995	12,016,772	
Cresco Labs, LLC	[11]	Fixed	12.5%	8/13/2030	10,000,000	9,633,333	9,633,333	
Total investments[12]					**$317,417,240**	**$307,369,372**	**$233,569,575**	**133.0%**

(1) The Company's investments are all first lien senior term loans that are geographically located in the United States.

(2) All debt investments are income producing unless otherwise indicated.

(3) As of December 31, 2025, the floating benchmark rate included one-month Secured Overnight Financing Rate ("SOFR") quoted at 3.7% and subject to a weighted average floor of 4.3% based on outstanding principal.

(4) Certain loans are subject to contractual extension options and may be subject to performance based or other conditions as stipulated in the loan agreement. Actual maturities may differ from contractual maturities stated herein as certain borrowers may have the right to prepay with or without paying a prepayment penalty. The Company may also extend contractual maturities and amend other terms of the loans in connection with loan modifications.

(5) The difference between the amortized cost and the outstanding principal amount of the investments consists of unaccreted original issue discount and loan origination costs.

[1] The consolidated schedule of investments as of December 31, 2025 is presented for comparative purposes only and is unaudited. The Company was not regulated as a business development company as of December 31, 2025 and therefore did not include a consolidated schedule of investments in its Annual Report on Form 10-K for the fiscal year ended December 31, 2025. The December 31, 2025 data presented herein has been prepared by management to conform to the investment company presentation requirements of Article 6 of Regulation S-X and has not been audited in this form.

(6) Position or portion thereof is an unfunded loan commitment, and no interest is being earned on the unfunded portion, although the investment may be subject to unused commitment fees. The unfunded loan commitment may be subject to a commitment termination date that may expire prior to the maturity date stated. Refer to Note 8 for more information on the Company's unfunded commitments.

(7) Refer to Note 5.

(8) Effective March 1, 2024, the Company placed the investment on nonaccrual status. The maturity date passed without repayment.

(9) Represents co-investments made with the Company's affiliates. Refer to Note 3 Related Party Transactions.

(10) Effective December 1, 2023, the Company placed the investment on nonaccrual status.

(11) These investments are generally classified as "restricted securities" as such term is defined under Regulation S-X Rule 6-03(f) or Securities Act Rule 144.

(12) Unless otherwise indicated, all of the Company's investments or a portion thereof are pledged as collateral under the Revolving Credit Facility. See Note 7 "Debt" included in these consolidated financial statements.

See accompanying notes to the consolidated financial statements

ADVANCED FLOWER CAPITAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As of September 30, 2026
(unaudited)

1. ORGANIZATION

Advanced Flower Capital Inc. (the "Company" or "AFC") is a Maryland corporation and an institutional lender that originates, structures, underwrites, and manages senior secured loans and other debt investments. The Company is externally managed by AFC Management, LLC (the "Adviser") pursuant to an investment advisory agreement (the "Advisory Agreement").

Effective January 1, 2026, the Company elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). As a BDC, the Company is now subject to the regulatory framework applicable to BDCs under the 1940 Act, including requirements relating to portfolio composition, asset coverage, affiliate transactions, governance, and compliance.

For U.S. federal income tax purposes, the Company intends to elect to be treated as a regulated investment company ("RIC") under the Internal Revenue Code of 1986, as amended (the "Code"), commencing with its taxable year ending December 31, 2026.

The Company's primary investment focus is on senior secured lending to lower middle market companies across industries. Prior to its election to be regulated as a BDC, the Company primarily focused on senior secured lending, including loans to cannabis industry operators in states that have legalized medical and/or adult-use cannabis. In August 2025, the Company expanded its investment strategy to include senior secured lending to companies ancillary to the cannabis industry, as well as to companies outside of the cannabis industry. These investments are generally held for investment and are typically secured, directly or indirectly, by real estate, equipment, cash flows, licenses (where applicable), and other borrower assets, depending on applicable laws and regulations governing such borrowers.

The Company operates in one operating segment. The Company's objective is to provide attractive risk-adjusted returns over time through cash distributions and capital appreciation, primarily by sourcing, underwriting, structuring and funding loans to lower middle market companies across a broad range of industries.

The Company has formed wholly-owned subsidiaries, AFCG TRS1, LLC ("TRS1") and TCGDL LLC, to facilitate certain investment and operational activities. The financial statements of these subsidiaries are consolidated in the Company's consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and results of operations included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2025 filed with the U.S. Securities and Exchange Commission (the "SEC"), which were prepared when the Company operated as a real estate investment trust ("REIT") and prior to its election to be regulated as a BDC ("pre-Conversion").

Refer to Note 2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2025 for a description of the Company's significant accounting policies. The Company has included disclosures below regarding basis of presentation and other accounting policies that (i) are required to be disclosed quarterly, (ii) have material changes or (iii) the Company views as critical as of the date of this Quarterly Report on Form 10-Q. The accompanying unaudited interim consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP") for interim financial information and pursuant to the requirements for reporting on Form 10-Q, Accounting Standards Codification ("ASC") 946, *Financial Services—Investment Companies* ("ASC 946"), and Articles 6 and 10 of Regulation S-X. Accordingly, certain disclosures accompanying the annual consolidated financial statements prepared in accordance with GAAP are omitted.

Basis of Presentation

The accompanying unaudited interim consolidated financial statements and related notes have been prepared on the accrual basis of accounting in conformity with GAAP and include the accounts of the Company and its wholly-owned subsidiaries.

As of January 1, 2026, the Company is an investment company under GAAP and follows the accounting and reporting guidance applicable to investment companies in ASC 946 and SEC Regulation S-X.

As the Company is an investment company, portfolio investments held by the Company and its subsidiaries are not consolidated into the consolidated financial statements. The portfolio investments held by the Company and its subsidiaries are included on the consolidated statement of assets and liabilities as investments at fair value.

Effective January 1, 2026, the Company elected to be regulated as a BDC under the 1940 Act and adopted investment company accounting. As a result, the Company adopted ASC 946 from its prior accounting as a REIT to investment company accounting, which requires, among other things, that investments be carried at fair value with changes in fair value recognized in the consolidated statement of operations. Due to the prospective application of a change in accounting as required under ASC 946-10-25-3, the Company has determined that the presentation of its consolidated financial statements for periods beginning after December 31, 2025 is not comparable to the consolidated financial statements previously prepared for prior periods for which the Company did not apply ASC 946. As a result, the Company has provided separate consolidated financial statements for applicable prior periods in Item 1 of this Quarterly Report on Form 10-Q.

Reclassifications and Presentation

Effective January 1, 2026, the Company prospectively adopted ASC 946. Upon its change in status, the following significant changes and elections were made:

- Loans previously held for investment at carrying value with related current expected credit loss reserves are now measured at fair value under ASC 946. The opening balance sheet adjustment for loans held for investment from carrying value to fair value was $207,488,812, see Note 5 “Fair Value” included in these consolidated financial statements. There was no impact to opening accumulated earnings related to this change;
- Inclusion of consolidated schedule of investments; and
- Change in presentation of consolidated statement of cash flows to align with investment company activities.

The unaudited interim consolidated financial statements reflect all adjustments that, in the opinion of management, are necessary for the fair presentation of the Company’s results of operations and financial condition as of and for the periods presented. All intercompany balances and transactions have been eliminated in consolidation.

The Company’s results of operations for each of the three and nine months ended September 30, 2026 are not necessarily indicative of the results that may ultimately be realized for the full fiscal year ending December 31, 2026.

Valuation of Portfolio Investments

The Adviser shall value the investments owned by the Company, subject at all times to the oversight of the Company’s Board of Directors (the “Board” or the “Board of Directors”). The Adviser shall follow its own written valuation policies and procedures as approved by the Board when determining valuations.

Investments for which market quotations are readily available are typically valued at such market quotations. Pursuant to Rule 2a-5 under the 1940 Act, the Board designates the Adviser as “valuation designee” to perform fair value determinations for the Company for investments that do not have readily available market quotations. Market quotations are obtained from an independent pricing service, where available. If a price cannot be obtained from an independent pricing service or if the independent pricing service is not deemed to be current with the market, certain investments held by the Company will be valued on the basis of prices provided by principal market makers. Generally, investments marked in this manner will be marked at the mean of the bid and ask of the independent broker quotes obtained. To validate market quotations, the Company utilizes a number of factors to determine if the quotations are representative of fair value. Debt and equity securities that are not publicly traded or whose market prices are not readily available will be valued at a price that reflects such security’s fair value.

With respect to investments for which market quotations are not readily available, in particular, illiquid/hard to value assets, the Adviser will typically undertake a multi-step valuation process. The Company applies ASC 820, Fair Value Measurement (“ASC 820”), which establishes a framework for measuring fair value in accordance with US GAAP and required disclosures of fair value measurements. The fair value of a financial instrument is the amount that would be received in an orderly transaction between market participants at the measurement date. The Company determines the fair value of investments consistent with its valuation policy. The Company discloses the fair value of its investments in a

hierarchy which prioritizes and ranks the level of market observability used in the determination of fair value. In accordance with ASC 820, these levels are summarized below:

- Level 1 — Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.
- Level 2 — Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 — Valuations based on inputs that are unobservable and significant to the fair value measurement.

A financial instrument's level within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuations of Level 2 investments are generally based on quotations received from pricing services, dealers or brokers. Consideration is given to the source and nature of the quotations and the relationship of recent market activity to the quotations provided.

Transfers between levels, if any, are recognized at the beginning of the reporting period in which the transfers occur. The Company evaluates the source of inputs used in the determination of fair value, including any markets in which the investments, or similar investments, are trading. When the fair value of an investment is determined using inputs from a pricing service (or principal market makers), the Company considers various criteria in determining whether the investment should be classified as a Level 2 or Level 3 investment. Criteria considered include the pricing methodologies of the pricing services (or principal market makers) to determine if the inputs to the valuation are observable or unobservable, as well as the number of prices obtained and an assessment of the quality of the prices obtained. The level of an investment within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment.

The fair value assigned to these investments is based upon available information and may fluctuate from period to period. In addition, it does not necessarily represent the amount that might ultimately be realized upon sale. Due to inherent uncertainty of valuation, the estimated fair value of investments may differ from the value that would have been used had a ready market for the security existed, and the difference could be material.

Use of Estimates in the Preparation of the Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates. Significant estimates include the valuation of loans held for investment at fair value.

Recent Accounting Pronouncements

In November 2024, the FASB issued ASU 2024-03—Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses ("ASU 2024-03") and in January 2025, the FASB issued ASU 2025-01—Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date ("ASU 2025-01"), which requires additional disclosure of the nature of expenses included in the income statement as well as disclosures about specific types of expenses included in the expense captions presented in the income statement. ASU 2024-03, as clarified by ASU 2025-01, is effective for fiscal years beginning after December 15, 2026 and interim periods within fiscal years beginning after December 15, 2027, with early adoption permitted. The adoption of ASU 2024-03 is not expected to have a material impact on the Company's consolidated financial statements.

In September 2026, the FASB issued ASU 2026-03, Fair Value Measurement (Topic 820): Investment Companies with Equity Securities Subject to Contractual Sale Restrictions ("ASU 2026-03"), which requires investment companies to consider the effect of contractual sale restrictions when measuring the fair value of equity securities subject to such restrictions. ASU 2026-03 is effective for fiscal years beginning after December 15, 2027, including interim periods within those fiscal years, with early adoption permitted. The Company is currently assessing the impact of this guidance; however, the Company does not expect the adoption of ASU 2026-03 to have a material impact on the Company's consolidated financial statements.

3. RELATED PARTY TRANSACTIONS

Advisory Agreement

Effective January 1, 2026, in connection with the Company's conversion to a BDC (the "Conversion"), the Company entered into an Advisory Agreement with the Adviser, pursuant to which the Adviser serves as the Company's investment adviser. As of such date, the Advisory Agreement replaced the prior management agreement between the Company and AFC Management, LLC, as amended (the "Management Agreement") (in such capacity under the Management Agreement, the "Manager"), which ceased to govern our operations as of that date, and we became managed pursuant to the Advisory Agreement and an administration agreement (the "Administration Agreement") entered into with AFC Management, LLC (in its capacity as administrator under the Administration Agreement, the "Administrator").

Pursuant to the Advisory Agreement, the Adviser manages the investment activities and day-to-day operations of the Company, subject to the oversight of the Board and in accordance with the requirements of the 1940 Act. The Advisory Agreement was approved by our Board of Directors, including a majority of the Directors who are not "interested persons" of the Company (as such term is defined in the 1940 Act) (the "Independent Directors"), and by our shareholders at a special meeting of shareholders held on November 6, 2025. The Advisory Agreement remains subject to the terms, conditions, and termination provisions set forth therein and to applicable requirements under the 1940 Act.

Adviser Compensation subsequent to January 1, 2026

The following compensation arrangements under the Advisory Agreement took effect on January 1, 2026.

The Adviser receives base management fees (the "Management Fee") that are calculated at a quarterly rate of 0.375% of the average value of the Company's average gross assets at the end of the two most recently completed calendar quarters (excluding cash or cash equivalents but including assets purchased with borrowed funds) during the most recently completed calendar quarter; less 50% of the aggregate amount of any other fees ("Outside Fees"), including any agency fees relating to our investments, but excluding the incentive fees payable to the Adviser (as defined below) and any diligence fees paid and earned by the Adviser and paid by third parties in connection with the Adviser's due diligence of potential investments; provided further, that the Management Fee will be calculated at an annual rate equal to 1.00% of the average value of our gross assets (excluding cash or cash equivalents but including assets purchased with borrowed funds) during the most recently completed calendar quarter that exceeds an amount equal to the product of (i) 200% and (ii) our net asset value at the end of the most recently completed calendar quarter.

In addition to the Management Fee, pursuant to the Advisory Agreement, the Company will pay the Adviser an incentive fee consisting of two parts (the "Incentive Fees"). The first part is determined and paid quarterly based on the Company's pre-incentive fee net investment income in respect of the current calendar quarter and the three preceding calendar quarters (or the appropriate portion thereof in the case of any of the Company's first three calendar quarters following the effective date of the Advisory Agreement (the "Trailing Four Quarters")), and the second part is determined and payable in arrears based on net capital gains as of the end of each calendar year or upon termination of the Advisory Agreement.

(i) Income-based incentive fee

Pre-incentive fee net investment income is defined as interest income, dividend income and any other income accrued during the calendar quarter, minus operating expenses for the quarter, including the Management Fee, expenses payable to the Administrator under the Administration Agreement, any interest expense and distributions paid on any issued and outstanding preferred stock, but excluding the Incentive Fees. Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as debt instruments with payment-in-kind ("PIK") interest and zero coupon securities), accrued income that the Company has not yet received in cash. The Adviser is not obligated to return to the Company the Incentive Fee it receives on PIK interest that is later determined to be uncollectible in cash. For the avoidance of doubt, Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

Pre-incentive fee net investment income will be compared to a new hurdle rate (the "New Hurdle Rate") equal to the product of (i) 1.5% per quarter (6.0% annualized) and (ii) the sum of the Company's net assets at the beginning of each applicable calendar quarter comprising the relevant Trailing Four Quarters. The New Hurdle Rate will be calculated after making appropriate adjustments to our net asset value at the beginning of each applicable calendar quarter for all issuances by us of shares of common stock, including issuances pursuant to any dividend reinvestment plan, and distributions during the applicable calendar quarter. The Company will pay the Adviser an incentive fee based on income with respect to its pre-incentive fee net investment income as follows:

- no incentive fee based on pre-incentive fee net investment income in any calendar quarter in which the Company's aggregate pre-incentive fee net investment income in respect of the relevant Trailing Four Quarters does not exceed the New Hurdle Rate in respect of the relevant Trailing Four Quarters;

- 100% of pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the New Hurdle Rate but is less than 1.8182% in any calendar quarter (7.2728% annualized). The Company refers to this portion of the pre-incentive fee net investment income (which exceeds the New Hurdle Rate but is less than 1.8182%) as the catch-up (the "New Catch-Up"). The New Catch-Up is meant to provide the Adviser with approximately 17.5% of the Company's pre-incentive fee net investment income as if a hurdle rate did not apply if this net investment income exceeds 1.8182% in any calendar quarter; and

- 17.5% of the pre-incentive fee net investment income in respect of the relevant Trailing Four Quarters that exceeds 1.8182% in respect of the relevant Trailing Four Quarters (7.2728% annualized), which reflects that once the New Hurdle Rate is reached and the New Catch-Up is achieved, 17.5% of the pre-incentive fee net investment income in respect of the relevant Trailing Four Quarters that exceeds the New Catch-Up amounts is paid to the Adviser.

These calculations are adjusted for all issuances by the Company of shares of its common stock, including issuances pursuant to any dividend reinvestment plan and distributions during the applicable calendar quarter.

There was $0.8 million and $2.5 million of Incentive Fees on net investment income, respectively, for the three and nine months ended September 30, 2026.

(ii) Capital gains incentive fee

The incentive fee on capital gains is calculated and payable in arrears in cash as of the end of each calendar year or upon the termination of the Advisory Agreement in an amount equal to 17.5% of the Company's realized capital gains, if any, on a cumulative basis from January 1, 2026 (the date on which the Company elected to be regulated as a BDC under the 1940 Act) through the end of a given calendar year or upon the termination of the Advisory Agreement, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees. For the purpose of computing the incentive fee on capital gains, the calculation methodology looks through derivative financial instruments or swaps as if the Company owned the reference assets directly. Therefore, realized gains and realized losses on the disposition of any reference assets, as well as unrealized depreciation on reference assets retained in the derivative financial instrument or swap, will be included on a cumulative basis in the calculation of the capital gains incentive fee. With respect to investments the Company held at the time of the Conversion, such investments, for purposes of calculating the capital gains incentive fee, shall have a cost basis equal to the fair market value as of the date of the Conversion.

See "*Part I, Item 1—Business—Adviser Compensation subsequent to January 1, 2026*" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2025 for more information.

For each of the three and nine months ended September 30, 2026, there were no Incentive Fees on capital gains.

Manager Compensation prior to January 1, 2026

The Manager received base management fees (the "Base Management Fee") that were calculated and payable quarterly in arrears, in an amount equal to 0.375% of the Company's Equity (as defined in the Management Agreement), subject to certain adjustments, less 50% of the aggregate amount of any Outside Fees, including any agency fees relating to our loans, but excluding the Incentive Compensation (as defined below) and any diligence fees paid to and earned by the Manager and paid by third parties in connection with the Manager's due diligence of potential loans.

In addition to the Base Management Fee, the Manager was entitled to receive incentive compensation (the "Incentive Compensation") under the Management Agreement. Under the Management Agreement, the Company paid Incentive Fees to the Manager based upon the Company's achievement of targeted levels of Core Earnings. "Core Earnings" is defined in the Management Agreement as, for a given period, the net income (loss) for such period, computed in accordance with GAAP, excluding (i) non-cash equity compensation expense, (ii) the Incentive Compensation, (iii) depreciation and amortization, (iv) any unrealized gains or losses or other non-cash items that were included in net income for the applicable reporting period, regardless of whether such items were included in other comprehensive income or loss, or in net income and (v) one-time events pursuant to changes in GAAP and certain non-cash charges, in each case after discussions between

the Manager and the Independent Directors and approved by a majority of the Independent Directors. See "*Part I, Item 1—Business—Management Compensation prior to January 1, 2026*" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2025 for more information.

There was no Incentive Compensation on Core Earnings during the three and nine months ended September 30, 2025.

Administration Agreement

Pursuant to the Administration Agreement, the Administrator performs, or oversees or arranges for the performance of, the Company's required administrative services, which include, among other things, providing us with office facilities, equipment, clerical, bookkeeping, compliance, and recordkeeping services. In addition, the Administrator conducts relations with custodians, depositories, transfer agents, dividend disbursing agents, other shareholder servicing agents, accountants, attorneys, underwriters, brokers and dealers, corporate fiduciaries, insurers, banks, and other persons in any other capacity deemed by the Administrator to be necessary and desirable. The Administrator will be responsible for the financial and other records that we are required to maintain, and under the 1940 Act, will prepare, print and disseminate reports to shareholders and reports and other materials filed with the SEC. Further, the Administrator is responsible for assisting the Company in determining and publishing the Company's net asset value, overseeing the preparation and filing of the Company's tax returns, and generally overseeing the payment of the Company's expenses and the performance of administrative and professional services rendered to the Company by others.

No separate fee is paid by the Company for the services provided by the Administrator under the Administration Agreement, so long as the Adviser (or an affiliate) continues to serve as the investment adviser to the Company. Notwithstanding the foregoing, the Company will reimburse the Administrator an amount equal to the Company's allocable portion of certain expenses incurred by the Administrator in performing its obligations under the Administration Agreement, including the Company's fair and equitable allocable share of the compensation, including annual base salary, bonus, any related withholding taxes and employee benefits, paid to personnel providing finance, tax, accounting, internal audit, legal, risk management, operations, originations, marketing, investor relations, portfolio monitoring and servicing, compliance services and other non-investment personnel of the Adviser and its affiliates as reasonably determined by the Adviser to appropriately reflect the portion of time spent devoted by such personnel to the Company's affairs, as well as the actual cost of goods and services used for the Company and obtained by the Administrator from entities not affiliated with the Company. The Company will also reimburse the Administrator for the reasonably allocated actual costs of administrative services performed by Administrator for the operation of the Company.

The Administration Agreement has an initial term expiring on December 31, 2027 unless terminated earlier in accordance with its terms. Thereafter, the Administration Agreement will renew automatically for successive annual periods, provided that such continuance is specifically approved at least annually by (a) the vote of the Board or the vote of a majority of the outstanding voting securities of the Company and (b) the vote of a majority of the Independent Directors.

The following table summarizes the related party costs incurred by the Company for the three and nine months ended September 30, 2026:

	Three months ended September 30, 2026	Nine months ended September 30, 2026
Affiliate Costs		
Management fees before rebate	$ 1,099,110	$ 3,151,137
Less: outside fees earned	(176,420)	(586,828)
Management fees	922,690	2,564,309
Incentive fee on net investment income	750,152	2,512,332
General and administrative expenses reimbursable to Adviser	790,200	2,239,264
Professional fees reimbursable to Adviser	35,254	110,204
Total	**$ 2,498,296**	**$ 7,426,109**

The amount payable to the Adviser as of September 30, 2026 was approximately $2.7 million and is recorded within management fee payable, income-based incentive fee payable and accrued direct administrative expenses in the Company's consolidated statement of assets and liabilities.

The Adviser is a wholly-owned subsidiary of Castleground Holdings LLC, a majority of the outstanding equity of which is beneficially owned by certain officers and Directors as of the date of this Quarterly Report on Form 10-Q.

The following table summarizes the related party costs incurred by the Company under the Management Agreement prior to the Conversion for the three and nine months ended September 30, 2025:

	Three months ended September 30, 2025	Nine months ended September 30, 2025
Affiliate Costs		
Management fees	$ 950,808	$ 2,836,678
Less: outside fees earned	(235,670)	(624,992)
Base management fees	715,138	2,211,686
Incentive fees earned	—	—
General and administrative expenses reimbursable to Manager	493,358	1,621,203
Professional fees reimbursable to Manager	21,853	39,985
Total	**$ 1,230,349**	**$ 3,872,874**

The amount payable to the Manager as of December 31, 2025 was approximately $1.1 million and is recorded within accrued management fees and incentive fees and accrued direct administrative expenses in the Company's consolidated balance sheet.

Investments in Loans

From time to time, the Company may co-invest with other investment vehicles managed by the Adviser or its affiliates, including the Adviser, and their portfolio companies, including by means of splitting loans, participating in loans or other means of syndicating loans. The Company is not obligated to provide, nor has it provided, any financial support to the other managed investment vehicles. As such, the Company's risk is limited to the carrying value of its investment in any such loan. Additionally, the Adviser or its affiliates, may from time to time serve as administrative and collateral agent to the lenders under the Company's loans ("AFC Agent"). As of September 30, 2026, there were three co-invested loans held by the Company and affiliates of the Company.

Co-Investment Transactions

Effective January 1, 2026, in connection with our Conversion to a BDC, we became subject to the co-investment restrictions under the 1940 Act, as amended. In an order dated March 11, 2026, the SEC granted exemptive relief that permits the Company, subject to the satisfaction of certain conditions, to co-invest in certain co-investment transactions with co-filing affiliated investment vehicles, including investments originated and directly negotiated by the Adviser with certain affiliates of the Adviser.

Unsecured Revolving Credit Facility with Affiliate

In December 2024, the Company entered into the AFCF Credit Facility with AFC Finance, LLC, an affiliate of the Company and Mr. and Mrs. Tannenbaum. The AFCF Credit Facility was terminated in April 2025. Refer to Note 7 for more information.

In January 2026, the Company entered into the TCGSL Credit Facility with TCGSL LLC, an affiliate of the Company and Mr. and Mrs. Tannenbaum. Refer to Note 7 for more information.

4. INVESTMENTS

As of September 30, 2026, the Company's investment portfolio included 18 loans, comprised of first lien senior term loans that are geographically headquartered in the United States. The aggregate commitment under these loans was approximately $383.3 million and outstanding principal was approximately $361.1 million as of September 30, 2026. For the nine months ended September 30, 2026, the Company funded $102.7 million of new loans and additional principal and capitalized PIK and received approximately $59.1 million of principal repayments.

As of September 30, 2026, on a fair value basis, 55.9% of performing debt investments bore interest at a floating rate and 44.1% of performing debt investments bore interest at a fixed rate, respectively.

The following table summarizes the Company's investments as of September 30, 2026:

	As of September 30, 2026	
	Amortized cost[1]	Fair Value[2]
First lien senior term loans	$ 351,041,722	$ 289,566,636
Total investments	**$ 351,041,722**	**$ 289,566,636**

(1) The difference between the amortized cost and the outstanding principal amount of the loans consists of unaccreted original issue discount ("OID") and loan origination costs.

(2) Refer to Note 5.

The Company uses Global Industry Classification Standards for classifying the industry groupings of its portfolio companies. The industrial composition of the Company's portfolio at fair value as of September 30, 2026 was as follows:

	As of September 30, 2026	
Investment Type	Fair Value	% of Total Investments at Fair Value
Cannabis	$ 196,648,488	67.9 %
Commercial & Professional Services	54,893,250	19.0 %
Health Care Providers & Services	3,075,172	1.1 %
Insurance	29,897,481	10.3 %
Leisure Products	5,052,245	1.7 %
Total investments	**$ 289,566,636**	**100.0 %**

As of September 30, 2026, the Company had certain investments in three portfolio companies on nonaccrual status, which represented 23.5% of total debt investments at fair value. As of September 30, 2026, investments on nonaccrual status had an aggregate amortized cost and fair value of approximately $126.5 million and $68.0 million, respectively.

5. FAIR VALUE

Loans Held for Investment

The Company's loans are typically valued using a yield analysis, which is typically performed for non-credit impaired loans to borrowers where the Company does not own a controlling equity position. Alternative valuation methodologies may be used as appropriate, and can include a market analysis, income analysis, or recovery analysis. To determine fair value using a yield analysis, a current price is imputed for the loan based upon an assessment of the expected market yield for a similarly structured loan with a similar level of risk. In the yield analysis, the Company considers the current contractual interest rate, the maturity and other terms of the loan relative to risk of the company and the specific loan. A key determinant of risk, among other things, is the leverage through the loan relative to the enterprise value of the borrower. As loans held by the Company are substantially illiquid with no active loan market, the Company depends on primary market data, including newly funded loans, as well as secondary market data with respect to high-yield debt instruments and syndicated loans, as inputs in determining the appropriate market yield, as applicable.

The following table presents fair value measurements of investments and cash and cash equivalents as of September 30, 2026:

	Fair Value Measurement as of September 30, 2026			
	Total	**Level 1**	**Level 2**	**Level 3**
First lien senior term loans	$ 289,566,636	$ —	$ —	$ 289,566,636
Cash and cash equivalents	102,117,304	102,117,304	—	—
Total portfolio investments, cash and cash equivalents	**$ 391,683,940**	**$ 102,117,304**	**$ —**	**$ 289,566,636**

The following table presents fair value measurements of investments and cash and cash equivalents pre-Conversion as of December 31, 2025:

	Fair Value Measurement as of December 31, 2025			
	Total	**Level 1**	**Level 2**	**Level 3**
First lien senior term loans	$ 26,080,763	$ —	$ —	$ 26,080,763
Cash and cash equivalents	38,605,507	38,605,507	—	—
Total portfolio investments, cash and cash equivalents	**$ 64,686,270**	**$ 38,605,507**	**$ —**	**$ 26,080,763**

The following table presents changes in investments that use Level 3 inputs as of and for the nine months ended September 30, 2026:

	Nine months ended September 30, 2026
Fair value, at December 31, 2025	**$ 26,080,763**
Conversion fair value adjustment[1]	207,488,812
Net change in unrealized appreciation on investments	12,324,711
Purchases of investments	98,211,692
Proceeds from principal repayments and sales of investments	(59,075,533)
Net accretion of discount on investments	2,480,713
PIK interest[2]	2,055,478
Fair value, at September 30, 2026	**$ 289,566,636**
Net change in unrealized appreciation on investments still held as of September 30, 2026	$ 12,324,711

(1) Refer to Note 2 for more information on the Conversion.

(2) During the nine months ended September 30, 2026, the Company had five investments with capitalized PIK interest of approximately $2.1 million. During the same period, from these investments, the Company collected $2.3 million of principal repayments in cash.

The following table presents changes in investments that use Level 3 inputs pre-Conversion as of and for the nine months ended September 30, 2025:

	Nine months ended September 30, 2025
Fair value, at December 31, 2024	**$ 30,510,804**
Change in unrealized losses on loans at fair value, net	(11,453,875)
Loan repayments	(2,133,120)
Fair value, at September 30, 2025	**$ 16,923,809**
Net change in unrealized losses on loans still held as of September 30, 2025	$ (11,453,875)

The following tables summarize the significant unobservable inputs the Company used to value the loans categorized within Level 3 as of September 30, 2026 and December 31, 2025. The tables are not intended to be all-inclusive, but instead capture the significant unobservable inputs relevant to the Company's determination of fair values.

	As of September 30, 2026				
			Unobservable Input		
Asset Category	Fair Value	Primary Valuation Techniques	Input	Estimated Range	Weighted Average[1]
First lien term loan	$ 20,501,466	Recovery analysis	Recovery rate	49.90% - 51.20%	50.55%
	206,122,981	Yield analysis	Market yield	10.41% - 27.63%	18.18%
	15,412,500	Market quotes	Broker/dealer bids or quotes	N/A	N/A
	47,529,689	Market approach	Revenue multiple	0.40x - 0.90x	0.73x
Total investments	**$ 289,566,636**				

	As of December 31, 2025				
			Unobservable Input		
Asset Category	Fair Value	Primary Valuation Techniques	Input	Estimated Range	Weighted Average[1]
First lien term loan	$ 16,259,763	Recovery analysis	Recovery rate	31.60% - 37.90%	34.75%
	4,821,000	Yield analysis	Market yield	19.50% - 21.50%	20.50%
	5,000,000	Market quotes	Broker/dealer bids or quotes	N/A	N/A
Total investments	**$ 26,080,763**				

(1) Unobservable inputs were weighted by the relative fair value of the investments.

Changes in market yields, revenue multiples, and recovery rates may change the fair value of certain of the Company's loans. Generally, an increase in market yields may result in a decrease in the fair value of certain of the Company's loans, while a decrease in revenue multiples and recovery rates may result in a decrease in the fair value of certain of the Company's loans.

Due to the inherent uncertainty of determining the fair value of loans that do not have a readily available market value, the fair value of the Company's loans may fluctuate from period to period. Additionally, the fair value of the Company's loans may differ significantly from the values that would have been used had a ready market existed for such loans and may differ materially from the values that the Company may ultimately realize. Further, such loans are generally subject to legal and other restrictions on resale or otherwise are less liquid than publicly traded securities. If the Company was required to liquidate a loan in a forced or liquidation sale, it could realize significantly less than the value at which the Company has recorded it.

In addition, changes in the market environment and other events that may occur over the life of the loans may cause the gains or losses ultimately realized on these loans to be different than the unrealized gains or losses reflected in the valuations currently assigned.

Fair Value of Financial Instruments

GAAP requires disclosure of fair value information about financial instruments, whether or not recognized at fair value in the balance sheets, for which it is practicable to estimate that value.

The following table details the carrying value and fair value of the Company's financial assets and liabilities not recognized at fair value in the unaudited interim consolidated statement of assets and liabilities as of September 30, 2026:

	As of September 30, 2026	
	Carrying Value	Fair Value
Financial assets:		
Cash and cash equivalents	$ 102,117,304	$ 102,117,304
Financial liabilities:		
Senior notes payable, net	$ 76,703,853	$ 74,324,250

The following table details the carrying value and fair value of the Company's financial assets and liabilities not recognized at fair value in the consolidated balance sheet as of December 31, 2025:

	As of December 31, 2025	
	Carrying Value	Fair Value
Financial assets:		
Cash and cash equivalents	$ 38,605,507	$ 38,605,507
Loans held for investment at carrying value, net	$ 253,625,119	$ 207,805,490
Financial liabilities:		
Senior notes payable, net	$ 76,322,493	$ 74,151,000

Cash and cash equivalents have a carrying value which approximates their fair value due to the short-term nature of these instruments. The Company categorizes the fair value measurement of these assets as Level 1. The Company's loans held for investment are measured using unobservable inputs, or Level 3 inputs. The fair value of the Company's 2027 Senior Notes is estimated using a market bid technique based on observable inputs of the last available bid price in the market at the end of the period, or Level 2 inputs.

6. INTEREST RECEIVABLE

The following table summarizes the interest receivable by the Company as of September 30, 2026:

	As of September 30, 2026
Interest receivable	$ 1,841,343
PIK receivable	25,204
Unused fees receivable	263
Total interest receivable	**$ 1,866,810**

The following table summarizes the interest receivable by the Company pre-Conversion as of December 31, 2025:

	As of December 31, 2025
Interest receivable	$ 859,123
PIK receivable	15,977
Unused fees receivable	24,282
Total interest receivable	**$ 899,382**

7. DEBT

Revolving Credit Facility

On April 29, 2022, the Company entered into the Loan and Security Agreement (the "Revolving Credit Agreement") by and among the Company, the other loan parties from time to time party thereto, the lenders party thereto, and the lead

arranger, bookrunner and administrative agent party thereto, pursuant to which, the Company obtained a $60.0 million senior secured revolving credit facility (as amended from time to time, the "Revolving Credit Facility"), which was amended as described further below. The Revolving Credit Facility's initial maturity date of April 29, 2025 was extended to April 29, 2028 under Amendment Number Four to the Revolving Credit Agreement, as described further below.

The Revolving Credit Facility contains aggregate commitments of $80.0 million from an FDIC-insured banking institution, which may be increased up to $130.0 million during any Quarterly Temporary Increase Period (defined below). As of September 30, 2026, the Company elected a Quarterly Temporary Increase Amount (defined below) of $35.0 million, resulting in aggregate commitments of $115.0 million. These commitments may be borrowed, repaid and redrawn, subject to a borrowing base based on eligible loan obligations held by the Company and satisfaction of other conditions thereunder. Interest is payable on the Revolving Credit Facility at the greater of (1) the applicable base rate plus 0.50% and (2) 7.00%, as provided in the Revolving Credit Agreement, as amended, payable in cash in arrears. In connection with the Revolving Credit Agreement and related amendments, the Company incurred certain closing costs of approximately $0.3 million, which were included in prepaid expenses and other assets on the Company's consolidated statement of assets and liabilities and amortized over the life of the Revolving Credit Facility. The Company is required to pay certain fees to the agent and the lenders under the Revolving Credit Agreement, including a $75.0 thousand agent fee payable to the agent and, in each case payable ratably to the lenders, (i) a 0.25% per annum loan fee payable on the closing date and on the annual anniversary thereafter and (ii) an additional one twelfth (1/12) of 0.50% times the applicable Quarterly Temporary Increase Amount (defined below), payable prior to the applicable Quarterly Temporary Increase Period. Commencing on the six-month anniversary of the closing date, the Revolving Credit Facility has an unused line fee of 0.25% per annum, payable semi-annually in arrears, which is included within interest expense in the Company's unaudited interim consolidated statement of operations. Based on the terms of the Revolving Credit Agreement, the unused line fee is waived if our average revolver usage exceeds the minimum amount required per the Revolving Credit Agreement. During the three and nine months ended September 30, 2026, the Company incurred an unused line fee of approximately $37.5 thousand and $90.4 thousand, respectively.

The Company's obligations under the Revolving Credit Facility are secured by substantially all of the Company's assets. In addition, the Company is subject to various financial and other covenants, including: (1) liquidity of at least $5.0 million, (2) annual debt service coverage of at least 1.5 to 1.0 and (3) secured debt not to exceed 25% of total consolidated assets of the Company and its subsidiaries. To the best of our knowledge, as of September 30, 2026, we were in compliance in all material respects with all covenants contained in our Revolving Credit Agreement.

In January 2026, the Company entered into Amendment Number Six to the Loan and Security Agreement ("Amendment Number Six"), by and among the Company, as borrower, the lenders party thereto, and the lead arranger, bookrunner and administrative agent party thereto. Amendment Number Six, among other things, includes provisions relevant in light of the Company's conversion from a REIT to a BDC.

In March 2026, the Company entered into Amendment Number Seven to the Loan and Security Agreement ("Amendment Number Seven"), by and among the Company, as borrower, the lenders party thereto and the lead arranger, bookrunner and administrative agent party thereto. Amendment Number Seven, among other things, added TCGDL LLC, a subsidiary of the Company, as a borrower under the Revolving Credit Facility and amended certain provisions related to the inclusion of TCGDL LLC as a Borrower.

In March 2026, the Company entered into Amendment Number Eight to the Loan and Security Agreement ("Amendment Number Eight"), by and among the Company, as borrower, the lenders party thereto, and the lead arranger, bookrunner and administrative agent party thereto. Amendment Number Eight, among other things, increased the commitment from the lenders by $56.0 million, from $50.0 million to $106.0 million, consisting of (i) a $30.0 million permanent increase in revolver commitments and (ii) a $26.0 million increase in revolver commitments during a specified temporary increase period beginning on March 27, 2026 and ending on April 10, 2026 (the "Amendment Number Eight Temporary Increase Period"). Upon expiration of the Amendment Number Eight Temporary Increase Period, the aggregate revolving commitments and the maximum revolver amount under the facility was automatically reduced to $80.0 million.

In June 2026, the Company entered into Amendment Number Nine to the Loan and Security Agreement ("Amendment Number Nine"), by and among the Company, as borrower, the lenders party thereto, and the lead arranger, bookrunner and administrative agent party thereto. Amendment Number Nine, among other things, conformed certain reporting information to market standard for BDCs, set certain conditions for including specific credit facilities in the borrower base, and increased the aggregate revolver commitments under the facility to $110.0 million, consisting of a $30.0 million temporary increase in revolver commitments during a specified temporary increase period beginning on June 26, 2026 and ending on July 3, 2026 (the "Amendment Number Nine Temporary Increase Period"). Upon expiration of the Amendment Number

Nine Temporary Increase Period, the aggregate revolving commitments and the maximum revolver amount under the facility was automatically reduced to $80.0 million.

In September 2026, the Company entered into Amendment Number Ten to the Loan and Security Agreement ("Amendment Number Ten"), by and among the Company, as a borrower, the other borrowers party thereto, the lenders party thereto, and the lead arranger, bookrunner and administrative agent party thereto. Amendment Number Ten, among other things, set certain conditions for the advance rate against credit facilities in the borrower base, revised the loan fee structure and increased, for a specified period of time, the aggregate revolver commitments under the facility to $130.0 million, consisting of an increase in revolver commitments of up to $50.0 million on a quarterly basis (such increase, the "Quarterly Temporary Increase Amount", and such period, the "Quarterly Temporary Increase Period"). The aggregate revolving commitments and the maximum revolver amount under the facility will automatically be reduced to (i) during any Quarterly Temporary Increase Period, $80.0 million plus the Quarterly Temporary Increase Amount not to exceed a maximum revolver amount of $130.0 million, and (ii) at any other time, including upon the expiration of any Quarterly Temporary Increase Period, $80.0 million. As of September 30, 2026, the Company elected a Quarterly Temporary Increase Amount of $35.0 million, for a total commitment of $115.0 million.

As of September 30, 2026 and December 31, 2025, outstanding borrowings under the Revolving Credit Facility were $115.0 million and $21.0 million, respectively, and $0 and $29.0 million, respectively, were available for borrowing as of September 30, 2026 and December 31, 2025. As of September 30, 2026 and December 31, 2025, the interest rate on the Company's borrowings under the Revolving Credit Facility was 7.50% and 7.25%, respectively.

AFCF Credit Facility

In December 2024, the Company entered into an unsecured revolving credit agreement (the "AFCF Credit Agreement"), by and among the Company, as borrower, the lenders party thereto from time to time, and AFC Finance, LLC, as agent and lender. AFC Finance, LLC is wholly owned by Leonard M. Tannenbaum, Chairman of the Company's Board of Directors. The AFCF Credit Agreement provides for an unsecured revolving credit facility (the "AFCF Credit Facility") with a $40.0 million commitment, which may be borrowed, repaid and redrawn, subject to a draw fee and the other conditions provided in the AFCF Credit Agreement. Interest is payable on the AFCF Credit Facility at a rate per annum equal to 8.00%. The AFCF Credit Facility matures on the earlier of (i) December 31, 2025 and (ii) the date of the closing of any unsecured debt with principal of at least $40.0 million used to refinance the AFCF Credit Agreement.

In April 2025, in conjunction with the entry by the Company into Amendment Number Four to the Revolving Credit Agreement, the Company terminated that certain AFCF Credit Agreement, by and among the Company, as borrower, the lenders party thereto from time to time, and AFC Finance, LLC, as agent and lender. There were no outstanding borrowings under the AFCF Credit Agreement at the time of its termination.

TCGSL Credit Facility

In January 2026, the Company entered into an unsecured revolving credit agreement (the "TCGSL Credit Agreement"), by and among the Company, as borrower, the lenders party thereto from time to time, and TCGSL LLC, as agent and lender ("TCGSL"). TCGSL is wholly owned by Leonard M. Tannenbaum, Chairman of the Company's Board of Directors. The TCGSL Credit Agreement provides for an unsecured revolving credit facility (the "TCGSL Credit Facility") with a $20.0 million commitment, which may be borrowed, repaid and redrawn, subject to a draw fee and the other conditions provided in the TCGSL Credit Agreement. Interest is payable on the TCGSL Credit Facility at a rate per annum equal to 8.5% and matures on August 1, 2028.

As of September 30, 2026, outstanding borrowings on the TCGSL Credit Facility were $5.0 million and $15.0 million was available for borrowing. As of December 31, 2025, the TCGSL Credit Facility was not in place and $0 was outstanding or available for borrowing thereunder.

2027 Senior Notes

On November 3, 2021, the Company issued $100.0 million in aggregate principal amount of senior unsecured notes due in May 2027 (the "2027 Senior Notes"). The 2027 Senior Notes accrue interest at a rate of 5.75% per annum. Interest on the 2027 Senior Notes is due semi-annually on May 1 and November 1 of each year, which began on May 1, 2022. The net proceeds from the offering were approximately $97.0 million, after deducting the initial purchasers' discounts and commissions and estimated offering fees and expenses payable by the Company. The Company used the proceeds from the issuance of the 2027 Senior Notes (i) to fund loans related to unfunded commitments to existing borrowers, (ii) to originate and participate in commercial loans to companies operating in the cannabis industry that are consistent with the Company's

investment strategy and (iii) for working capital and other general corporate purposes. The terms of the 2027 Senior Notes are governed by an indenture, dated November 3, 2021, among us, as issuer, and TMI Trust Company, as trustee (the "Indenture").

Under the Indenture, the Company is required to cause all of its existing and future subsidiaries to guarantee the 2027 Senior Notes, other than certain immaterial subsidiaries as set forth in the Indenture. TRS1 is currently a subsidiary guarantor under the Indenture.

Prior to February 1, 2027, the Company may redeem the 2027 Senior Notes in whole or in part, at a price equal to the greater of 100% of the principal amount of the 2027 Senior Notes being redeemed or a make-whole premium set forth in the Indenture, plus accrued and unpaid interest thereon to, but excluding, the applicable redemption date. On or after February 1, 2027, we may redeem the 2027 Senior Notes in whole or in part at a price equal to 100% of the principal amount of the 2027 Senior Notes being redeemed, plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date. The Indenture also requires us to offer to purchase all of the 2027 Senior Notes at a purchase price equal to 101% of the principal amount of the 2027 Senior Notes, plus accrued and unpaid interest if a "change of control triggering event" (as defined in the Indenture) occurs.

The Indenture contains customary terms and restrictions, subject to a number of exceptions and qualifications, including restrictions on the Company's ability to (1) incur additional indebtedness unless the Annual Debt Service Charge (as defined in the Indenture) is no less than 1.5 to 1.0, (2) incur or maintain total debt in an aggregate principal amount greater than 60% of the Company's consolidated Total Assets (as defined in the Indenture), (3) incur or maintain secured debt in an aggregate principal amount greater than 25% of the Company's consolidated Total Assets (as defined in the Indenture), and (4) merge, consolidate or sell substantially all of the Company's assets. In addition, the Indenture also provides for customary events of default. If any event of default occurs, any amount then outstanding under the Indenture may immediately become due and payable. These events of default are subject to a number of important exceptions and qualifications set forth in the Indenture.

As of each of September 30, 2026 and December 31, 2025, the Company had $77.0 million in principal amount of the 2027 Senior Notes outstanding.

The 2027 Senior Notes are due on May 1, 2027. Scheduled principal payments on the 2027 Senior Notes as of September 30, 2026 are as follows:

	2027 Senior Notes
Year	
2026 (remaining)	$ —
2027	77,000,000
2028	—
2029	—
2030	—
Thereafter	—
Total principal	**77,000,000**
Deferred financing costs included in senior notes payable	(296,147)
Senior notes payable, net	**$ 76,703,853**

The following table reflects a summary of interest expense incurred during the three and nine months ended September 30, 2026:

	Three months ended September 30, 2026			
	2027 Senior Notes	Revolving Credit Facility	TCGSL Credit Facility	Total
Interest expense	$ 1,106,875	$ 494,422	$ 3,361	$ 1,604,658
Unused fee expense	—	37,480	—	37,480
Amortization of deferred financing costs	137,267	89,242	—	226,509
Total interest expense	**$ 1,244,142**	**$ 621,144**	**$ 3,361**	**$ 1,868,647**
Weighted average interest rate	5.75 %	7.30 %	8.50 %	
Average debt outstanding	$ 77,000,000	$ 26,498,913	$ 108,696	

	Nine months ended September 30, 2026			
	2027 Senior Notes	Revolving Credit Facility	TCGSL Credit Facility	Total
Interest expense	$ 3,320,625	$ 1,465,937	$ 26,194	$ 4,812,756
Unused fee expense	—	90,396	—	90,396
Amortization of deferred financing costs	407,610	206,304	—	613,914
Total interest expense	**$ 3,728,235**	**$ 1,762,637**	**$ 26,194**	**$ 5,517,066**
Weighted average interest rate	5.75 %	7.27 %	8.50 %	
Average debt outstanding	$ 77,000,000	$ 26,600,641	$ 344,322	

The following table reflects a summary of interest expense incurred pre-Conversion during the three and nine months ended September 30, 2025:

	Three months ended September 30, 2025			
	2027 Senior Notes	Revolving Credit Facility	AFCF Credit Facility	Total
Interest expense	$ 1,293,750	$ 108,336	$ —	$ 1,402,086
Unused fee expense	—	28,555	—	28,555
Amortization of deferred financing costs	158,964	41,522	—	200,486
Total interest expense	**$ 1,452,714**	**$ 178,413**	**$ —**	**$ 1,631,127**
Weighted average interest rate	5.75 %	7.99 %	— %	
Average debt outstanding	$ 90,000,000	$ 5,306,522	$ —	

	Nine months ended September 30, 2025			
	2027 Senior Notes	Revolving Credit Facility	AFCF Credit Facility	Total
Interest expense	$ 3,881,250	$ 628,458	$ 8,889	$ 4,518,597
Unused fee expense	—	103,066	—	103,066
Amortization of deferred financing costs	471,994	210,915	—	682,909
Total interest expense	**$ 4,353,244**	**$ 942,439**	**$ 8,889**	**$ 5,304,572**
Weighted average interest rate	5.75 %	8.00 %	8.00 %	
Average debt outstanding	$ 90,000,000	$ 10,361,722	$ 146,520	

8. COMMITMENTS AND CONTINGENCIES

As of September 30, 2026, the Company had the following commitments to fund various investments:

	As of September 30, 2026
Total loan commitments	$ 383,264,138
Less: drawn commitments	(379,391,285)
Total undrawn commitments	**$ 3,872,853**

See below for more information on the Company's unfunded commitments:

	As of September 30, 2026
Unfunded Commitment Balances	
First lien delayed draw term loan:	
CM Counsel Management LLC	$ 3,872,853
Total	**$ 3,872,853**

As of December 31, 2025, the Company had the following commitments to fund various investments pre-Conversion:

		As of December 31, 2025
Total loan commitments	$	332,631,207
Less: drawn commitments		(322,339,968)
Total undrawn commitments	**$**	**10,291,239**

See below for more information on the Company's unfunded commitments pre-Conversion:

		As of December 31, 2025
Unfunded Commitment Balances		
First lien delayed draw term loan:		
Theratrue, Inc.	$	3,520,374
Gron Holdings, Inc.		5,141,110
Standard Wellness Company, LLC		1,629,755
Total	**$**	**10,291,239**

The Company from time to time may be a party to litigation or other legal proceedings relating to claims arising from the ordinary course of business. Refer to Part II. Item 1 – Legal Proceedings for information regarding certain material developments in pending litigation during the quarter ended September 30, 2026. The Company is required to establish reserves for litigation matters where those matters present loss contingencies that are both probable and estimable. When loss contingencies are not both probable and estimable, we do not establish reserves. Because each of these actions is in its early stages, no reasonable estimate of possible outcomes resulting from these legal actions can be made at this time.

Historically, the Company provided loans to companies operating in the cannabis industry which involved significant risks, including the risk of strict enforcement against the Company's borrowers on the federal illegality of cannabis, the Company's borrowers' inability to renew or otherwise maintain their licenses or other requisite authorizations for their cannabis operations, and such loans lack of liquidity, and the Company could lose all or part of any of the Company's loans.

The Company's ability to grow or maintain its business with respect to the loans it makes to companies operating in the cannabis industry depends on state laws pertaining to the cannabis industry. New laws that are adverse to the Company's borrowers may be enacted, and current favorable state or national laws or enforcement guidelines relating to cultivation, production and distribution of cannabis may be modified or eliminated in the future, which would impede the Company's ability to grow and could materially adversely affect the Company's business.

Management's plan to mitigate risks includes monitoring the legal landscape as deemed appropriate. Also, should a loan default or otherwise be seized, the Company may be prohibited from owning cannabis assets and thus could not take possession of collateral, in which case the Company would look to sell the loan, which could result in the Company realizing a loss on the transaction.

9. NET ASSETS

Series A Preferred Stock

As of each of September 30, 2026 and December 31, 2025, the Company authorized 10,000 preferred shares designated as 12.0% Series A Cumulative Non-Voting Preferred Stock, par value $0.01 per share (the "Series A Preferred Stock"). As of each of September 30, 2026 and December 31, 2025, there were zero shares of Series A Preferred Stock issued and outstanding.

The Series A Preferred Stock entitles the holders thereof to receive cumulative cash dividends at a rate per annum of 12.0% of the liquidation preference of $1,000 per share plus all accumulated and unpaid dividends thereon. The Company generally may not declare or pay, or set apart for payment, any dividend or other distribution on any shares of the Company's stock ranking junior to the Series A Preferred Stock as to dividends, including the Company's common stock,

or redeem, repurchase or otherwise make payments on any such shares, unless full, cumulative dividends on all outstanding shares of Series A Preferred Stock have been declared and paid or set apart for payment for all past dividend periods. The holders of the Series A Preferred Stock generally have no voting rights except in limited circumstances, including certain amendments to the Company's charter and the authorization or issuance of equity securities senior to or on parity with the Series A Preferred Stock. The Series A Preferred Stock is not convertible into shares of any other class or series of our stock. The Series A Preferred Stock is senior to all other classes and series of shares of the Company's stock as to dividend and redemption rights and rights upon the Company's liquidation, dissolution and winding up.

Upon written notice to each record holder of the Series A Preferred Stock as to the effective date of redemption, the Company may redeem the shares of the outstanding Series A Preferred Stock at the Company's option, in whole or in part, at any time for cash at a redemption price equal to $1,000 per share, plus all accrued and unpaid dividends thereon up to and including the date fixed for redemption. Shares of the Series A Preferred Stock that are redeemed shall no longer be deemed outstanding shares of the Company and all rights of the holders of such shares will terminate.

Common Stock

As of each of September 30, 2026 and December 31, 2025, the Company authorized 50,000,000 shares of common stock at $0.01 par value per share, pursuant to the Articles of Amendment, dated March 10, 2022 ("Common Stock"). As of September 30, 2026 and December 31, 2025, 22,403,782 and 23,528,844 shares of Common Stock were issued and outstanding, respectively.

During each of the three and nine months ended September 30, 2026 and year ended December 31, 2025, the Company did not issue any shares of its common stock, other than shares of restricted stock awards granted under the 2020 Plan.

Share Repurchase Program

On May 4, 2026, the Company's Board authorized a program for the purpose of repurchasing up to $5.0 million of the Company's common stock (the "Repurchase Program"). Under the Repurchase Program, the Company may, but is not obligated to, repurchase its outstanding common stock in the open market from time to time, provided that the Company complies with the prohibitions under its compliance policies and procedures adopted in accordance with Rule 38a-1 under the 1940 Act and a code of ethics adopted pursuant to Rule 17j-1 under the 1940 Act and the guidelines specified in Rule 10b-18 under the Securities Exchange Act of 1934, as amended, including certain price, market, volume, and timing constraints. In addition, any repurchases will be conducted in accordance with the 1940 Act. Unless amended or extended by the Company's Board, the Company expects the Repurchase Program to be in place until the earlier of such time that $5.0 million of the Company's outstanding shares of common stock have been repurchased, or May 4, 2027.

During the three months ended September 30, 2026, the Company repurchased 285,656 shares of its common stock, totaling $1.0 million, including commissions, at a weighted average price of $3.46 per share. As of and during the nine months ended September 30, 2026, the Company repurchased 1,125,062 shares of its common stock, totaling $3.8 million, including commissions, at a weighted average price of $3.34 per share. The repurchased shares were immediately canceled and thus the Company holds no treasury stock. There were no share repurchases for the three and nine months ended September 30, 2025.

For each of the three and nine months ended September 30, 2026, the shares were repurchased at a weighted-average discount of approximately 58% to the net asset value per share applicable to such shares at the dates of repurchase.

Shelf Registration Statement

On April 5, 2022, the Company filed a shelf registration statement on Form S-3 (File No. 333-264144) (the "Prior Shelf Registration Statement"), which was declared effective on April 18, 2022. Under the Prior Shelf Registration Statement, the Company was able, from time to time, to issue and sell up to $1.0 billion of the Company's common stock, preferred stock, debt securities, warrants and rights (including as part of a unit) to purchase shares of the Company's common stock or preferred stock. The Prior Shelf Registration Statement expired on April 18, 2025.

On April 17, 2025, the Company filed a shelf registration statement on Form S-3 (File No. 333-286604) (the "Shelf Registration Statement"), which was declared effective on April 25, 2025. Under the Shelf Registration Statement, the Company may, from time to time, issue and sell up to $1.0 billion of the Company's common stock, preferred stock, debt securities, warrants and rights (including as part of a unit) to purchase shares of the Company's common stock or preferred stock. Following its election to be regulated as a BDC, the Company is no longer eligible to issue securities pursuant to the Shelf Registration Statement.

Stock Incentive Plan

The Company previously established a stock incentive compensation plan (the "2020 Plan"). The 2020 Plan authorized stock options, stock appreciation rights, restricted stock, stock bonuses, stock units and other forms of awards granted or denominated in the Company's common stock or units of common stock. The 2020 Plan maintained flexibility to offer competitive incentives and to tailor benefits to specific needs and circumstances. The Company previously granted stock options and restricted stock awards to participants in the 2020 Plan. Persons eligible to receive awards under the 2020 Plan included officers or employees of the Company or any of its subsidiaries, Directors, employees of the Adviser and certain directors, consultants and other service providers to the Company or any of its subsidiaries.

Because externally managed BDCs are not permitted under the 1940 Act to issue or have outstanding restricted stock or stock options, the Company's Board, in advance of the Conversion, approved the accelerated vesting of its outstanding restricted stock and cancelled its outstanding stock options. The Company accounted for this modification as a Type I modification (probable to probable).

Prior to the Conversion, a cumulative 1,646,127 shares of common stock had been granted under the 2020 Plan, comprising 900 options and 1,645,227 shares of restricted stock. Following the Conversion, no awards remained outstanding and there was no stock-based compensation activity during the three and nine months ended September 30, 2026.

The Company did not grant any options and no options were exercised during the nine months ended September 30, 2025. The total fair value of shares vested during the nine months ended September 30, 2025, was approximately $1.1 million. During the nine months ended September 30, 2025, 271,497 shares of restricted stock were granted with a weighted-average grant date fair value of $8.37 per share, and 130,358 shares of restricted stock vested with a weighted-average grant date fair value of $8.79 per share.

Stock Compensation

The following table summarizes the stock-based compensation expense incurred by the Company for the three and nine months ended September 30, 2026 and 2025:

	Three months ended September 30,		Nine months ended September 30,	
	2026	2025	2026	2025
Stock-based compensation	$ —	$ 487,436	$ —	$ 1,525,687

Distributions

The following table summarizes the Company's distributions declared during the nine months ended September 30, 2026 and 2025:

Declaration Date	Record Date	Payment Date	Per Common Share Distribution Amount	Total Distribution Amount
3/11/2025	3/31/2025	4/15/2025	$ 0.23	$ 5,197,082
6/13/2025	6/30/2025	7/15/2025	0.15	3,389,267
9/15/2025	9/30/2025	10/15/2025	0.15	3,389,181
2025 Period Subtotal			**$ 0.53**	**$ 11,975,530**
3/2/2026	3/31/2026	4/15/2026	$ 0.05	$ 1,176,442
6/15/2026	6/30/2026	7/15/2026	0.05	1,134,883
9/15/2026	9/30/2026	10/15/2026	0.05	1,120,189
2026 Period Subtotal			**$ 0.15**	**$ 3,431,514**

10. EARNINGS PER SHARE

The following information sets forth the computations of basic and diluted net increase in net assets resulting from operations per common share for the three and nine months ended September 30, 2026:

	Three months ended September 30, 2026	Nine months ended September 30, 2026
Net increase in net assets resulting from operations	$ 6,400,248	$ 23,187,643
Basic weighted average shares of common stock outstanding	22,582,809	23,100,040
Basic and diluted net increase in net assets resulting from operations per common share	**$ 0.28**	**$ 1.00**

The following information sets forth the computations of basic and diluted earnings per common share for the three and nine months ended September 30, 2025:

	Three months ended September 30, 2025	Nine months ended September 30, 2025
Net loss	$ (12,490,506)	$ (21,587,472)
Dividends paid on unvested restricted stock	(72,116)	(297,254)
Net loss attributable to common shareholders	(12,562,622)	(21,884,726)
Divided by:		
Basic weighted average shares of common stock outstanding	22,114,761	22,109,088
Weighted average unvested restricted stock and dilutive stock options	45,415	20,028
Diluted weighted average shares of common stock outstanding	22,160,176	22,129,116
Basic earnings per common share	**$ (0.57)**	**$ (0.99)**
Diluted earnings per common share	**$ (0.57)**	**$ (0.99)**

Diluted EPS was computed using the treasury stock method for stock options and restricted stock. Diluted earnings per common share excluded 1,717,543 and 2,104,898 weighted average shares of unvested restricted stock and stock options, respectively, due to anti-dilutive effect for the three and nine months ended September 30, 2025.

11. INCOME TAX

A TRS is an entity taxed as a corporation that has not elected to be taxed as a REIT, in which a REIT directly or indirectly holds equity, and that has made a joint election with such REIT to be treated as a TRS. A TRS generally may engage in any business, including investing in assets and engaging in activities that could not be held or conducted directly by the Company without jeopardizing its qualification as a REIT. TRS1 was subject to applicable United States federal, state and local income tax on its taxable income. In addition, while the Company was a REIT, it was subject to a 100% excise tax on certain transactions between it and TRS1 that were not conducted on an arm's-length basis. The income tax provision is included in the line item income tax expense.

Effective January 1, 2026, in connection with the Conversion to a BDC, the Company became subject to the 1940 Act and ceased to rely on the exclusion from the definition of an "investment company" in Section 3(c)(5) of the 1940 Act. Beginning with taxable year ending December 31, 2026, the Company intends to elect to be treated as a RIC under Subchapter M of the Code. To maintain qualification as a RIC, the Company generally must distribute 90% of investment company taxable income each taxable year and meet certain source-of-income, asset diversification, and other requirements.

The current income tax expense (benefit) for the Company was approximately $0.2 million and $0.5 million, respectively, for the three and nine months ended September 30, 2026 and $(2.0) thousand and $92.7 thousand, respectively, for the three and nine months ended September 30, 2025. The income tax benefit/expense for each of the three and nine months ended September 30, 2026 and 2025 primarily related to activities of the Company's TRS1 subsidiary.

The income tax provision for the Company and TRS1 consisted of the following for the three and nine months ended September 30, 2026:

	Three months ended September 30, 2026	Nine months ended September 30, 2026
Net investment income taxes:		
Current:		
Federal	$ 116,964	$ 385,000
State	77,651	129,679
Excise tax	—	—
Total current income tax expense (benefit)	194,615	514,679
Investment valuation related taxes:		
Total deferred income tax expense (benefit)	218,034	980,918
Total income tax expense (benefit), including excise tax	**$ 412,649**	**$ 1,495,597**

The income tax provision for the Company and TRS1 pre-Conversion consisted of the following for the three and nine months ended September 30, 2025:

	Three months ended September 30, 2025	Nine months ended September 30, 2025
Current:		
Federal	$ 26,177	$ 98,875
State	(28,171)	(6,140)
Total current income tax expense (benefit)	(1,994)	92,735
Total deferred income tax expense (benefit)	(872,668)	(881,370)
Excise tax	—	(111,665)
Total income tax expense (benefit), including excise tax	**$ (874,662)**	**$ (900,300)**

As of September 30, 2026, tax years 2022-2025 remain subject to examination by taxing authorities.

The federal statutory rate was 21% for each of the three and nine months ended September 30, 2026 and 2025. The primary difference between the Company's statutory rate and effective tax rate is largely determined by the amount of income subject to tax by TRS1. TRS1 is a corporate subsidiary that was formerly treated as a taxable REIT subsidiary prior to the Conversion. Following the Conversion, TRS1 is a taxable corporation. The Company expects that its future effective tax rate will be determined in a similar manner.

Excise Tax

For each of the three and nine months ended September 30, 2026, the Company did not incur United States federal excise tax expense. As a RIC, the Company is subject to ordinary income and capital gain distribution requirements under U.S. federal excise tax rules for each calendar year. If the Company does not meet the required distributions, the Company will be subject to a 4% nondeductible federal excise tax on the undistributed amount. If it is determined that an excise tax liability exists for the current period, the Company will accrue excise tax on estimated excess taxable income as such taxable income is earned. The expense is calculated in accordance with applicable tax regulations.

Pre-Conversion Excise Tax

For each of the three and nine months ended September 30, 2025, the Company did not incur United States federal excise tax expense. During the nine months ended September 30, 2025, the Company received a partial refund of previously paid excise tax relating to the 2023 tax year, which was received in the second quarter of 2025. As previously taxed as a REIT, excise tax represents a 4% tax on the sum of a portion of the Company's ordinary income and net capital gains not distributed during the period. If it is determined that an excise tax liability exists for the current period, the Company

accrued excise tax on estimated excess taxable income as such taxable income is earned. The expense is calculated in accordance with applicable tax regulations.

Deferred Tax

As of September 30, 2026 and December 31, 2025, the Company's deferred tax assets were $0.4 million and $1.4 million, respectively, and are included in prepaid expenses and other assets in the Company's consolidated statement of assets and liabilities. The Company believes it is more likely than not that the deferred tax assets will be realized in the future. Realization of the deferred tax assets is dependent upon the Company's generation of sufficient taxable income in future years in appropriate tax jurisdictions to benefit from the reversal of temporary differences. The amount of deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income change.

The Company recorded deferred tax assets related to temporary differences related to the change in unrealized appreciation and depreciation on investments held in TRS1. There were no valuation allowances for deferred tax assets during each of the three and nine months ended September 30, 2026 and 2025.

12. REPORTABLE SEGMENTS

ASC 280, Segment Reporting, establishes standards for reporting financial and descriptive information about an enterprise's reportable segments. The Company generates revenue from senior secured loans and other types of loans and debt securities to public and privately held lower-middle-market companies across a broad range of industries, including state law-compliant cannabis operators and ancillary cannabis companies. Businesses ancillary to the cannabis industry may include, but are not limited to, brand developers, business services providers, and equipment and consumables providers. These investments typically have maturities ranging from two to five years and may accrue interest at either fixed or floating rates. The accounting policies of the direct lending segment are the same as those described in the summary of significant accounting policies.

The presentation of financial results as one reportable segment is consistent with the way the Company operates its business and is consistent with the manner in which the Company's Chief Operating Decision Maker (the "CODM"), the Company's Chief Executive Officer, evaluates performance and makes resource and operating decisions for the business. The Company has no operations outside of the United States. The Company's portfolio exhibits similar economic characteristics, similar yields and is operated using consistent business strategies. The Company operates as one operating segment and has one reportable operating segment for activities related to direct lending.

The CODM assesses performance and evaluates the allocation of resources of the Company on a consolidated basis, based on the Company's net increase in net assets resulting from operations, which is reported on the Company's consolidated statement of operations. The CODM is regularly provided with only the consolidated expenses, as noted on the consolidated statement of operations. Significant segment expenses are listed on the accompanying consolidated statement of operations. The measure of segment assets is reported on the consolidated statement of assets and liabilities as total assets.

The CODM uses net investment income to evaluate income generated from segment assets and in deciding the amount of distributions, as well as using net investment income as a basis for evaluating lender terms for loans with public and privately held lower-middle-market companies, including state law-compliant cannabis operators and ancillary cannabis companies.

During the three and nine months ended September 30, 2026, investment income earned on the Company's portfolio was concentrated with five and five borrowers, respectively, each comprising more than 10% of total investment income for an aggregate amount of $6.2 million, or 73%, and $18.4 million, or 68%, of total investment income, respectively.

During the three and nine months ended September 30, 2025, interest income earned on the Company's portfolio was concentrated with five and five borrowers, respectively, each comprising more than 10% of consolidated interest income for an aggregate amount of $6.1 million, or 75%, and $17.8 million, or 72%, of consolidated interest income, respectively.

13. FINANCIAL HIGHLIGHTS

The following is a schedule of financial highlights for the nine months ended September 30, 2026[1]:

	Nine months ended September 30, 2026
Per Share Data[2]:	
Net asset value at beginning of period	$ 7.46
Net investment income	0.51
Net unrealized gain on investments, net of taxes	0.49
Net increase in net assets resulting from operations	1.00
Distributions declared	(0.15)
Repurchase of common stock[3]	0.24
Total increase in net assets	1.09
Net asset value at end of period	**$ 8.55**
Per share market price, beginning of period	$ 2.85
Per share market price, end of period	$ 3.60
Total return based on market value[4]	31.58 %
Total return based on net asset value[5]	16.62 %
Shares outstanding at end of period	22,403,782
Ratios/Supplemental Data:	
Ratio of total expenses to average net assets[6][7]	11.49 %
Ratio of net expenses to average net assets[6][7]	11.06 %
Ratio of debt related expenses to average net assets[6]	4.01 %
Ratio of net investment income to average net assets[6]	7.29 %
Portfolio turnover rate[8]	22.59 %

(1) Prior period financial highlights have not been presented as the Company was not regulated as a BDC under the 1940 Act prior to January 1, 2026.

(2) Per share data amounts are based on the basic weighted average number of common shares outstanding for the period presented (except for distributions to shareholders, which are based on the actual rate per share).

(3) Repurchases of common stock may have caused an incremental decrease or increase in net asset value per share due to the repurchase of shares at a price in excess of or below net asset value per share, respectively, on each repurchase date.

(4) Total return equals the increase or decrease of ending market value over beginning market value, plus declared dividends per share assuming reinvestment of dividends, divided by the beginning market value. Total return does not include sales load. Total return is not annualized.

(5) Total return based on net asset value is calculated as the change in net asset value per share during the period, plus declared and payable distributions per share for the period, divided by beginning net asset value per share. Total return is not annualized.

(6) Amounts are annualized. Non-recurring other income of $1,809,788 is excluded from the ratio of net investment income to average net assets.

(7) The ratio of total expenses to average net assets is presented before the effect of the management fee rebate; the ratio of net expenses to average net assets is presented after the rebate, which was $(586,828) for the nine months ended September 30, 2026. Both ratios include income tax expense.

(8) The portfolio turnover rate is calculated based on the lesser of purchases or sales of investments year to date divided by the average fair value of the portfolio. The portfolio turnover rate is not annualized.

14. CURRENT EXPECTED CREDIT LOSSES

As of September 30, 2026, the Company did not have a current expected credit loss reserve (“CECL Reserve”), as all investments are held at fair value.

As of December 31, 2025, the Company’s CECL Reserve for its loans held at carrying value was approximately $46.1 million, or 18.19% of the Company’s total loans held at carrying value of approximately $253.6 million, and is bifurcated between the current expected credit loss reserve (contra-asset) related to outstanding balances on loans held at carrying

value and loan receivable held at carrying value of approximately $46.1 million and a liability for unfunded commitments of approximately $0.1 million, respectively. The liability was based on the unfunded portion of the loan commitment over the full contractual period over which the Company is exposed to credit risk through a current obligation to extend credit. Management considered the likelihood that funding will occur and, if funded, the expected credit loss on the funded portion when determining the amount to allocate to its CECL Reserve.

15. LOANS HELD FOR INVESTMENT AT CARRYING VALUE

As of September 30, 2026, the Company did not hold any loans at carrying value.

As of December 31, 2025, the Company's portfolio included 12 loans held at carrying value. As of December 31, 2025, the aggregate commitment under these loans was $283.5 million and outstanding principal was $259.6 million. As of December 31, 2025, approximately 46% of the Company's loans held at carrying value had floating interest rates.

The following tables summarize the Company's loans held at carrying value as of December 31, 2025:

	As of December 31, 2025			
	Outstanding Principal[1]	Original Issue Discount	Carrying Value[1]	Weighted Average Remaining Life (Years)[2]
Senior term loans	$ 259,626,556	$ (6,001,437)	$ 253,625,119	1.4
Total loans held at carrying value	**$ 259,626,556**	**$ (6,001,437)**	**$ 253,625,119**	**1.4**

(1) The difference between the carrying value and the outstanding principal amount of the loans consists of unaccreted OID and loan origination costs.

(2) Weighted average remaining life is calculated based on the carrying value of the loans as of December 31, 2025.

16. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date the consolidated financial statements were available to be issued. There were no material subsequent events, other than those described below, that required disclosure in these unaudited interim consolidated financial statements.

In October 2026, the Company sold its investment with Trulieve Cannabis Corp. at 104.25% of par and recognized a realized gain of approximately $0.2 million.

On October 1, 2026, the Company repaid $96.5 million and $5.0 million, respectively, on the Company's outstanding debt obligations under the Revolving Credit Facility and TCGSL Credit Facility.

In October 2026, the Company received approximately $1.7 million in total loan payments from the sale of Devi Holdings Inc.'s ("Devi") assets in Massachusetts and New Mexico, through its court-appointed receiver, which represents a portion of the Company's expected sale proceeds and was applied as a reduction to the amortized cost of the loan with Devi (the "Devi Credit Facility"). As of the date of this report, the Company's outstanding principal balance under the Devi Credit Facility was approximately $38.8 million. The transaction remains subject to definitive documentation and court approval. No assurance can be provided that it will be consummated by the terms described herein, or at all. AFC Agent continues to monitor the court-appointed receivership installed to maintain the borrower's operations and maximize value for the benefit of its creditors.

In October 2026, the Company settled the repurchase of $19.0 million in aggregate principal amount of its 2027 Senior Notes in an open-market transaction through Seaport Securities, acting as broker. The repurchase price was 96.5% of par value, plus accrued interest, resulting in a gain on extinguishment of debt of approximately $0.6 million. The repurchased notes were subsequently cancelled in accordance with Section 3.06 of the Indenture. Following the repurchase, $58.0 million in aggregate principal amount of the 2027 Senior Notes remained outstanding.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the accompanying notes and other information included in this Quarterly Report on Form 10-Q (the "Form 10-Q"). This discussion and analysis contains forward-looking statements that involve risks and uncertainties which could cause our actual results to differ materially from those anticipated in these forward-looking statements, including, but not limited to, risks and uncertainties discussed under the heading "Cautionary Note Regarding Forward-Looking Statements," in this Form 10-Q, and "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2025.

Unless the context otherwise requires, the terms "AFC," "we," "us" or "our" refer to Advanced Flower Capital Inc.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Quarterly Report"), filed by Advanced Flower Capital Inc. (the "Company," "AFC", "we," "us," and "our"), and the information incorporated by reference herein, or made in other reports, filings with the SEC, and press releases contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and we intend such statements to be covered by the safe harbor provisions contained therein. These forward-looking statements are based on our current intent, belief, expectations and views of future events. The forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results or performance, and may contain the words "believe," "anticipate," "expect," "estimate," "project," "could," "would," "will," "can," "continuing," "may," "aim," "intend," "ongoing," "plan," "predict," "potential," "should," "seeks," "likely to" or words or phrases of similar meaning. Specifically, this Quarterly Report includes forward-looking statements regarding (i) the conversion to a business development company ("BDC") (the "Conversion") and the other related transactions, as well as the future financial and operating results, plans, objectives, expectations and intentions of the Company, (ii) our portfolio and strategies for the growth of our lending business; (iii) our working capital, liquidity and capital requirements; (iv) potential state and federal legislative and regulatory matters; (v) our expectations and estimates regarding certain tax, legal and accounting matters, including the impact on our financial statements and/or those of our borrowers; (vi) the amount, collectability and timing of cash flows, if any, from our loans; (vii) our expected ranges of originations and repayments; (viii) estimates relating to our ability to make distributions to our shareholders in the future; and (ix) our investment strategy.

These forward-looking statements reflect management's current views about future events, and are subject to risks, uncertainties and assumptions. Our actual results may differ materially from the future results and events expressed or implied by the forward-looking statements. Key factors that could prevent us from achieving our goals, and cause the assumptions underlying forward-looking statements and the actual results to differ materially from those expressed in or implied by those forward-looking statements include, but are not limited to, the following:

- our expanded business and investment strategy;
- our ability to maintain our status as a BDC;
- our ability to maintain our status under Subchapter M of the Internal Revenue Code of 1986, as amended, as a regulated investment company ("RIC") and our qualification for tax treatment as a RIC;
- the ability of our Adviser (as defined below) to locate suitable loan opportunities for us and to monitor and actively manage our portfolio and implement our expanded investment strategy;
- our expectations for origination targets and repayments;
- our ability to obtain our target mix of loan and collateral types with our expected ranges of yields;
- the allocation of loan opportunities to us by our Adviser;
- actual and potential conflicts of interest with our Adviser and its affiliates;
- our projected operating results;
- the state of the U.S. economy generally or in the specific geographic regions in which we operate, including as a result of the impact of natural disasters;
- the impact of a protracted decline in the liquidity of credit markets on our business;
- the amount, collectability and timing of our cash flows, if any, from our loans;

- our ability to obtain and maintain competitive financing arrangements;
- our ability to achieve expected leverage;
- changes in the value of our loans;
- our being subject to regulations and SEC oversight as a BDC, including limits on affiliated transactions, co-investments, asset diversification requirements, and limits on issuance of debt. If we fail to comply with applicable requirements, it may adversely impact our results relative to companies that are not subject to such regulations;
- losses that may arise due to the concentration of our portfolio in a limited number of loans and borrowers;
- our investment and underwriting process;
- the rates of default or recovery rates on our loans;
- the estimated growth in and evolving market dynamics of private credit, including in the cannabis market;
- changes in general economic conditions, in our industry and in the commercial finance and real estate markets;
- the demand for cannabis cultivation and processing facilities;
- shifts in public opinion and state regulation regarding cannabis;
- actions and initiatives of the U.S. or state governments and changes to government policies and the execution and impact of these actions, initiatives and policies, including the fact that cannabis remains illegal under federal law and certain state laws;
- the degree to which our hedging strategies may or may not protect us from interest rate volatility;
- the availability of investment opportunities for us within our investment guidelines;
- changes in interest rates and impacts of such changes on our results of operations, cash flows and the market value of our loans;
- interest rate mismatches between our loans and our borrowings used to fund such loans;
- the departure of any of the executive officers or key personnel supporting and assisting us from our Adviser, Administrator (as defined below) and/or their affiliates;
- impact of and changes in governmental regulations, tax law and rates, accounting guidance, tariffs and similar matters;
- estimates relating to our ability to make distributions to our shareholders in the future;
- our understanding of our competition; and
- market trends in our industry, interest rates, real estate values, the securities markets or the general economy.

The above list of factors is not exhaustive or necessarily in order of importance. Although we believe that the assumptions on which these forward-looking statements are based are reasonable, some of those assumptions may be based on the work of third parties and any of those assumptions could prove to be inaccurate; as a result, forward-looking statements based on those assumptions also could prove to be inaccurate. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this Quarterly Report should not be regarded as a representation by us that our plans and objectives will be achieved. You should not place undue reliance on these forward-looking statements.

Please see the section entitled "*Risk Factors*" located in our Annual Report on Form 10-K for the fiscal year ended December 31, 2025, filed with the SEC on March 4, 2026, for further discussion of these and other risks and uncertainties which could affect our future results. These forward-looking statements apply only as of the date of this Quarterly Report and we undertake no obligation to update or revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events, except to the extent we are legally required to disclose certain matters in SEC filings or otherwise.

Overview

Effective January 1, 2026, we are an externally managed, non-diversified management investment company that has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). Advanced Flower Capital Inc. is an institutional lender that was founded in July 2020 by a

veteran team of investment professionals. We are a Maryland corporation and externally managed by AFC Management, LLC (in its capacity as investment adviser, the "Adviser") pursuant to an investment advisory agreement (the "Advisory Agreement"), and we entered into an administration agreement (the "Administration Agreement") with AFC Management, LLC (in its capacity as administrator, the "Administrator"). We commenced operations on July 31, 2020 and completed our initial public offering in March 2021.

The Advisory Agreement reflects an expanded investment mandate approved by our Board, including the ability to invest in a broader range of debt and other investments than was permitted under our prior REIT structure. While we continue to pursue lending opportunities within the cannabis industry, such investments are no longer our primary focus and are evaluated alongside opportunities in other industries, including private and publicly held middle-market companies and businesses ancillary to the cannabis industry, subject to the requirements of the 1940 Act as applicable to BDCs.

We primarily originate, structure, underwrite, invest in and manage senior secured loans and other types of loans and debt securities to companies ancillary to the cannabis industry as well as companies outside of the cannabis industry. Businesses ancillary to the cannabis industry may include, but are not limited to, brand developers, business services providers, and equipment and consumables providers.

Our objective is to provide attractive risk-adjusted returns over time through cash distributions and capital appreciation, primarily by sourcing, underwriting, structuring and funding loans to lower middle market companies across a broad range of industries.

AFCG TRS1, LLC ("TRS1"), a wholly-owned subsidiary, began operating in July 2021 and was formerly treated as a taxable REIT subsidiary (a "TRS") prior to the Conversion. TCGDL LLC ("TCGDL"), a wholly-owned subsidiary, began operating in January 2026. The financial statements of TRS1 and TCGDL are consolidated within our consolidated financial statements.

In January 2026, the Company completed a strategic transition from operating as a REIT to operating as a BDC. As a result of this election, the Company is now subject to the regulatory framework applicable to BDCs, including requirements relating to portfolio composition, asset coverage, affiliate transactions, governance, and compliance. The Company was not regulated as a BDC during the year ended December 31, 2025.

Beginning with our taxable year ending December 31, 2026, we intend to elect to be treated as a regulated investment company ("RIC") for U.S. federal income tax purposes. Prior to the Conversion, we elected to be taxed as a REIT under Section 856 of the Internal Revenue Code of 1986, as amended, commencing with our taxable year ended December 31, 2020 and ending with our taxable year ended December 31, 2025. During that period, we also operated our business in a manner that permitted us to rely on an exemption from registration under the 1940 Act.

Key Components of Results of Operations

Investments

Our primary investment focus is senior secured lending to lower middle market companies across industries.

Our level of investment activity (both the number of investments and the size of each investment) can and will vary substantially from period to period depending on many factors, including the amount of debt and equity capital available to lower middle market companies, the level of merger and acquisition activity for such companies, the general economic environment, trading prices of loans and other securities and the competitive environment for the types of investments we make.

As a BDC, we may not invest in any assets other than "qualifying assets" specified in the 1940 Act, unless, at the time the investments are made, at least 70% of our total assets are qualifying assets (with certain limited exceptions). Qualifying assets include investments in "eligible portfolio companies." Pursuant to rules adopted by the SEC, "eligible portfolio companies" include certain companies that do not have any securities listed on a national securities exchange and public companies whose securities are listed on a national securities exchange but whose market capitalization is less than $250 million.

Revenues

We expect to generate revenues in the form of interest income from the debt securities we hold and dividends. We expect to receive payments on our debt investments based on scheduled amortization of the outstanding balances. In addition, we

may receive repayments of some of our debt investments prior to their scheduled maturity date. The frequency or volume of these repayments fluctuates significantly from period to period. Our portfolio activity also reflects the proceeds of sales of securities. In some cases, our investments may provide for deferred interest payments or PIK interest. The principal amount of loans and any accrued but unpaid interest generally become due at the maturity date.

In addition, we expect to generate revenue from various fees in the ordinary course of business such as in the form of commitment, loan origination, structuring, consent, waiver, amendment, syndication and other miscellaneous fees as well as fees for providing managerial assistance to our portfolio companies.

Expenses

Except as provided for in the Advisory Agreement, investment professionals and staff of the Adviser, when and to the extent engaged in providing investment advisory services to us, and the base compensation, bonus and benefits, and the routine overhead expenses, of such personnel allocable to such services, will be provided and paid for by the Adviser. We bear all other costs and expenses of our operations, administration and transactions, including, but not limited to investment advisory fees to the Adviser pursuant to the Advisory Agreement, consisting of (i) a management fee and (ii) an incentive fee comprised of (A) an income-based incentive fee and (B) a capital gains incentive fee, and our allocable portion of compensation, overhead (including rent, office equipment and utilities) and other expenses incurred by the Administrator in performing its administrative obligations under the Administration Agreement.

From time to time, the Adviser, the Administrator or their affiliates may pay third-party providers of goods or services on our behalf. We will reimburse the Adviser, the Administrator or such affiliates thereof for any such amounts. From time to time, the Adviser or the Administrator may defer or waive fees and/or rights to be reimbursed.

Costs and expenses of the Administrator and the Adviser that are eligible for reimbursement by us will be reasonably allocated on the basis of time spent, assets under management, usage rates, proportionate holdings, a combination thereof or other reasonable methods determined by the Administrator.

Updates to Our Loan Portfolio During the Nine Months Ended September 30, 2026

In January 2026, we were fully repaid on our loan with Bloom Hold Co. at par plus accrued interest. The outstanding principal balance of the senior secured term loan on the date of repayment was approximately $25.1 million. We received exit fees of approximately $1.5 million upon repayment of the loan.

In January 2026, we were fully repaid on our loan with Gron Holdings, Inc. at par plus accrued interest. The outstanding principal balance of the senior secured term loan on the date of repayment was approximately $5.4 million. We received a prepayment premium of approximately $0.2 million upon repayment of the loan.

In January 2026, we entered into a $60.0 million senior secured credit facility with STAT Buyer, LLC which was fully funded at closing. The loan was originated at a discount of 2.0% and matures February 1, 2031. The loan bears interest at a rate of SOFR plus 8.5%, with a rate index floor of 2.75%.

In February 2026, we committed $29.7 million of a $60.0 million senior secured credit facility with BCIS AH Borrower LLC, of which $20.1 million was funded at closing. The loan was originated at a discount of 2.5% and matures February 1, 2030. The loan bears cash interest at a rate of 7.5% and 9.0% interest paid-in kind, with the option for the borrower to elect to pay cash interest at a rate of 5.5% and 13.0% interest paid-in kind until the end of the fiscal quarter following the first anniversary of the initial closing date. In April 2026, we funded the remaining unfunded commitment on our investment with BCIS AH Borrower LLC. We funded approximately $9.6 million of additional principal.

In March 2026, we received approximately $6.2 million in total loan payments from a borrower, Devi Holdings Inc.'s ("Devi") receipt of certain tax credits, which was applied as a reduction to the amortized cost of the loan with Devi (the "Devi Credit Facility"). Following the payment and as of September 30, 2026, our outstanding principal balance under the Devi Credit Facility was approximately $40.6 million. In July 2026, Devi entered into a binding term sheet, through its court-appointed receiver, to sell its Massachusetts and New Mexico assets to J Brrothers LLC for $12.5 million, of which we expect to be allocated our pro rata portion of the sale proceeds. Devi earned a non-refundable deposit of $2.0 million in connection with entering into the binding term sheet. The transaction remains subject to definitive documentation and court approval. No assurance can be provided that it will be consummated by the terms described herein, or at all. AFC Agent continues to monitor the court-appointed receivership installed to maintain the borrower's operations and maximize value for the benefit of its creditors. See "*—Recent Developments*" below.

In April 2026, we entered into a forbearance agreement with High End Holdings LLC ("High End"), under which the Company agreed to forbear from exercising its rights and remedies with respect to the specified defaults for a defined forbearance period, subject to High End's compliance with certain payment and other obligations. In May 2026, after failing to meet certain milestones under the forbearance agreement, we entered into a forbearance and modification agreement, which extended the forbearance period through June 8, 2026, subject to High End's compliance with certain payment, capital raise, and other obligations, and amended certain provisions of the credit facilities, including, but not limited to, adjusted monthly amortization payments and amended the maturity date to December 15, 2027. In June 2026, High End met the capital raise obligations, as required in the forbearance and modification agreement, which resulted in a principal repayment and reduction in commitment of $2.0 million under the credit facilities. High End is current on all interest and amortization obligations under the credit facilities.

In April 2026, we committed $2.5 million to each of the notes with Kristoff Buyer, LLC ("Kristoff Buyer") and Kristoff Parent, LLC ("Kristoff Parent"), respectively. We committed $2.5 million to a $50.0 million term loan as part of a $80.0 million senior secured credit facility with Kristoff Buyer, with the commitment fully funded at closing. The loan was originated at a discount of 2.0% and matures April 2031. The loan bears cash interest at a rate of SOFR plus an applicable margin, which adjusts quarterly between 5.25% and 5.75%, with a rate index floor of 2.50%. Concurrently, we committed $2.5 million of a $25.0 million senior secured credit facility with Kristoff Parent, which was fully funded at closing. The loan was originated at a discount of 2.25% and matures October 2031. The loan bears cash interest at a rate of 10.0% and 3.0% interest paid-in kind, with the option for the borrower to elect to pay interest at a rate of 15.0% paid-in kind.

In May 2026, our credit facility to Justice Cannabis Company and certain affiliates matured without repayment. We are pursuing all rights and remedies against the borrowers under the credit facility.

In June 2026, we provided Story of Ohio LLC ("Story of Ohio") a waiver of certain financial covenants simultaneously with an amendment of the credit facility. The amendment included, among other items, an increase in monthly amortization payments, an amended maturity date of November 1, 2027, the addition of borrowers and assets to the collateral pool, and cross collateralization of the facility with Story of Maryland LLC ("Story of Maryland"). All other material terms of the credit agreement remained substantially unchanged.

In June 2026, we provided Story of Maryland a waiver of certain financial covenants and unauthorized restricted payments simultaneously with an amendment of the credit facility. The amendment included, among other items, an increase in monthly amortization payments, a reduction of permitted restricted payments, the addition of a parent guaranty, and cross collateralization of the facility with Story of Ohio. All other material terms of the credit agreement remained substantially unchanged.

In July 2026, we committed $7.0 million of a $25.0 million senior secured credit facility with CM Counsel Management LLC, of which $3.1 million was funded at closing. The loan was originated at a discount of 3.0% and matures July 10, 2030. The loan bears cash interest at a rate of three-month SOFR plus 4.5%, with a rate index floor of 4.0%, and 5.0% interest paid-in kind.

In July 2026, we entered into an amendment with Story of Natures Medicine LLC ("Story of Natures Medicine") to extend the maturity date from July 31, 2026 to December 31, 2026 in exchange for an amendment fee of 1.5% of the outstanding principal balance and the addition of an exit fee of 1.5% of the outstanding principal balance. Story of Natures Medicine is current on all interest and amortization obligations under the credit facility.

In August 2026, we entered into a forbearance agreement under the existing credit facility with Theratrue, Inc. and its affiliates ("Theratrue"), as borrowers, whereby we agreed to waive certain financial covenants and forbear from exercising certain rights, subject to certain conditions. In exchange, the parties amended certain terms regarding Theratrue's repayment obligations thereunder and Theratrue paid an amendment fee and will pay an exit fee, totaling approximately $0.4 million in the aggregate. Approximately $8.6 million remains outstanding under the credit facility.

Portfolio and Investment Activity

Our investment activity is presented below (information presented herein is at amortized cost unless otherwise indicated):

	Nine months ended September 30,	
	2026	**2025**
Total investments, beginning of period	$ 307,369,372	$ 345,399,030
New investments purchased, net of discount	98,211,692	39,430,409
Proceeds from principal repayments and sales of investments	(59,075,533)	(63,277,253)
Net accretion of discount on investments	2,480,713	2,640,604
PIK interest	2,055,478	418,023
Loan write-off	—	(1,777,246)
Total investments, end of period	**$ 351,041,722**	**$ 322,833,567**

The following table presents certain selected information regarding our investment portfolio as of September 30, 2026:

	As of September 30, 2026
Number of investments	18
Weighted average yield on debt and income producing investments, at amortized cost[1]	13.3 %
Weighted average yield on debt and income producing investments, at fair value[1]	13.3 %
Percentage of debt investments bearing a floating rate, at fair value[2]	59.2 %
Percentage of debt investments bearing a fixed rate, at fair value[2]	40.8 %
Percentage of debt investments on nonaccrual, at amortized cost[3]	36.0 %

(1) Yield excludes investments on nonaccrual status. Computed as (a) the annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount or premium earned on the relevant accruing investments, divided by (b) the total accruing investments at amortized cost or at fair value, as applicable. Actual yields earned over the life of each investment could differ materially from the yields presented above.

(2) Includes investments on nonaccrual status. Excluding investments on nonaccrual status, 55.9% of performing debt investments bore interest at a floating rate and 44.1% bore interest at a fixed rate as of September 30, 2026. See "Item 3 — Quantitative and Qualitative Disclosures About Market Risk.

(3) As a percentage of total amortized cost of investments. Investments on nonaccrual represented 23.5% of total fair value of investments as of September 30, 2026.

Our investments consisted of the following:

	As of September 30, 2026		
	Amortized cost[1]	**Fair Value[2]**	**% of Total Investments at Fair Value**
First lien senior term loans	$ 351,041,722	$ 289,566,636	100.0 %
Total investments	**$ 351,041,722**	**$ 289,566,636**	**100.0 %**

(1) The difference between the amortized cost and the outstanding principal amount of the loans consists of unaccreted original issue discount ("OID") and loan origination costs.

(2) Refer to Note 5.

Portfolio Asset Quality

As part of the monitoring process, our Adviser, in its capacity as "valuation designee" under, and in accordance with, Rule 2a-5 under the 1940 Act, also employs an investment rating system to categorize our investments. In addition to various risk management and monitoring tools, our Adviser grades the credit risk of all investments on a scale of 1 to 5 no less frequently than quarterly. This system is intended primarily to reflect the underlying risk of a portfolio investment relative to our initial cost basis in respect of such portfolio investment (e.g., at the time of origination or acquisition), although it may also take into account under certain circumstances the performance of the portfolio company's business, the collateral coverage of the investment and other relevant factors. The grading system for our investments is as follows:

Investment Grade	Definition
1	Very Low Risk — The portfolio investment exceeds performance metrics included in original underwriting expectations.
2	Low Risk — The portfolio investment is performing consistent with expectations. Trends and risk factors are neutral to favorable.
3	Medium Risk — The portfolio investment is performing as expected at the time of underwriting, but requires closer monitoring due to industry or borrower trends and risk factors.
4	High Risk/ Potential for Loss — The portfolio investment is operating below our underwriting expectations and requires closer monitoring. Trends and risk factors are negative. Returns on our investment may soon be impaired, absent material improvement. Risk of recovery of interest exists.
5	Impaired/ Loss Likely — The portfolio investment is underperforming with expected loss of interest, and full recovery of principal is uncertain.

The risk ratings are primarily based on historical data as well as taking into account future economic conditions.

The following table shows the composition of our debt portfolio on the 1 to 5 rating scale as of September 30, 2026:

	As of September 30, 2026		
Grade:	**Fair Value**	**% of Portfolio**	**Number of Investments**
1	$ —	— %	—
2	92,918,148	32.1 %	5
3	128,617,333	44.4 %	10
4	—	— %	—
5	68,031,155	23.5 %	3
Total	**$ 289,566,636**	**100.0 %**	**18**

As of September 30, 2026, the weighted average grade of the investments in our portfolio at fair value was 3.1.

As of September 30, 2026, we had three loans on nonaccrual status, and nonaccrual investments as a percentage of total debt investments at cost and fair value were 36.0% and 23.5%, respectively.

Results of Operations for the three and nine months ended September 30, 2026 and 2025

Due to the prospective application of a change in accounting as required under Accounting Standards Codification ("ASC") 946, *Financial Services–Investment Companies* ("ASC 946"), we have determined that the presentation of our consolidated financial statements for periods beginning after December 31, 2025 is not comparable to the consolidated financial statements previously prepared for prior periods for which we did not apply ASC 946.

The following table summarizes our consolidated results of operations for the three and nine months ended September 30, 2026:

	Three months ended September 30, 2026	Nine months ended September 30, 2026
Total investment income	$ 8,565,440	$ 27,070,463
Total expenses	5,010,814	15,298,762
Management fee rebate	(176,420)	(586,828)
Net expenses	**4,834,394**	**14,711,934**
Net investment income before taxes	**3,731,046**	**12,358,529**
Income tax expense	194,615	514,679
Net investment income	**3,536,431**	**11,843,850**
Net change in unrealized appreciation on investments	3,081,851	12,324,711
Provision for taxes on unrealized appreciation on investments	(218,034)	(980,918)
Net unrealized gain on investments, net of taxes	**2,863,817**	**11,343,793**
Net increase in net assets resulting from operations	**$ 6,400,248**	**$ 23,187,643**

The following table summarizes our consolidated results of operations for the three and nine months ended September 30, 2025:

	Three months ended September 30, 2025	Nine months ended September 30, 2025
Revenue:		
Interest income	$ 8,162,075	$ 24,681,832
Interest expense	(1,631,127)	(5,304,572)
Net interest income	**6,530,948**	**19,377,260**
Expenses:		
Management and incentive fees, net (less rebate of $235,670 and $624,992, respectively)	715,138	2,211,686
General and administrative expenses	674,342	2,255,049
Stock-based compensation	487,436	1,525,687
Professional fees	354,803	1,087,843
BDC conversion expenses	579,192	805,972
Total expenses	**2,810,911**	**7,886,237**
Provision for current expected credit losses	(7,372,778)	(22,524,920)
Change in unrealized losses on loans at fair value, net	(9,712,427)	(11,453,875)
Net loss before income taxes	**(13,365,168)**	**(22,487,772)**
Income tax benefit	(874,662)	(900,300)
Net loss	**$ (12,490,506)**	**$ (21,587,472)**

Net increase (decrease) in net assets resulting from operations can vary from period to period due to various factors, including, but not limited to, acquisitions, the level of new investment commitments, expenses, the recognition of realized gains and losses and changes in unrealized appreciation and depreciation on the investment portfolio.

Investment income

	Three months ended September 30,		Nine months ended September 30,	
	2026	**2025**	**2026**	**2025**
Interest income	$ 7,616,438	$ 6,954,110	$ 23,195,973	$ 23,084,764
Payment-in-kind interest income	949,002	112,965	2,064,702	393,428
Other income	—	1,095,000	1,809,788	1,203,640
Total investment income	**$ 8,565,440**	**$ 8,162,075**	**$ 27,070,463**	**$ 24,681,832**

Investment income. Total investment income increased approximately $0.4 million, or 5%, for the three months ended September 30, 2026, as compared to the three months ended September 30, 2025. Interest and PIK income increased $1.5 million, driven by growth in accruing investments. Principal outstanding on accruing investments increased $54.4 million to $229.5 million as of September 30, 2026, as new investments exceeded repayments and exits. The weighted average yield on accruing investments, based on outstanding principal, increased to 13.3% from 12.3%. Other income decreased $1.1 million due to exit fees on two loan repayments included in the prior-year quarter.

Investment income. Total investment income increased approximately $2.4 million, or 10%, for the nine months ended September 30, 2026, as compared to the nine months ended September 30, 2025. Interest and PIK income increased $1.8 million, and other income increased $0.6 million. During the period, we funded $102.7 million of new and existing investments, compared with $41.1 million, and received $59.1 million of principal repayments and sales, compared with $63.3 million. The increase in other income reflects $1.8 million of exit fees recognized in the first quarter of 2026 on two loan repayments, compared with $1.2 million in the prior-year period.

Expenses

	Three months ended September 30,		Nine months ended September 30,	
	2026	**2025**	**2026**	**2025**
Interest expense	$ 1,868,647	$ 1,631,127	$ 5,517,066	$ 5,304,572
Management fee	1,099,110	950,808	3,151,137	2,836,678
Incentive fee	750,152	—	2,512,332	—
General and administrative expenses	931,792	674,342	2,809,598	2,255,049
Stock-based compensation	—	487,436	—	1,525,687
Director fees	63,750	63,750	191,300	195,971
Professional fees	297,363	291,053	1,117,329	891,872
BDC conversion expenses	—	579,192	—	805,972
Total expenses	**5,010,814**	**4,677,708**	**15,298,762**	**13,815,801**
Management fee rebate	(176,420)	(235,670)	(586,828)	(624,992)
Net expenses	**$ 4,834,394**	**$ 4,442,038**	**$ 14,711,934**	**$ 13,190,809**

Interest expense. Interest expense increased approximately $0.2 million, or 15%, and increased $0.2 million, or 4%, respectively, for the three and nine months ended September 30, 2026, as compared to the three and nine months ended September 30, 2025. During the three and nine months ended, September 30, 2026 average borrowings on the Revolving Credit Facility increased $21.2 million and $16.2 million, respectively, offset by a lower weighted average interest rate on borrowings of (0.7)% during each comparative period due to a lower benchmark rate. This is partially offset by lower interest incurred on the 2027 Senior Notes due to a decrease in the 2027 Senior Notes principal outstanding of $13.0 million relating to the repurchase of $13.0 million of our 2027 Senior Notes in the prior year.

Management fees. Management fees increased approximately $0.1 million, or 16%, and $0.3 million, or 11%, respectively, for the three and nine months ended September 30, 2026, as compared to the three and nine months ended September 30, 2025. Following the Conversion, the compensation arrangement under the Advisory Agreement took effect as of January 1, 2026. Under the Advisory Agreement, management fees are calculated based on the average value of our gross assets at the end of the two most recently completed calendar quarters, excluding cash, versus prior to the Conversion, the management fee was calculated off the Company's Equity (as defined in the Management Agreement).

Incentive fee on net investment income. Following the Conversion, the income-based incentive fee under the Advisory Agreement took effect as of January 1, 2026. Incentive fees increased approximately $0.8 million and $2.5 million, respectively, for the three and nine months ended September 30, 2026, as compared to the three and nine months ended September 30, 2025. There were no incentive fees incurred during each of the three and nine months ended September 30, 2025.

General and administrative expenses. General and administrative expenses increased $0.3 million, or 38%, and $0.6 million, or 25%, respectively, for the three and nine months ended September 30, 2026, as compared to the three and nine months ended September 30, 2025.

Stock-based compensation. Stock-based compensation decreased $0.5 million and $1.5 million, respectively, for the three and nine months ended September 30, 2026, as compared to the three and nine months ended September 30, 2025. Because externally managed BDCs are not permitted under the 1940 Act to issue or have outstanding restricted stock or stock options, the Board, in advance of the Conversion, approved the accelerated vesting of its outstanding restricted stock and cancelled its outstanding stock options. Following the Conversion, there was no stock-based compensation activity.

Professional fees. Professional fees increased approximately $0.01 million, or 2%, and $0.2 million, or 25%, respectively, for the three and nine months ended September 30, 2026 as compared to the three and nine months ended September 30, 2025.

Income tax (benefit) expense. Income tax expense on net investment income increased $0.2 million and $0.5 million, respectively, for the three and nine months ended September 30, 2026 as compared to the three and nine months ended September 30, 2025. The provision for taxes on unrealized appreciation on investments increased $1.1 million and $1.9 million, respectively, for the three and nine months ended September 30, 2026, driven by an increase in temporary differences relating to the net change in unrealized appreciation on investments.

Net change in unrealized appreciation (depreciation)

	Three months ended September 30,		Nine months ended September 30,	
	2026	2025	2026	2025
Net change in unrealized appreciation (depreciation) on investments	$ 3,081,851	$ (9,712,427)	$ 12,324,711	$ (11,453,875)

Net change in unrealized appreciation (depreciation). Investments in loans held at fair value are recorded on the trade date at cost, which reflects the amount of principal funded net of any original issue discounts. An unrealized appreciation arises when the fair value of the investment exceeds its cost and an unrealized depreciation arises when the fair value of the investment is less than its cost. The net change in unrealized appreciation on investments increased approximately $12.8 million and $23.8 million, respectively, for the three and nine months ended September 30, 2026. The net change was driven by the valuation of the investments, which was impacted by changes in recovery rates, market yields, and revenue multiples, as well as the number of investments in our portfolio held at fair value. In the prior period, only one loan was held at fair value, compared to 18 loans held at fair value in the current period, as a result of our Conversion to a BDC on January 1, 2026.

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain our assets and operations, make distributions to our shareholders and meet other general business needs. We use significant cash to purchase our target investments, repay principal and interest on our borrowings, make distributions to our shareholders and fund our operations. The sources of financing for our target investments are described below.

Our primary sources of cash generally consist of unused borrowing capacity under the Revolving Credit Facility, TCGSL Credit Facility, net proceeds of future debt or equity offerings, payments of principal and interest we receive on our portfolio of assets and cash generated from our operating results.

As of September 30, 2026 and December 31, 2025, all of our cash was unrestricted and totaled approximately $102.1 million and $38.6 million, respectively.

As of September 30, 2026, we believe that our cash on hand, capacity available under the Revolving Credit Facility, TCGSL Credit Facility, and cash flows from operations will be sufficient to satisfy the operating requirements of our business through at least the next twelve months.

From time to time, we review opportunities to proactively manage our balance sheet by evaluating transactions that may potentially improve our overall debt profile. We are currently exploring opportunities to refinance our outstanding debt which, depending on market conditions, may occur in the near term. Our ability to refinance any of our debt will depend on market conditions and there can be no assurance as to when any such financing transactions will occur, if at all, or the terms of any such financing.

Leverage

In accordance with applicable SEC staff guidance and interpretations, effective as of January 1, 2026, we, as a BDC, are permitted to borrow amounts such that our asset coverage ratio is at least 150% after such borrowing (if certain requirements are met). The amount of leverage that we may employ depends on our Adviser's and our Board's assessment of market conditions and other factors at the time of any proposed borrowing.

As of September 30, 2026 and December 31, 2025, we had an aggregate amount of $197.0 million and $98.0 million, respectively, of principal debt outstanding and our asset coverage ratio was 197% and 278%, respectively.

Distributions Declared Per Share

For the nine months ended September 30, 2026 and 2025, we declared the following cash distributions:

Date Declared	Payable to Shareholders of Record at the Close of Business on	Payment Date	Amount per Share	Total Amount
March 11, 2025	March 31, 2025	April 15, 2025	$ 0.23	$ 5,197,082
June 13, 2025	June 30, 2025	July 15, 2025	0.15	3,389,267
September 15, 2025	September 30, 2025	October 15, 2025	0.15	3,389,181
2025 Period Subtotal			**$ 0.53**	**$ 11,975,530**
March 2, 2026	March 31, 2026	April 15, 2026	$ 0.05	$ 1,176,442
June 15, 2026	June 30, 2026	July 15, 2026	0.05	1,134,883
September 15, 2026	September 30, 2026	October 15, 2026	0.05	1,120,189
2026 Period Subtotal			**$ 0.15**	**$ 3,431,514**

Share Repurchase Program

On May 4, 2026, our Board authorized a program for the purpose of repurchasing up to $5.0 million of our common stock (the "Repurchase Program"). Under the Repurchase Program, we may, but are not obligated to, repurchase our outstanding common stock in the open market from time to time, provided that we comply with the prohibitions under our compliance policies and procedures adopted in accordance with Rule 38a-1 under the 1940 Act and a code of ethics adopted pursuant to Rule 17j-1 under the 1940 Act and the guidelines specified in Rule 10b-18 under the Securities Exchange Act of 1934, as amended, including certain price, market, volume, and timing constraints. In addition, any repurchases will be conducted in accordance with the 1940 Act. Unless amended or extended by our Board, we expect the Repurchase Program to be in place until the earlier of such time that $5.0 million of our outstanding shares of common stock have been repurchased, or May 4, 2027.

During the three months ended September 30, 2026, we repurchased 285,656 shares of our common stock under the Repurchase Program, totaling $1.0 million, including commissions, at a weighted average price of $3.46 per share. As of and during the nine months ended September 30, 2026, we repurchased 1,125,062 shares of our common stock, totaling $3.8 million, including commissions, at a weighted average price of $3.34 per share.

Borrowings

	As of September 30, 2026			As of December 31, 2025		
	Aggregate Principal Committed	Outstanding Principal	Carrying Value	Aggregate Principal Committed	Outstanding Principal	Carrying Value
2027 Senior Notes	$ 77,000,000	$ 77,000,000	$ 76,703,853	$ 77,000,000	$ 77,000,000	$ 76,322,493
Revolving Credit Facility[1]	115,000,000	115,000,000	115,000,000	50,000,000	21,000,000	21,000,000
TCGSL Credit Facility	20,000,000	5,000,000	5,000,000	—	—	—
Total	**$ 212,000,000**	**$ 197,000,000**	**$ 196,703,853**	**$ 127,000,000**	**$ 98,000,000**	**$ 97,322,493**

(1) Borrowings under the Revolving Credit Facility are subject to Quarterly Temporary Increase Amounts during the Quarterly Temporary Increase Period, as well as borrowing base and other restrictions.

Revolving Credit Facility

On April 29, 2022, we entered into the Revolving Credit Facility, which contained initial aggregate commitments of $60.0 million from two FDIC-insured banking institutions, (which may be increased to up to $100.0 million in aggregate, subject to available borrowing base and additional commitments) which may be borrowed, repaid and redrawn, subject to a borrowing base based on eligible loan obligations held by us and subject to the satisfaction of other conditions provided under the Revolving Credit Agreement. As amended, the Revolving Credit Facility's initial maturity date of April 29, 2025 was extended to April 29, 2028.

The Revolving Credit Facility contains aggregate commitments of $80.0 million from an FDIC-insured banking institution, which may be increased up to $130.0 million during any Quarterly Temporary Increase Period (defined below). As of September 30, 2026, the Company elected a Quarterly Temporary Increase Amount (defined below) of $35.0 million, resulting in aggregate commitments of $115.0 million. These commitments may be borrowed, repaid and redrawn, subject to a borrowing base based on eligible loan obligations held by the Company and satisfaction of other conditions thereunder. Interest is payable on the Revolving Credit Facility at the greater of (1) the applicable base rate plus 0.50% and (2) 7.00%, as provided in the Revolving Credit Agreement, as amended, payable in cash in arrears.

Our obligations under the Revolving Credit Facility are secured by substantially all of our assets. In addition, we are subject to various financial and other covenants, including: (1) liquidity of at least $5.0 million, (2) annual debt service coverage of at least 1.50 to 1.0 and (3) secured debt not to exceed 25% of total consolidated assets of us and our subsidiaries. To the best of our knowledge, as of September 30, 2026, we were in compliance in all material respects with all covenants contained in our Revolving Credit Agreement.

In January 2026, we entered into Amendment Number Six to the Loan and Security Agreement ("Amendment Number Six"), by and among the Company, as borrower, the lenders party thereto, and the lead arranger, bookrunner and administrative agent party thereto. Amendment Number Six, among other things, includes provisions relevant in light of our Conversion to a BDC.

In March 2026, we entered into Amendment Number Seven to the Loan and Security Agreement ("Amendment Number Seven"), by and among the Company, as borrower, the lenders party thereto and the lead arranger, bookrunner and administrative agent party thereto. Amendment Number Seven, among other things, added TCGDL LLC, a subsidiary of the Company, as a borrower under the Revolving Credit Facility and amended certain provisions related to the inclusion of TCGDL LLC as a Borrower.

In March 2026, we entered into Amendment Number Eight to the Loan and Security Agreement ("Amendment Number Eight"), by and among the Company, as borrower, the lenders party thereto, and the lead arranger, bookrunner and administrative agent party thereto. Amendment Number Eight, among other things, increased the commitment from the lenders by $56.0 million, from $50.0 million to $106.0 million, consisting of (i) a $30.0 million permanent increase in revolver commitments and (ii) a $26.0 million increase in revolver commitments during a specified temporary increase period beginning on March 27, 2026 and ending on April 10, 2026 (the "Amendment Number Eight Temporary Increase Period"). Upon expiration of the Amendment Number Eight Temporary Increase Period, the aggregate revolving commitments and the maximum revolver amount under the facility was automatically reduced to $80.0 million.

In June 2026, we entered into Amendment Number Nine to the Loan and Security Agreement ("Amendment Number Nine"), by and among the Company, as borrower, the lenders party thereto, and the lead arranger, bookrunner and administrative agent party thereto. Amendment Number Nine, among other things, conformed certain reporting information to market standard for BDCs, set certain conditions for including specific credit facilities in the borrower base, and increased the aggregate revolver commitments under the facility to $110.0 million, consisting of a $30.0 million temporary increase in revolver commitments during a specified temporary increase period beginning on June 26, 2026 and ending on July 3, 2026 (the "Amendment Number Nine Temporary Increase Period"). Upon expiration of the Amendment Number Nine Temporary Increase Period, the aggregate revolving commitments and the maximum revolver amount under the facility was automatically reduced to $80.0 million.

In September 2026, we entered into Amendment Number Ten to the Loan and Security Agreement ("Amendment Number Ten"), by and among the Company, as a borrower, the other borrowers party thereto, the lenders party thereto, and the lead arranger, bookrunner and administrative agent party thereto. Amendment Number Ten, among other things, set certain conditions for the advance rate against credit facilities in the borrower base, revised the loan fee structure and increased, for a specified period of time, the aggregate revolver commitments under the facility to $130.0 million, consisting of an increase in revolver commitments of up to $50.0 million on a quarterly basis (such increase, the "Quarterly Temporary Increase Amount", and such period, the "Quarterly Temporary Increase Period"). The aggregate revolving commitments and the maximum revolver amount under the facility will automatically be reduced to (i) during any Quarterly Temporary Increase Period, $80.0 million plus the Quarterly Temporary Increase Amount not to exceed a maximum revolver amount of $130.0 million, and (ii) at any other time, including upon the expiration of any Quarterly Temporary Increase Period, $80.0 million. As of September 30, 2026, we elected a Quarterly Temporary Increase Amount of $35.0 million, for a total commitment of $115.0 million.

As of September 30, 2026, outstanding borrowings under the Revolving Credit Facility were $115.0 million and $0 was available for borrowing. As of September 30, 2026, the interest rate on the Company's borrowings under the Revolving Credit Facility was 7.50%.

On October 1, 2026, we repaid $96.5 million on our outstanding debt obligations under the Revolving Credit Facility.

TCGSL Credit Facility

In January 2026, we entered into the TCGSL Credit Facility, which provides for an unsecured revolving credit facility with a $20.0 million commitment, which may be borrowed, repaid and redrawn, subject to a draw fee and the other conditions provided in the TCGSL Credit Agreement. As of September 30, 2026, outstanding borrowings on the TCGSL Credit Facility were $5.0 million and $15.0 million was available for borrowing.

On October 1, 2026, we repaid $5.0 million on our outstanding debt obligations under the TCGSL Credit Facility.

2027 Senior Notes

On November 3, 2021, we issued $100.0 million in aggregate principal amount of the 2027 Senior Notes. The 2027 Senior Notes accrue interest at a rate of 5.75% per annum. Interest on the 2027 Senior Notes is due semi-annually on May 1 and November 1 of each year, which began on May 1, 2022. The net proceeds from the issuance of the 2027 Senior Notes were approximately $97.0 million, after deducting the initial purchasers' discounts and commissions and estimated offering fees and expenses payable by us. We used the net proceeds from the issuance of the 2027 Senior Notes (i) to fund loans related to unfunded commitments to existing borrowers, (ii) to originate and participate in commercial loans to companies operating in the cannabis industry that are consistent with our investment strategy and (iii) for working capital and other general corporate purposes. The terms of the 2027 Senior Notes are governed by the Indenture. Under the Indenture governing the 2027 Senior Notes, we are required to cause all of our existing and future subsidiaries to guarantee the 2027 Senior Notes, other than certain immaterial subsidiaries as set forth in the Indenture. TRS1 is currently a subsidiary guarantor under the Indenture.

As of September 30, 2026, we had $77.0 million in principal amount of the 2027 Senior Notes outstanding.

In October 2026, we settled the repurchase of $19.0 million in aggregate principal amount of our 2027 Senior Notes in an open-market transaction through Seaport Securities, acting as broker. The repurchase price was 96.5% of par value, plus accrued interest, resulting in a gain on extinguishment of debt of approximately $0.6 million. The repurchased notes were subsequently cancelled in accordance with Section 3.06 of the Indenture. Following the repurchase, $58.0 million in aggregate principal amount of the 2027 Senior Notes remained outstanding.

Prior to February 1, 2027, we may redeem the 2027 Senior Notes in whole or in part, at a price equal to the greater of 100% of the principal amount of the 2027 Senior Notes being redeemed or a make-whole premium set forth in the Indenture, plus accrued and unpaid interest thereon to, but excluding, the applicable redemption date. On or after February 1, 2027, we may redeem the 2027 Senior Notes in whole or in part at a price equal to 100% of the principal amount of the 2027 Senior Notes being redeemed, plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date. The Indenture also requires us to offer to purchase all of the 2027 Senior Notes at a purchase price equal to 101% of the principal amount of the 2027 Senior Notes, plus accrued and unpaid interest if a "change of control triggering event" (as defined in the Indenture) occurs.

The Indenture governing the 2027 Senior Notes contains customary terms and restrictions, subject to a number of exceptions and qualifications, including restrictions on our ability to (1) incur additional indebtedness unless the Annual Debt Service Charge (as defined in the Indenture) is no less than 1.5 to 1.0, (2) incur or maintain total debt in an aggregate principal amount greater than 60% of our consolidated Total Assets (as defined in the Indenture), (3) incur or maintain secured debt in an aggregate principal amount greater than 25% of our consolidated Total Assets (as defined in the Indenture); and (4) merge, consolidate or sell substantially all of our assets. In addition, the Indenture also provides for customary events of default. If any event of default occurs, any amount then outstanding under the Indenture may immediately become due and payable. These events of default are subject to a number of important exceptions and qualifications set forth in the Indenture. We were in compliance with the terms of the Indenture as of the date of this Quarterly Report.

The table below sets forth the material terms of our outstanding senior notes as of September 30, 2026:

Senior Notes	Issue Date	Amount Outstanding	Interest Rate Coupon	Maturity Date	Interest Due Dates	Optional Redemption Date
2027 Senior Notes	November 3, 2021	$77.0 million	5.75%	May 1, 2027	May 1 and November 1	February 1, 2027

Other Credit Facilities, Warehouse Facilities and Repurchase Agreements

In the future, we may also use other sources of financing to fund the origination or acquisition of our target investments, including other credit facilities and other secured and unsecured forms of borrowing. These financings may be collateralized or non-collateralized and may involve one or more lenders. We expect that these facilities will typically have maturities ranging from two to five years and may accrue interest at either fixed or floating rates.

Debt Service

As of September 30, 2026, we believe that our cash on hand, capacity available under our Revolving Credit Facility, TCGSL Credit Facility, principal repayments we expect to receive on our investment portfolio, and cash flows from operations will be sufficient to satisfy the operating requirements of our business, to service our outstanding debt, and to meet our contractual obligations, including repayment of the 2027 Senior Notes at maturity, through at least the next twelve months.

Recent Developments

In October 2026, we sold our investment with Trulieve Cannabis Corp. at 104.25% of par and recognized a realized gain of approximately $0.2 million.

On October 1, 2026, we repaid $96.5 million and $5.0 million, respectively, on our outstanding debt obligations under the Revolving Credit Facility and TCGSL Credit Facility.

In October 2026, we received approximately $1.7 million in total loan payments from the sale of Devi's assets in Massachusetts and New Mexico, through its court-appointed receiver, which represents a portion of the Company's expected sale proceeds and was applied as a reduction to the amortized cost of the Devi Credit Facility. As of the date of this report, our outstanding principal balance under the Devi Credit Facility was approximately $38.8 million. The transaction remains subject to definitive documentation and court approval. No assurance can be provided that it will be consummated by the terms described herein, or at all. AFC Agent continues to monitor the court-appointed receivership installed to maintain the borrower's operations and maximize value for the benefit of its creditors.

In October 2026, we settled the repurchase of $19.0 million in aggregate principal amount of our 2027 Senior Notes in an open-market transaction through Seaport Securities, acting as broker. The repurchase price was 96.5% of par value, plus accrued interest, resulting in a gain on extinguishment of debt of approximately $0.6 million. The repurchased notes were subsequently cancelled in accordance with Section 3.06 of the Indenture. Following the repurchase, $58.0 million in aggregate principal amount of the 2027 Senior Notes remained outstanding.

Contractual Obligations, Other Commitments, and Off-Balance Sheet Arrangements

Our contractual obligations as of September 30, 2026 are as follows:

	As of September 30, 2026				
	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Unfunded commitments	$ 3,872,853	$ —	$ —	$ —	$ 3,872,853
Total	**$ 3,872,853**	**$ —**	**$ —**	**$ —**	**$ 3,872,853**

As of September 30, 2026, all unfunded commitments were related to our total loan commitments and were available for funding in less than one year.

We also had the following contractual obligations as of September 30, 2026 relating to the 2027 Senior Notes:

	As of September 30, 2026				
	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Contractual obligations[(1)]	$ 81,427,500	$ —	$ —	$ —	$ 81,427,500
Total	**$ 81,427,500**	**$ —**	**$ —**	**$ —**	**$ 81,427,500**

(1) Amounts include projected interest payments during the period based on interest rates in effect as of September 30, 2026.

We may enter into certain contracts that may contain a variety of indemnification obligations. The maximum potential future payment amounts we could be required to pay under these indemnification obligations may be unlimited.

Off-balance sheet commitments consist of unfunded commitments on delayed draw loans. Other than as set forth in this Quarterly Report, we do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured investment vehicles, special purpose entities or variable interest entities, established to facilitate off-balance sheet arrangements or other contractually narrow or limited purposes. Further, we have not guaranteed any obligations of unconsolidated entities or entered into any commitment or intend to provide additional funding to any such entities.

Critical Accounting Policies and Estimates

As of September 30, 2026, there were no significant changes in or changes in the application of our critical accounting policies or estimates from those presented in our Annual Report on Form 10-K for the fiscal year ended December 31, 2025. For a description of our critical accounting policies and estimates, see Note 2 “Significant Accounting Policies” to our consolidated financial statements. We consider the most significant accounting policies to be those related to our Valuation of Portfolio Investments, Use of Estimates in the Preparation of the Consolidated Financial Statements, and Basis of Presentation.

As of January 1, 2026, we are an investment company under GAAP and follow the accounting and reporting guidance applicable to investment companies in ASC 946 and SEC Regulation S-X.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Risk Management

As a BDC regulated under the 1940 Act, we seek to manage risk exposure by closely monitoring our portfolio and actively managing financing, interest rate, credit, prepayment and convexity (a measure of the sensitivity of the duration of a loan to changes in interest rates) risks associated with holding our portfolio. Generally, with the guidance and experience of our Adviser:

- we manage our portfolio through an interactive process with our Adviser and service our self-originated loans through our Adviser's servicer;
- we invest in a mix of floating- and fixed-rate loans to mitigate the interest rate risk associated with the financing of our portfolio;
- we actively employ portfolio-wide and asset-specific risk measurement and management processes in our daily operations, including utilizing our Adviser's risk management tools such as software and services licensed or purchased from third-parties and proprietary analytical methods developed by our Adviser; and
- we seek to manage credit risk through our due diligence process prior to origination or acquisition and through the use of non-recourse financing, when and where available and appropriate. In addition, with respect to any particular target investment, prior to origination or acquisition our Adviser's investment team evaluates, among other things, relative valuation, comparable company analysis, supply and demand trends, shape-of-yield curves, delinquency and default rates, recovery of various sectors and vintage of collateral.

Investment Valuation Risk

We evaluate our loans on a quarterly basis and fair value was determined, prior to January 1, 2026, by our Board through its independent Audit and Valuation Committee, and, beginning on January 1, 2026, by the Adviser, in its capacity as "valuation designee" under, and in accordance with, Rule 2a-5 under the 1940 Act. We used an independent third-party valuation firm to provide input in the valuation of all of our unquoted investments, which we consider along with other various subjective and objective factors in making our evaluations.

Our loans are typically valued using a yield analysis, which is typically performed for non-credit impaired loans to borrowers. Alternative valuation methodologies may be used as appropriate, and can include a market analysis, income analysis, or recovery analysis. To determine fair value using a yield analysis, a current price is imputed for the loan based upon an assessment of the expected market yield for a similarly structured loan with a similar level of risk. In the yield analysis, we consider the current contractual interest rate, the maturity and other terms of the loan relative to risk of the borrower and the specific loan. A key determinant of risk, among other things, is the leverage through the loan relative to the enterprise value of the borrower. As loans held by us are substantially illiquid with no active transaction market, we depend on primary market data, including newly funded loans, as well as secondary market data with respect to high-yield debt instruments and syndicated loans, as inputs in determining the appropriate market yield, as applicable. Changes in market yields, recovery rates, and revenue multiples may change the fair value of certain of our loans. Generally, an increase in market yields may result in a decrease in the fair value of certain of our loans, while a decrease in revenue multiples and recovery rates may result in a decrease in the fair value of certain of our loans; however, this is mitigated to the extent our loans bear interest at a floating rate.

We have invested, and plan to continue to invest, primarily in illiquid debt and equity securities of private and public middle-market companies. Most of our investments will not have a readily available market price, and the fair value of such investments are valued at fair value, as determined in good faith by the Adviser, in its capacity as "valuation designee" under, and in accordance with, Rule 2a-5 under the 1940 Act, based on, among other things, the input of independent third-party valuation firms retained by the Company, and in accordance with the Adviser's valuation policy. There is no single standard for determining fair value. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment while employing a consistently applied valuation process for the types of investments we make. If we were required to liquidate a portfolio investment in a forced or liquidation sale, we may realize amounts that are different from the amounts presented and such differences could be material.

Interest Rate Risk

Interest rates are highly sensitive to many factors, including fiscal and monetary policies and domestic and international economic and political considerations, as well as other factors beyond our control. We are subject to interest rate risk in connection with our assets and our related financing obligations.

Our operating results depend in large part on differences between the income earned on our assets and our cost of borrowing. The cost of our borrowings generally will be based on prevailing market interest rates. During a period of rising interest rates, our borrowing costs generally will increase (a) while the yields earned on our leveraged fixed-rate loan assets will remain static, and (b) at a faster pace than the yields earned on our leveraged floating-rate loan assets, which could result in a decline in our net interest spread and net interest margin. The severity of any such decline would depend on our asset/liability composition at the time as well as the magnitude and duration of the interest rate increase. Further, an

increase in short-term interest rates could also have a negative impact on the market value of our target investments. If any of these events happen, we could experience a decrease in net income or incur a net loss during these periods, which could adversely affect our liquidity and results of operations.

Interest rate sensitivity refers to the change in earnings that may result from changes in the level of interest rates. We intend to fund portions of our investments with borrowings, and at such time, our net investment income will be affected by the difference between the rate at which we invest and the rate at which we borrow. Accordingly, we cannot assure shareholders that a significant change in market interest rates will not have a material adverse effect on our net investment income.

As of September 30, 2026, on a fair value basis, 55.9% of performing debt investments bore interest at a floating rate and 44.1% of performing debt investments bore interest at a fixed rate, respectively. Our borrowings under our Revolving Credit Facility bear interest at a floating rate and our TCGSL Credit Facility and 2027 Senior Notes bear interest at a fixed rate.

As of September 30, 2026, the floating benchmark rates included one-month ("M") and three-month ("Q") Secured Overnight Financing Rate ("SOFR") and U.S. prime. One-month SOFR was quoted at 3.9% and subject to a weighted average floor of 3.8% based on the outstanding principal of performing debt investments. Three-month SOFR was quoted at 4.1% and subject to a weighted average floor of 3.3% based on the outstanding principal of performing debt investments. U.S. prime rate was quoted at 7.00% and subject to a weighted average floor of 4.5%, which relates to a single debt investment on nonaccrual status; we held no performing debt investments bearing interest at U.S. prime as of September 30, 2026.

Based on our September 30, 2026 consolidated statement of assets and liabilities, the following table shows the annual impact on net investment income of base rate changes in interest rates on performing investments (considering interest rate floors for variable rate instruments) assuming no changes in our investment and borrowing structure:

Basis Point Change	Interest Income	Interest Expense[1]	Net Investment Income
Up 300 basis points	$ 3,462,504	$ (3,450,000)	$ 12,504
Up 200 basis points	$ 2,159,084	$ (2,300,000)	$ (140,916)
Up 100 basis points	$ 863,190	$ (1,150,000)	$ (286,810)
Down 100 basis points	$ (585,479)	$ 575,000	$ (10,479)
Down 200 basis points	$ (690,656)	$ 575,000	$ (115,656)
Down 300 basis points	$ (690,656)	$ 575,000	$ (115,656)

(1) The impact to interest expense is based off of our outstanding borrowings as of September 30, 2026 and does not reflect any repayments or draws that occurred subsequent to period end.

We may in the future hedge against interest rate fluctuations by using hedging instruments such as interest rate swaps, futures, options and forward contracts. While hedging activities may mitigate our exposure to adverse fluctuations in interest rates, certain hedging transactions that we may enter into in the future, such as interest rate swap agreements, may also limit our ability to participate in the benefits of changes in interest rates with respect to our portfolio investments.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

An evaluation of the effectiveness of the design and operation of our "disclosure controls and procedures" (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this Quarterly Report on Form 10-Q was made under the supervision and with the participation of our management, including our Chief Executive Officer (the "CEO") and Principal Financial Officer (the "PFO"). Based upon this evaluation, our CEO and PFO have concluded that our disclosure controls and procedures (a) are effective to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC rules and forms and (b) include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our CEO and PFO, as appropriate to allow timely decisions regarding required disclosure.

Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Because of these and other inherent limitations of control systems, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2026 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

From time to time, we may become involved in litigation or other legal proceedings relating to claims arising from the ordinary course of business. Furthermore, third parties may try to seek to impose liability on us in connection with our loans.

We have been involved in a series of lawsuits against the Justice Cannabis Company and its related individuals and entities since April 2025 regarding various alleged defaults under the credit agreement entered into between the parties on April 5, 2021 and subsequently amended multiple times. The credit facility to Justice Cannabis Company matured on May 1, 2026 and was not repaid.

On April 20, 2026, we sent the borrowers a Maturity Statement, and on May 7, 2026, we sent the borrowers a Notice of Default for failure to pay upon maturity. As of the date of this Quarterly Report, approximately $78.8 million of principal remains outstanding under the credit facility. We are pursuing repayment of this loan through multiple avenues. On May 14, 2026, AFC Agent noticed public dispositions of certain collateral under Article 9 of the Uniform Commercial Code, originally scheduled for July 28, 2026, and currently rescheduled for November 12, 2026 and November 19, 2026.

In April 2025, we and AFC Agent (collectively, the "AFC Parties") commenced legal actions against two shareholders (the "Guarantors") of the parent of Justice Cannabis Company in the United States District Court for the Southern District of New York, which was amended in June 2025, and then again in June 2026 following the court's partial grant of the Guarantors' motion to dismiss in March 2026. The second amended complaint against the Guarantors asserts claims for breach of contract and fraud. This action is in discovery.

Also in April 2025, AFC Agent commenced an action against the parent of Justice Cannabis Company (the "Parent") in New York state court asserting a claim for breach of contract arising from Parent's failure to satisfy its obligations under a payment guaranty agreement related to the Company's credit facility with Justice Cannabis Company. On August 3, 2026, AFC Agent commenced an action against the Parent in New York state court seeking summary judgment in lieu of complaint for failure of the Parent to satisfy its obligations under the guaranty agreement upon the borrower's failure to pay at maturity. AFC Agent's summary judgment motion remains pending. On September 18, 2026, the Parent cross-moved to dismiss or stay the action. AFC Agent believes the cross-motion is without merit and intends to defend against it vigorously.

In April 2025, two Justice Cannabis Company-affiliated cannabis companies that are borrowers under the Company's credit facility with Justice Cannabis Company filed a complaint in the United States District Court for the District of New Jersey alleging, among other things, breach of contract, breach of the implied covenant of good faith and fair dealing, and violations of the New York Uniform Commercial Code in connection with the Company's termination of a forbearance agreement between the parties. In May 2025, the court granted NJ plaintiffs' request for a preliminary injunction. In June 2025, the AFC Parties appealed the injunction to the Third Circuit Court of Appeals, which heard oral argument on March 3, 2026. On May 6, 2026, the AFC Parties filed a motion to dismiss the appeal as moot. The appeal and that motion both remain pending before the Third Circuit. On February 23, 2026, the District Court granted the AFC Parties' motion for summary judgment on the Amended Complaint's fourth count. On September 25, 2026, NJ Plaintiffs sought leave to file a Second Amended Complaint seeking declaratory relief. The AFC Parties vigorously opposed the motion, which remains pending. On October 5, 2026, NJ Plaintiffs sought leave to lift the stay of discovery, which the AFC Parties opposed. This request remains pending.

In June 2026, the AFC Parties commenced an action against Bloc Dispensary LLC, Hayden Gateway LLC, Pier Cove LLC and certain affiliated borrowers in the Superior Court of New Jersey, Chancery Division, Mercer County, seeking to enforce the AFC Parties' contractual rights to inspect the collateral securing the credit facility to Justice Cannabis

Company. The defendants removed the action to the United States District Court for the District of New Jersey, and the action was subsequently returned to the Chancery Division. On July 15, 2026, the defendants, together with JG HoldCo LLC and two individual principals, filed a counterclaim against the AFC Parties and applied for an order to show cause with temporary restraints seeking to enjoin the AFC Parties from exercising control over the counterclaim-NJ plaintiffs' deposit accounts and from conducting the noticed dispositions of collateral described above. The defendants also allege, among other things, that the credit agreement is unenforceable because it involves activities that violate federal law, that the AFC Parties do not hold valid or enforceable security interests in the collateral, and that the noticed dispositions would not be commercially reasonable under Article 9 of the Uniform Commercial Code. Defendants withdrew their request for injunctive relief on August 13, 2026, and filed an Amended Answer and Counterclaims on September 4, 2026, reasserting their counterclaim under Article 9 of the Uniform Commercial Code, and adding counterclaims for conversion, breach of contract, slander of title, disclosure of trade secret, breach of fiduciary duty, and declaratory relief. The AFC Parties believe the counterclaims are without merit and intend to defend against them vigorously. This action is now in discovery. On October 29, 2026, the court transferred this action from the Chancery Division General Equity Part to the Law Division (CBL), Civil Part of Mercer County.

On March 26, 2026, Bloc Dispensary LLC, Hayden Gateway LLC, and JG HoldCo LLC—which are two borrowers and an affiliate under the credit facility to Justice Cannabis Company entities—filed suit against Leonard Tannenbaum, Robyn Tannenbaum, Daniel Neville, the Company, AFC Agent, and the Adviser in the Circuit Court for the 15th Judicial Circuit for Palm Beach County, Florida. The complaint reiterates many of the allegations in a complaint that was filed in California and subsequently dismissed for lack of jurisdiction, including that the defendants harmed plaintiffs' business and breached the 2024 Justice Cannabis Company Forbearance Agreement, among other alleged misconduct. The Florida plaintiffs assert causes of action against all defendants for breach of fiduciary duty, tortious interference with a contractual relationship, unjust enrichment, breaches of contract, negligent hiring, and negligent retention and supervision, and seek damages, interest, costs, attorney fees, and an injunction against foreclosure. Defendants filed a motion to dismiss and a motion to stay this action on July 6, 2026. Plaintiff's filed an opposition to the motion to dismiss on October 5, 2026. These motions remain pending.

On February 26, 2026, Jon Loevy and Michael Kanovitz—the principals of the Justice Cannabis Company borrowers—filed a complaint in the Circuit Court of Cook County, Illinois against nine individuals who are directors, officers, or other personnel affiliated with the Company. The defendants removed the action to the United States District Court for the Northern District of Illinois. The complaint, as amended on May 22, 2026, asserts a claim for defamation, based on statements attributed to a Company spokesperson in a legal trade publication and on remarks made on a Company earnings call. In June 2026, the defendants moved to dismiss the amended complaint for lack of personal jurisdiction and for failure to state a claim, and separately moved for sanctions. On August 18, 2026, the court granted defendants' motion to dismiss without prejudice and denied their motion for sanctions. On September 8, 2026, Plaintiffs filed a Second Amended Complaint. Defendants moved to dismiss the Second Amended Complaint on October 6, 2026, which motion remains pending.

Because the outcomes of these actions remain uncertain, no reasonable estimate of possible outcomes resulting from these legal actions can be made at this time.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Item 1A - "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2025 and as disclosed in Item 1A. "Risk Factors" in subsequently filed Quarterly Reports on Form 10-Q.

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

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

On May 4, 2026, the Company's Board authorized a program for the purpose of repurchasing up to $5.0 million of the Company's common stock (the "Repurchase Program"). Under the Repurchase Program, the Company may, but is not obligated to, repurchase its outstanding common stock in the open market from time to time, provided that the Company complies with the prohibitions under its compliance policies and procedures adopted in accordance with Rule 38a-1 under the 1940 Act and a code of ethics adopted pursuant to Rule 17j-1 under the 1940 Act and the guidelines specified in Rule

10b-18 under the Securities Exchange Act of 1934, as amended, including certain price, market, volume, and timing constraints. In addition, any repurchases will be conducted in accordance with the 1940 Act. Unless amended or extended by the Company's Board, the Company expects the Repurchase Program to be in place until the earlier of such time that $5.0 million of the Company's outstanding shares of common stock have been repurchased, or May 4, 2027.

The following table summarizes the Company's common stock repurchased under our Repurchase Program during the three months ended September 30, 2026:

Period	Total Number of Shares Purchased	Average Price Paid per Share[1]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program[1]
July 1, 2026 to July 31, 2026	17,519	$ 3.20	17,519	$ 2,180,885
August 1, 2026 to August 31, 2026	157,361	3.43	157,361	1,641,260
September 1, 2026 to September 30, 2026	110,776	3.48	110,776	1,255,602
Total	**285,656**	**$ 3.44**	**285,656**	**$ 1,255,602**

(1) Amount excludes commissions paid.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the fiscal quarter ended September 30, 2026, none of the directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement."

Item 6. Exhibits

Exhibit No.	Description of Exhibits
3.1	Articles of Amendment and Restatement of Advanced Flower Capital Inc. (formerly known as AFC Gamma, Inc.) (filed as Exhibit 3.2 to the Company's Registration Statement on Form S-11 on January 22, 2021 and incorporated herein by reference).
3.1A	Articles of Amendment, dated March 10, 2022 (filed as Exhibit 3.1A to the Company's Annual Report on Form 10-K on March 10, 2022 and incorporated herein by reference).
3.1B	Articles of Amendment, dated October 22, 2024 (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K on October 22, 2024 and incorporated herein by reference).
3.2	Second Amended and Restated Bylaws of Advanced Flower Capital Inc. (formerly known as AFC Gamma, Inc.) (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K on October 22, 2024 and incorporated herein by reference).
3.2B	Third Amended and Restated Bylaws of Advanced Flower Capital Inc., dated December 31, 2025 (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K on January 5, 2026 and incorporated herein by reference).
4.2	Indenture, dated as of November 3, 2021, by and between Advanced Flower Capital Inc. (formerly known as AFC Gamma, Inc.) and TMI Trust Company, as trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K on November 3, 2021 and incorporated herein by reference).
4.3	Form of 5.750% Senior Notes due 2027 (included in Exhibit 4.2).
10.9J†	Amendment Number Ten to the Loan and Security Agreement, dated as of September 25, 2026, by and among the Company, as borrower, the lenders party thereto, and the lead arranger, bookrunner and administrative agent party thereto (filed as Exhibit 10.9J to the Company's Current Report on Form 8-K on September 29, 2026 and incorporated by reference herein).
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith

** Furnished herewith

† The registrant has omitted portions of the referenced exhibit pursuant to Item 601(b) of Regulation S-K because such portions are both (i) not material and (ii) the type of information that the registrant customarily and actually treats as private and confidential.

SIGNATURES

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

Date: November 5, 2026

ADVANCED FLOWER CAPITAL INC.

By: /s/ Daniel Neville
Daniel Neville
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Peter Sattelmair
Peter Sattelmair
Assistant Treasurer
(Principal Financial Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Daniel Neville, certify that:

1. I have reviewed this Quarterly report on Form 10-Q of Advanced Flower Capital Inc.;

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

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

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

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

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

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

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

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

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

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

Date: November 5, 2026

By: /s/ Daniel Neville

Daniel Neville

Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Peter Sattelmair, certify that:

1. I have reviewed this Quarterly report on Form 10-Q of Advanced Flower Capital Inc.;

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

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

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

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

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

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

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

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

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

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

Date: November 5, 2026

By: /s/ Peter Sattelmair

Peter Sattelmair
Assistant Treasurer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Advanced Flower Capital Inc. (the "Company") for the period ending September 30, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Daniel Neville, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

1. The 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 Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2026

By: /s/ Daniel Neville
Daniel Neville
Chief Executive Officer
(Principal Executive Officer)

* A signed original of this written statement required by Section 906 has been provided to Advanced Flower Capital Inc. and will be retained by Advanced Flower Capital Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

**CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Advanced Flower Capital Inc. (the "Company") for the period ending September 30, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Peter Sattelmair, Assistant Treasurer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

1. The 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 Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2026

By: /s/ Peter Sattelmair

Peter Sattelmair
Assistant Treasurer
(Principal Financial Officer)

* A signed original of this written statement required by Section 906 has been provided to Advanced Flower Capital Inc. and will be retained by Advanced Flower Capital Inc. and furnished to the Securities and Exchange Commission or its staff upon request.