UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one):

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2022

OR

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

FOR THE TRANSITION PERIOD FROM ______ TO _______

COMMISSION FILE NUMBER: 814-00237

GLADSTONE CAPITAL CORPORATION

(Exact name of registrant as specified in its charter)

MARYLAND	**54-2040781**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1521 WESTBRANCH DRIVE, SUITE 100 **MCLEAN, VIRGINIA** (Address of principal executive office)	**22102** (Zip Code)

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

Not Applicable
(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, $0.001 par value per share	GLAD	The Nasdaq Global 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 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 ☒

The number of shares of the issuer's common stock, $0.001 par value per share, outstanding as of May 2, 2022 was 34,304,371.

GLADSTONE CAPITAL CORPORATION
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Item I Financial Statements (Unaudited)

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

	March 31, 2022	September 30, 2021
ASSETS		
Investments, at fair value:		
Non-Control/Non-Affiliate investments (Cost of **$449,787** and $447,566, respectively)	**$ 460,391**	$ 454,601
Affiliate investments (Cost of **$46,106** and $70,682, respectively)	**39,883**	82,281
Control investments (Cost of **$41,572** and $28,264, respectively)	**37,429**	20,730
Cash and cash equivalents	**1,432**	671
Restricted cash and cash equivalents	**212**	175
Interest receivable, net	**2,906**	2,361
Due from administrative agent	**2,341**	2,951
Deferred financing costs, net	**783**	1,033
Other assets, net	**2,962**	1,697
TOTAL ASSETS	**$ 548,339**	$ 566,500
LIABILITIES		
Borrowings, at fair value (Cost of **$17,400** and $50,500, respectively)	**$ 17,400**	$ 50,500
Notes payable, net of unamortized deferred financing costs of **$2,664** and $2,202, respectively	**197,336**	186,611
Accounts payable and accrued expenses	**541**	490
Interest payable	**2,203**	1,797
Fees due to Adviser[(A)]	**3,198**	2,255
Fee due to Administrator[(A)]	**579**	382
Other liabilities	**1,615**	6,026
TOTAL LIABILITIES	**$ 222,872**	$ 248,061
Commitments and contingencies[(B)]		
NET ASSETS		
Common stock, $0.001 par value per share, **44,560,000** and 44,560,000 shares authorized, respectively, and **34,304,371** and 34,304,371 shares issued and outstanding, respectively	**$ 34**	$ 34
Capital in excess of par value	**392,494**	392,494
Cumulative net unrealized appreciation (depreciation) of investments	**238**	11,100
Under (over) distributed net investment income	**933**	149
Accumulated net realized losses	**(68,232)**	(85,338)
Total distributable loss	**(67,061)**	(74,089)
TOTAL NET ASSETS	**$ 325,467**	$ 318,439
NET ASSET VALUE PER COMMON SHARE	**$ 9.49**	$ 9.28

(A) Refer to Note 4—*Related Party Transactions* in the accompanying *Notes to Consolidated Financial Statements* for additional information.
(B) Refer to Note 9—*Commitments and Contingencies* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

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

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

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Six Months Ended March 31, 2022	Six Months Ended March 31, 2021
INVESTMENT INCOME				
Interest income				
Non-Control/Non-Affiliate investments	**$ 10,614**	$ 9,967	**$ 20,768**	$ 20,189
Affiliate investments	**739**	1,064	**1,806**	1,974
Control investments	**695**	410	**1,203**	825
Cash and cash equivalents	**—**	—	**—**	—
Total interest income (excluding PIK interest income)	**12,048**	11,441	**23,777**	22,988
PIK interest income				
Non-Control/Non-Affiliate investments	**914**	445	**2,051**	980
Total PIK interest income	**914**	445	**2,051**	980
Total interest income	**12,962**	11,886	**25,828**	23,968
Success fee income				
Non-Control/Non-Affiliate Investments	**3,231**	—	**3,231**	—
Affiliate Investments	**—**	—	**1,563**	—
Total success fee income	**3,231**	—	**4,794**	—
Dividend income				
Non-Control/Non-Affiliate investments	**517**	209	**1,509**	575
Control investments	**520**	30	**589**	252
Total dividend income	**1,037**	239	**2,098**	827
Prepayment fee income				
Non-Control/Non-Affiliate investments	**—**	700	**605**	900
Affiliate Investments	**—**	—	**44**	—
Total prepayment fee income	**—**	700	**649**	900
Other income	**30**	60	**58**	72
Total investment income	**17,260**	12,885	**33,427**	25,767
EXPENSES				
Base management fee[(A)]	**2,479**	2,095	**4,999**	4,097
Loan servicing fee[(A)]	**1,520**	1,396	**2,982**	2,744
Incentive fee[(A)]	**1,971**	1,381	**4,062**	2,748
Administration fee[(A)]	**401**	332	**780**	687
Interest expense on borrowings and notes payable	**3,020**	2,822	**6,027**	5,390
Amortization of deferred financing costs	**274**	338	**563**	756
Professional fees	**207**	160	**471**	378
Other general and administrative expenses	**315**	238	**699**	562
Expenses, before credits from Adviser	**10,187**	8,762	**20,583**	17,362
Credit to base management fee - loan servicing fee[(A)]	**(1,520)**	(1,396)	**(2,982)**	(2,744)
Credits to fees from Adviser - other[(A)]	**(102)**	(880)	**(2,029)**	(1,530)
Total expenses, net of credits	**8,565**	6,486	**15,572**	13,088
NET INVESTMENT INCOME	**8,695**	6,399	**17,855**	12,679
NET REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized gain (loss):				
Non-Control/Non-Affiliate investments	**—**	63	**472**	(2,080)
Affiliate investments	**—**	—	**13,408**	—
Control investments	**—**	—	**—**	(1)
Other	**233**	(1,152)	**(467)**	(1,160)
Total net realized gain (loss)	**233**	(1,089)	**13,413**	(3,241)
Net unrealized appreciation (depreciation):				
Non-Control/Non-Affiliate investments	**(1,083)**	13,963	**3,569**	21,850
Affiliate investments	**(2,795)**	724	**(17,822)**	629
Control investments	**3,253**	1,322	**3,391**	2,025
Other	**—**	(20)	**—**	(340)
Total net unrealized appreciation (depreciation)	**(625)**	15,989	**(10,862)**	24,164
Net realized and unrealized gain (loss)	**(392)**	14,900	**2,551**	20,923
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	**$ 8,303**	$ 21,299	**$ 20,406**	$ 33,602
BASIC AND DILUTED PER COMMON SHARE:				
Net investment income	**$ 0.25**	$ 0.20	**$ 0.52**	$ 0.39
Net increase (decrease) in net assets resulting from operations	**$ 0.24**	$ 0.65	**$ 0.59**	$ 1.03
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING: Basic and Diluted	**34,304,371**	32,765,980	**34,304,371**	32,428,089

(A) Refer to Note 4—*Related Party Transactions* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

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

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

	2022	2021
NET ASSETS, SEPTEMBER 30	**$ 318,439**	$ 233,743
OPERATIONS		
Net investment income	**9,160**	6,280
Net realized gain (loss) on investments	**13,880**	(2,144)
Net realized gain (loss) on other	**(700)**	(8)
Net unrealized appreciation (depreciation) of investments	**(10,237)**	8,495
Net unrealized depreciation (appreciation) of other	**—**	(320)
Net increase (decrease) in net assets resulting from operations	**12,103**	12,303
DISTRIBUTIONS		
Distributions to common stockholders from net investment income ($0.20 per share and $0.19 per share, respectively)[(A)]	**(6,689)**	(6,100)
Distributions to common stockholders from return of capital ($0.00 per share and $0.01 per share, respectively)[(A)]	**—**	(180)
Net decrease in net assets from distributions	**(6,689)**	(6,280)
CAPITAL TRANSACTIONS		
Issuance of common stock	**—**	7,491
Discounts, commissions and offering costs for issuance of common stock	**—**	(140)
Net increase (decrease) in net assets resulting from capital transactions	**—**	7,351
NET INCREASE (DECREASE) IN NET ASSETS	**5,414**	13,374
NET ASSETS, DECEMBER 31	**$ 323,853**	$ 247,117
OPERATIONS		
Net investment income	**8,695**	6,399
Net realized gain (loss) on investments	**—**	63
Net realized gain (loss) on other	**233**	(1,152)
Net unrealized appreciation (depreciation) of investments	**(625)**	16,009
Net unrealized depreciation (appreciation) of other	**—**	(20)
Net increase (decrease) in net assets resulting from operations	**8,303**	21,299
DISTRIBUTIONS		
Distributions to common stockholders from net investment income ($0.20 per share and $0.18 per share, respectively)[(A)]	**(6,689)**	(5,714)
Distributions to common stockholders from return of capital ($0.00 per share and $0.02 per share, respectively)[(A)]	**—**	(685)
Net decrease in net assets from distributions	**(6,689)**	(6,399)
CAPITAL TRANSACTIONS		
Issuance of common stock	**—**	9,037
Discounts, commissions and offering costs for issuance of common stock	**—**	(166)
Net increase (decrease) in net assets resulting from capital transactions	**—**	8,871
NET INCREASE (DECREASE) IN NET ASSETS	**1,614**	23,771
NET ASSETS, MARCH 31	**$ 325,467**	$ 270,888

(A) Refer to Note 8 – *Distributions to Common Stockholders* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

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

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

	Six Months Ended March 31, 2022	Six Months Ended March 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase (decrease) in net assets resulting from operations	**$ 20,406**	$ 33,602
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:		
Purchase of investments	**(121,569)**	(101,098)
Principal repayments on investments	**130,600**	78,456
Net proceeds from sale of investments	**16,922**	3,690
Increase in investments due to PIK interest or other	**(2,614)**	(1,081)
Net change in premiums, discounts and amortization	**(547)**	181
Net realized loss (gain) on investments	**(13,880)**	2,081
Net realized loss (gain) on other	**467**	1,160
Net unrealized depreciation (appreciation) of investments	**10,862**	(24,504)
Net unrealized appreciation (depreciation) of other	**—**	340
Changes in assets and liabilities:		
Amortization of deferred financing costs	**563**	756
Decrease (increase) in interest receivable, net	**(545)**	420
Decrease (increase) in funds due from administrative agent	**610**	(583)
Decrease (increase) in other assets, net	**(1,265)**	(76)
Increase (decrease) in accounts payable and accrued expenses	**51**	433
Increase (decrease) in interest payable	**406**	978
Increase (decrease) in fees due to Adviser[(A)]	**943**	(144)
Increase (decrease) in fee due to Administrator[(A)]	**197**	167
Increase (decrease) in other liabilities	**(3,943)**	471
Net cash provided by (used in) operating activities	**37,664**	(4,751)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	**161,500**	157,600
Repayments on line of credit	**(194,600)**	(244,400)
Proceeds from issuance of long term debt	**50,000**	150,000
Redemption of long term debt	**(38,813)**	(57,500)
Financing costs	**(1,575)**	(1,946)
Proceeds from issuance of common stock	**—**	16,528
Discounts, commissions and offering costs for issuance of common stock	**—**	(247)
Distributions paid to common stockholders	**(13,378)**	(12,679)
Net cash provided by (used in) financing activities	**(36,866)**	7,356
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS	**798**	2,605
CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS, BEGINNING OF PERIOD	**846**	2,469
CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS, END OF PERIOD	**$ 1,644**	$ 5,074
CASH PAID FOR INTEREST	**$ 5,621**	$ 4,412
NON-CASH ACTIVITIES[(B)]	**$ 710**	$ —

(A) Refer to Note 4—*Related Party Transactions* in the accompanying *Notes to Consolidated Financial Statements* for additional information.
(B) Non-cash activities relate to estimated tax liabilities and escrows associated with portfolio company exits.

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

GLADSTONE CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS
MARCH 31, 2022
(UNAUDITED)
(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment(A)(B)(W)(K)	Principal/ Shares/ Units(J)(I)	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS(M) – 141.4%			
Secured First Lien Debt – 100.5%			
Aerospace and Defense – 19.9%			
Antenna Research Associates, Inc. – Term Debt (L + 10.0%, 12.0% Cash, 4.0% PIK, Due 11/2023)(E)	$ 11,672	$ 11,672	$ 11,672
Ohio Armor Holdings, LLC – Term Debt (L + 8.0%, 9.0% Cash, Due 2/2026)(C)	19,500	19,500	19,451
SpaceCo Holdings, LLC – Line of Credit, $400 available (L + 7.0%, 8.0% Cash, Due 12/2025)(C)	1,600	1,600	1,600
SpaceCo Holdings, LLC – Term Debt (L + 7.0%, 8.0% Cash, Due 12/2025)(C)	32,131	31,684	32,131
		64,456	**64,854**
Beverage, Food, and Tobacco – 13.2%			
Café Zupas – Line of Credit, $4,000 available (L + 7.4%, 8.9% Cash, Due 12/2024)(C)	—	—	—
Café Zupas – Delayed Draw Term Loan, $0 available (L + 7.4%, 8.9% Cash, Due 12/2024)(C)	1,970	1,970	1,970
Café Zupas – Term Debt (L + 7.4%, 8.9% Cash, Due 12/2024)(C)	23,820	23,820	23,820
Eegee's LLC – Line of Credit, $1,000 available (L + 7.3%, 8.3% Cash, Due 6/2026)(C)	—	—	—
Eegee's LLC – Delayed Draw Term Loan, $7,500 available (L + 7.3%, 8.3% Cash, Due 6/2026)(C)	—	—	—
Eegee's LLC – Term Debt (L + 7.3%, 8.3% Cash, Due 6/2026)(C)	17,000	17,000	17,021
		42,790	**42,811**
Buildings and Real Estate – 0.5%			
GFRC 360, LLC – Line of Credit, $500 available (L + 8.0%, 9.0% Cash, Due 9/2022)(C)	700	700	693
GFRC 360, LLC – Term Debt (L + 8.0%, 9.0% Cash, Due 9/2022)(C)	1,000	1,000	990
		1,700	**1,683**
Diversified/Conglomerate Manufacturing – 10.8%			
Engineering Manufacturing Technologies, LLC – Line of Credit, $3,000 available (L + 8.3%, 9.3% Cash, Due 10/2026)(C)	—	—	—
Engineering Manufacturing Technologies, LLC – Term Debt (L + 8.3%, 9.3% Cash, Due 10/2026)(C)	22,500	22,500	22,359
Unirac, Inc. – Line of Credit, $125 available (L + 7.0%, 8.0% Cash, Due 6/2026)(C)	1,128	1,128	1,130
Unirac, Inc. – Delayed Draw Term Loan, $1,254 available (L + 7.0%, 8.0% Cash, Due 6/2026)(C)	—	—	—
Unirac, Inc. – Term Debt (L + 7.0%, 8.0% Cash, Due 6/2026)(C)	11,771	11,527	11,786
		35,155	**35,275**
Diversified/Conglomerate Service – 27.4%			
DKI Ventures, LLC – Term Debt (L + 8.3%, 9.3% Cash, 4.0% PIK, Due 12/2023)(C)	5,876	5,876	4,863
ENET Holdings, LLC – Term Debt (L + 8.8%, 10.2% Cash, Due 12/2022)(C)	1,000	1,000	895
ENET Holdings, LLC – Term Debt (L + 8.8%, 10.2% Cash, Due 4/2025)(C)	29,000	29,000	25,955
Fix-It Group, LLC – Line of Credit, $3,000 available (L + 7.0%, 8.0% Cash, Due 12/2026)(C)	—	—	—
Fix-It Group, LLC – Term Debt (L + 7.0%, 8.0% Cash, Due 12/2026)(C)	10,000	10,000	9,913
Fix-It Group, LLC – Delayed Draw Term Loan, $10,000 available (L + 7.0%, 8.0% Cash, Due 12/2026)(C)	—	—	—
MCG Energy Solutions, LLC – Line of Credit, $3,000 available (L + 7.5%, 8.5% Cash, Due 3/2026)(C)	—	—	—
MCG Energy Solutions, LLC – Term Debt (L + 7.5%, 8.5% Cash, 3.5% PIK, Due 3/2026)(C)	20,451	20,451	19,685
R2i Holdings, LLC – Line of Credit, $1,171 available (8.0% Cash, Due 12/2023)(C)(F)	829	829	763
R2i Holdings, LLC – Term Debt (8.0% Cash, Due 12/2023)(C)(F)	18,500	18,500	17,020
WorkforceQA, LLC – Line of Credit, $2,000 available (L + 6.8%, 7.8% Cash, Due 12/2026)(C)	—	—	—
WorkforceQA, LLC – Term Debt (L + 9.0%, 10.0% Cash, Due 12/2026)(C)(H)	10,000	10,000	9,975
		95,656	**89,069**
Healthcare, Education, and Childcare – 24.8%			
ALS Education, LLC – Line of Credit, $3,000 available (L + 7.0%, 8.5% Cash, Due 5/2025)(C)	—	—	—
ALS Education, LLC – Term Debt (L + 7.0%, 8.5% Cash, Due 5/2025)(C)	20,350	20,350	20,299
HH-Inspire Acquisition, Inc. – Line of Credit, $3,000 available (L + 6.8%, 7.8% Cash, Due 12/2026)(C)	—	—	—
HH-Inspire Acquisition, Inc. – Term Debt (L + 6.8%, 7.8% Cash, Due 12/2026)(C)	16,000	16,000	15,920

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

GLADSTONE CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS
MARCH 31, 2022
(UNAUDITED)
(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment[(A)(B)(W)(K)]	Principal/ Shares/ Units[(J)(I)]	Cost	Fair Value
HH-Inspire Acquisition, Inc. – Delayed Draw Term Loan, $10,000 available (L + 6.8%, 7.8% Cash, Due 12/2026)[(C)]	—	—	—
Pansophic Learning Ltd. – Term Debt (L + 7.3%, 8.3% Cash, Due 3/2027)[(C)(Y)]	28,000	27,958	28,000
Pansophic Learning Ltd. – Term Debt (L + 7.3%, 8.3% Cash, Due 3/2027)[(C)(Y)]	5,000	4,993	5,000
Turn Key Health Clinics, LLC – Line of Credit, $1,500 available (L + 7.3%, 8.3% Cash, Due 6/2026)[(C)]	500	500	499
Turn Key Health Clinics, LLC – Term Debt (L + 7.3%, 8.3% Cash, Due 6/2026)[(C)]	11,000	11,000	10,986
		80,801	**80,704**
Machinery – 1.7%			
Arc Drilling Holdings LLC – Line of Credit, $875 available (L + 8.0%, 9.3% Cash, Due 11/2022)[(C)]	125	125	120
Arc Drilling Holdings LLC – Term Debt (L + 9.5%, 10.8% Cash, 3.0% PIK, Due 11/2022)[(C)]	5,837	5,837	5,459
		5,962	**5,579**
Printing and Publishing – 0.0%			
Chinese Yellow Pages Company – Line of Credit, $0 available (PRIME + 4.0%, 7.5% Cash, Due 2/2015)[(F)(V)(Q)]	$ 107	**107**	—
Telecommunications – 2.2%			
B+T Group Acquisition, Inc.[(S)] – Line of Credit, $0 available (L + 11.0%, 13.0% Cash, Due 12/2024)[(C)]	1,200	1,200	1,173
B+T Group Acquisition, Inc.[(S)] – Term Debt (L + 11.0%, 13.0% Cash, Due 12/2024)[(C)]	6,000	6,000	5,865
		7,200	**7,038**
Total Secured First Lien Debt		**$ 333,827**	**$ 327,013**
Secured Second Lien Debt – 23.8%			
Automobile – 3.2%			
Sea Link International IRB, Inc. – Term Debt (11.3% Cash, 2.0% PIK, Due 3/2023)[(C)(F)]	$ 11,003	**$ 11,003**	**$ 10,343**
Beverage, Food, and Tobacco – 1.0%			
8th Avenue Food & Provisions, Inc. – Term Debt (L + 7.8%, 8.2% Cash, Due 10/2026)[(D)]	3,682	**3,700**	**3,315**
Diversified/Conglomerate Manufacturing – 10.6%			
Springfield, Inc. – Term Debt (L + 9.0%, 10.0% Cash, Due 12/2026)[(C)]	30,000	30,000	29,925
Tailwind Smith Cooper Intermediate Corporation – Term Debt (L + 9.0%, 9.5% Cash, Due 5/2027)[(D)]	5,000	4,815	4,662
		34,815	**34,587**
Diversified/Conglomerate Service – 1.5%			
CHA Holdings, Inc. – Term Debt (L + 8.8%, 9.8% Cash, Due 4/2026)[(D)(U)]	3,000	2,963	2,760
Gray Matter Systems, LLC – Term Debt (12.0% Cash, Due 12/2026)[(C)(F)]	2,100	2,066	2,100
		5,029	**4,860**
Machinery – 0.2%			
CPM Holdings, Inc. – Term Debt (L + 8.3%, 8.7% Cash, Due 11/2026)[(D)]	798	**798**	**790**
Oil and Gas – 7.3%			
Imperative Holdings Corporation – Term Debt (L + 10.3%, 12.3% Cash, 1.8% PIK, Due 9/2024)[(C)]	25,296	**25,237**	**23,778**
Total Secured Second Lien Debt		**$ 80,582**	**$ 77,673**
Unsecured Debt – 0.0%			
Diversified/Conglomerate Service – 0.0%			
Frontier Financial Group Inc. – Convertible Debt (6.0%, Due 6/2022)[(E)(F)]	$ 198	**$ 198**	**$ 64**
Preferred Equity – 5.9%			
Automobile – 0.0%			
Sea Link International IRB, Inc. – Preferred Stock[(E)(G)]	98,039	**98**	**139**
Beverage, Food, and Tobacco – 0.0%			
Triple H Food Processors, LLC – Preferred Stock[(E)(G)]	75	**75**	**111**
Buildings and Real Estate – 0.3%			
GFRC 360, LLC – Preferred Stock[(E)(G)]	1,000	**1,025**	**964**
Diversified/Conglomerate Service – 2.6%			
Frontier Financial Group Inc. – Preferred Stock[(E)(G)]	766	500	—
Frontier Financial Group Inc. – Preferred Stock Warrant[(E)(G)]	168	—	—
MCG Energy Solutions, LLC – Preferred Stock[(E)]	7,000,000	7,000	8,503

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

GLADSTONE CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS
MARCH 31, 2022
(UNAUDITED)
(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment(A)(B)(W)(K)	Principal/ Shares/ Units(J)(I)	Cost	Fair Value
		7,500	**8,503**
Healthcare, Education, and Childcare – 0.3%			
HH-Inspire Acquisition, Inc. – Preferred Stock(E)(G)	750,000	**750**	**802**
Oil and Gas – 0.6%			
FES Resources Holdings LLC – Preferred Equity Units(E)(G)	6,350	6,350	—
Imperative Holdings Corporation – Preferred Equity Units(E)(G)	13,740	632	1,770
		6,982	**1,770**
Telecommunications – 2.1%			
B+T Group Acquisition, Inc.(S) – Preferred Stock(E)(G)	6,130	2,024	6,320
NetFortris Holdings LLC – Preferred Stock(E)(G)(Z)	7,890,860	789	647
		2,813	**6,967**
Total Preferred Equity		**$ 19,243**	**$ 19,256**
Common Equity – 11.2%			
Aerospace and Defense – 4.3%			
Antenna Research Associates, Inc. – Common Equity Units(E)(G)	4,283	$ 4,283	$ 11,985
Ohio Armor Holdings, LLC – Common Equity(E)(G)	1,000	1,000	1,912
		5,283	**13,897**
Automobile – 0.0%			
Sea Link International IRB, Inc.– Common Equity Units(E)(G)	823,333	**823**	**43**
Beverage, Food, and Tobacco – 0.3%			
Triple H Food Processors, LLC – Common Stock(E)(G)	250,000	**250**	**914**
Buildings and Real Estate – 0.0%			
GFRC 360, LLC – Common Stock Warrants(E)(G)	45.0 %	—	—
Diversified/Conglomerate Manufacturing – 0.9%			
Engineering Manufacturing Technologies, LLC – Common Stock(E)(G)	6,000	**3,000**	**2,779**
Diversified/Conglomerate Service – 0.2%			
WorkforceQA, LLC – Common Stock(E)(G)	500	**500**	**590**
Healthcare, Education, and Childcare – 1.9%			
GSM MidCo LLC – Common Stock(E)(G)	767	767	1,184
Leeds Novamark Capital I, L.P. – Limited Partnership Interest ($843 uncalled capital commitment)(F)(L)(R)	3.5 %	1,223	4,964
		1,990	**6,148**
Machinery – 0.0%			
Arc Drilling Holdings LLC – Common Stock(E)(G)	15,000	**1,500**	**—**
Oil and Gas – 0.0%			
FES Resources Holdings LLC – Common Equity Units(E)(G)	6,233	—	—
Total Safety Holdings, LLC – Common Equity(E)(G)	435	499	83
		499	**83**
Personal and Non-Durable Consumer Products (Manufacturing Only) – 0.0%			
Funko Acquisition Holdings, LLC(S) – Common Units(G)(T)	6,290	**30**	**76**
Telecommunications – 0.1%			
B+T Group Acquisition, Inc.(S) – Common Stock Warrant(E)(G)	1.5 %	**—**	**395**
Textiles and Leather – 3.5%			
Targus Cayman HoldCo, Ltd. – Common Stock(E)(G)	3,076,414	**2,062**	**11,460**
Total Common Equity		**$ 15,937**	**$ 36,385**
Total Non-Control/Non-Affiliate Investments		**$ 449,787**	**$ 460,391**
AFFILIATE INVESTMENTS(N) – 12.3%			
Secured First Lien Debt – 11.2%			
Diversified/Conglomerate Manufacturing – 1.9%			
Edge Adhesives Holdings, Inc.(S) – Term Debt (L + 5.5%, 7.5% Cash, Due 8/2024)(C)	$ 6,140	**$ 6,140**	**$ 6,048**
Diversified/Conglomerate Service – 9.3%			
Encore Dredging Holdings, LLC – Line of Credit, $1,000 available (L + 8.0%, 9.0% Cash, Due 12/2025)(C)	2,000	2,000	1,988
Encore Dredging Holdings, LLC – Term Debt (L + 8.0%, 9.0% Cash, Due 12/2025)(C)	23,500	23,500	23,353

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

GLADSTONE CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS
MARCH 31, 2022
(UNAUDITED)
(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment[(A)(B)(W)(K)]		Principal/ Shares/ Units[(J)(I)]		Cost		Fair Value
Encore Dredging Holdings, LLC – Delayed Draw Term Loan, $0 available (L + 8.0%, 9.0% Cash, Due 12/2025)[(C)]		5,000		5,000		4,969
				30,500		**30,310**
Total Secured First Lien Debt			$	**36,640**	$	**36,358**
Preferred Equity – 0.9%						
Diversified/Conglomerate Manufacturing – 0.0%						
Edge Adhesives Holdings, Inc[(S)] – Preferred Stock[(E)(G)]		5,466	$	**5,466**	$	—
Diversified/Conglomerate Service– 0.7%						
Encore Dredging Holdings, LLC– Preferred Stock[(E)(G)]		3,200,000		**3,200**	$	**2,057**
Personal and Non-Durable Consumer Products (Manufacturing Only) – 0.2%						
Canopy Safety Brands, LLC – Preferred Stock[(E)(G)]		500,000		**500**		**768**
Total Preferred Equity			$	**9,166**	$	**2,825**
Common Equity – 0.2%						
Personal and Non-Durable Consumer Products (Manufacturing Only) – 0.2%						
Canopy Safety Brands, LLC – Common Stock[(E)(G)]		800,000		**300**		**700**
Total Common Equity			$	**300**	$	**700**
Total Affiliate Investments			$	**46,106**	$	**39,883**
CONTROL INVESTMENTS[(O)] – 11.5%						
Secured First Lien Debt – 4.5%						
Diversified/Conglomerate Manufacturing – 0.8%						
LWO Acquisitions Company LLC – Term Debt (L + 7.5%, 10.0% Cash, Due 6/2021)[(C)(Q)(X)]	$	6,000	$	6,000	$	2,638
LWO Acquisitions Company LLC – Term Debt (Due 6/2021)[(E)(P)(Q)(X)]		10,732		10,732		—
				16,732		**2,638**
Personal and Non-Durable Consumer Products (Manufacturing Only) – 3.3%						
WB Xcel Holdings, LLC – Line of Credit, $682 available (L + 10.5%, 11.5% Cash, Due 11/2026)[(F)]		818		818		818
WB Xcel Holdings, LLC – Term Debt (L + 10.5%, 11.5% Cash, Due 11/2026)[(F)]		9,975		9,975		9,975
				10,793		**10,793**
Printing and Publishing – 0.4%						
TNCP Intermediate HoldCo, LLC – Line of Credit, $900 available (8.0% Cash, Due 10/2024)[(C)(F)]		1,100		**1,100**		**1,100**
Total Secured First Lien Debt			$	**28,625**	$	**14,531**
Secured Second Lien Debt – 2.4%						
Automobile– 2.4%						
Defiance Integrated Technologies, Inc. – Term Debt (L + 9.5%, 11.0% Cash, Due 5/2026)[(F)]	$	7,825	$	**7,825**	$	**7,825**
Unsecured Debt – 0.0%						
Diversified/Conglomerate Manufacturing – 0.0%						
LWO Acquisitions Company LLC – Term Debt (Due 6/2023)[(E)(P)(X)]	$	95	$	95	$	—
LWO Acquisitions Company LLC – Term Debt (Due 8/2022)[(E)(P)(X)]		25		25		—
			$	**120**	$	—
Preferred Equity – 1.8%						
Automobile– 0.1%						
Defiance Integrated Technologies, Inc. – Preferred Stock[(E)(G)]		6,043	$	**250**	$	**278**
Personal and Non-Durable Consumer Products (Manufacturing Only) – 1.7%						
WB Xcel Holdings, LLC – Preferred Stock[(E)(G)]		333		**2,750**		**5,576**
Total Preferred Equity			$	**3,000**	$	**5,854**
Common Equity – 2.8%						
Automobile– 0.9%						
Defiance Integrated Technologies, Inc. – Common Stock[(E)(G)]		33,231	$	**580**	$	**3,034**
Diversified/Conglomerate Manufacturing – 0.0%						
LWO Acquisitions Company LLC – Common Units[(E)(G)(X)]		921,000		**921**		—
Machinery – 1.2%						
PIC 360, LLC – Common Equity Units[(E)(G)]		750		**1**		**4,061**

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

GLADSTONE CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS
MARCH 31, 2022
(UNAUDITED)
(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment[(A)(B)(W)(K)]	Principal/ Shares/ Units[(J)(I)]	Cost	Fair Value
Printing and Publishing – 0.7%			
TNCP Intermediate HoldCo, LLC – Common Equity Units[(E)(G)]	790,000	**500**	**2,124**
Total Common Equity		**$ 2,002**	**$ 9,219**
Total Control Investments		**$ 41,572**	**$ 37,429**
TOTAL INVESTMENTS – 165.2%		**$ 537,465**	**$ 537,703**

(A) Certain of the securities listed in this schedule are issued by affiliate(s) of the indicated portfolio company. The majority of the securities listed, totaling $478.3 million at fair value, are pledged as collateral under our revolving line of credit, as described further in Note 5—*Borrowings* in the accompanying *Notes to Consolidated Financial Statements.* Under the Investment Company Act of 1940, as amended (the "1940 Act"), we may not acquire any non-qualifying assets unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. As of March 31, 2022, our investments in Leeds Novamark Capital I, L.P. ("Leeds") and Funko Acquisition Holdings, LLC ("Funko") are considered non-qualifying assets under Section 55 of the 1940 Act. Such non-qualifying assets represent 0.9% of total investments, at fair value, as of March 31, 2022.

(B) Unless indicated otherwise, all cash interest rates are indexed to 30-day London Interbank Offered Rate ("LIBOR" or "L"), which was 0.45% as of March 31, 2022. If applicable, paid-in-kind ("PIK") interest rates are noted separately from the cash interest rate. Certain securities are subject to an interest rate floor. The cash interest rate is the greater of the floor or LIBOR plus a spread. Due dates represent the contractual maturity date.

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

(D) Fair value was based on the indicative bid price on or near March 31, 2022, offered by the respective syndication agent's trading desk.

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

(F) Debt security has a fixed interest rate.

(G) Security is non-income producing.

(H) The Company has entered into an agreement that entitles it to the "last out" tranche of the first lien secured loan, whereby the "first out" tranche will receive priority as to the "last out" tranche with respect to payments of principal, interest, and any other amounts due thereunder. Therefore, the Company receives a higher interest rate than the contractual stated interest rate of LIBOR plus 6.75% (Floor 1.0%) per the credit agreement and the Consolidated Schedule of Investments above reflects such higher rate.

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

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

(K) Category percentages represent the fair value of each category and subcategory as a percentage of net assets as of March 31, 2022.

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

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

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

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

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

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

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

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

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

(U) The cash interest rate on this investment was indexed to 90-day LIBOR, which was 0.96% as of March 31, 2022.

(V) The cash interest rate on this investment was indexed to the U.S. Prime Rate ("PRIME"), which was 3.50% as of March 31, 2022.

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

(X) In February 2022, LWO Acquisitions Company LLC filed for Chapter 11 bankruptcy protection.

(Y) Investment formerly known as EL Academies, Inc.

(Z) Investment formerly known as NetFortris Corp.

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

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

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

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

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

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

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CONSOLIDATED SCHEDULE OF INVESTMENTS
SEPTEMBER 30, 2021
(DOLLAR AMOUNTS IN THOUSANDS)

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

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

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

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

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

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

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

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

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

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

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

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

(F) Debt security has a fixed interest rate.

(G) Security is non-income producing.

(H) Reserved.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GLADSTONE CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

MARCH 31, 2022

(DOLLAR AMOUNTS IN TABLES IN THOUSANDS, EXCEPT PER SHARE DATA AND AS OTHERWISE INDICATED)

NOTE 1. ORGANIZATION

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

Gladstone Business Loan, LLC ("Business Loan"), a wholly-owned subsidiary of ours, was established on February 3, 2003, for the sole purpose of holding certain investments pledged as collateral to our line of credit. The financial statements of Business Loan are consolidated with those of Gladstone Capital Corporation. We may also have significant subsidiaries (as defined under Rule 1-02(w)(2) of the U.S. Securities and Exchange Commission's ("SEC") Regulation S-X) whose financial statements are not consolidated with ours. We did not have any unconsolidated subsidiaries that met any of the significance conditions under Rule 1-02(w)(2) of the SEC's Regulation S-X as of or during the six month period ended March 31, 2022 or the six month period ended March 31, 2021.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unaudited Interim Financial Statements and Basis of Presentation

We prepare our interim financial statements in accordance with accounting principles generally accepted in the U.S. ("GAAP") for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6, 10 and 12 of Regulation S-X. Accordingly, we have not included in this quarterly report all of the information and notes required by GAAP for annual financial statements. The accompanying *Consolidated Financial Statements* include our accounts and those of our wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. In accordance with Article 6 of Regulation S-X, we do not consolidate portfolio company investments. Under the investment company rules and regulations pursuant to the American Institute of Certified Public Accountants Audit and Accounting Guide for Investment Companies, codified in ASC 946, we are precluded from consolidating any entity other than another investment company, except that ASC 946 provides for the consolidation of a controlled operating company that provides substantially all of its services to the investment company or its consolidated subsidiaries. In our opinion, all adjustments, consisting solely of normal recurring accruals, necessary for the fair statement of financial statements for the interim periods have been included. The results of operations for the three and six months ended March 31, 2022 are not necessarily indicative of results that ultimately may be achieved for the fiscal year ending

September 30, 2022 or any future interim periods. The interim financial statements and notes thereto should be read in conjunction with the financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2021, as filed with the SEC on November 15, 2021.

Use of Estimates

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

Investment Valuation Policy

Accounting Recognition

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

Board Responsibility

In accordance with the 1940 Act, our board of directors ("Board of Directors") has the ultimate responsibility for reviewing and determining, in good faith, the fair value of our investments for which market quotations are not readily available based on our investment valuation policy (which has been approved by our Board of Directors) (the "Policy"). Such review occurs in three phases. First, prior to its quarterly meetings, the Board of Directors receives written valuation recommendations and supporting materials provided by professionals of the Adviser and Administrator with oversight and direction from the chief valuation officer (the "Valuation Team"). Second, the Valuation Committee of our Board of Directors (comprised entirely of independent directors) meets to review the valuation recommendations and supporting materials, discusses the information provided by the Valuation Team, determines whether the Valuation Team has followed the Policy, determines whether the Valuation Team's recommended fair value is reasonable in light of the Policy, and reviews other facts and circumstances, as necessary. Third, after the Valuation Committee concludes its meeting, it and the chief valuation officer present the Valuation Committee's findings to the entire Board of Directors so that the full Board of Directors may review and determine in good faith the fair value of such investments in accordance with the Policy.

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

Use of Third Party Valuation Firms

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

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

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

Valuation Techniques

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

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

  TEV is primarily calculated using EBITDA and EBITDA multiples; however, TEV may also be calculated using revenue and revenue multiples or a discounted cash flow ("DCF") analysis whereby future expected cash flows of the portfolio company are discounted to determine a net present value using estimated risk-adjusted discount rates, which incorporate adjustments for nonperformance and liquidity risks. Generally, the Valuation Team uses a DCF analysis to calculate TEV to corroborate estimates of value for our equity investments where we do not have the ability to effectuate a sale of a portfolio company or for debt of credit impaired portfolio companies.

- *Yield Analysis* — The Valuation Team generally determines the fair value of our debt investments for which we do not have the ability to effectuate a sale of the applicable portfolio company using the yield analysis, which includes a DCF calculation and assumptions that the Valuation Team believes market participants would use, including, estimated remaining life, current market yield, current leverage, and interest rate spreads. This technique develops a modified discount rate that incorporates risk premiums including increased probability of default, increased loss upon default and increased liquidity risk. Generally, the Valuation Team uses the yield analysis to corroborate both estimates of value provided by ICE and market quotes.

- *Market Quotes* — For our investments for which a limited market exists, we generally base fair value on readily available and reliable market quotations which are corroborated by the Valuation Team (generally by using the yield analysis described above). In addition, the Valuation Team assesses trading activity for similar investments and evaluates variances in quotations and other market insights to determine if any available quoted prices are reliable. Typically, the Valuation Team uses the lower indicative bid price ("IBP") in the bid-to-ask price range obtained from the respective originating syndication agent's trading desk on or near the valuation date. The Valuation Team may take further steps to consider additional information to validate that price in accordance with the Policy. For securities that are publicly traded, we generally base fair value on the closing market price of the securities we hold as of the reporting date. For restricted securities that are publicly traded, we generally base fair value on the closing market price of the securities we hold as of the reporting date less a discount for the restriction, which includes consideration of the nature and term to expiration of the restriction.

- *Investments in Funds* — For equity investments in other funds for which we cannot effectuate a sale of the fund, the Valuation Team generally determines the fair value of our invested capital at the net asset value ("NAV") provided by the fund. Any invested capital that is not yet reflected in the NAV provided by the fund is valued at par value. The Valuation Team may also determine fair value of our investments in other investment funds based on the capital accounts of the underlying entity.

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

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

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

Revenue Recognition

Interest Income Recognition

Interest income, including the amortization of premiums, acquisition costs and amendment fees, the accretion of original issue discounts ("OID"), and paid-in-kind ("PIK") interest, is recorded on the accrual basis to the extent that such amounts are expected to be collected. Generally, when a loan becomes 90 days or more past due or if our qualitative assessment indicates that the debtor is unable to service its debt or other obligations, we will place the loan on non-accrual status and cease recognizing interest income on that loan for financial reporting purposes until the borrower has demonstrated the ability and intent to pay contractual amounts due. However, we remain contractually entitled to this interest. Interest payments received on non-accrual loans may be recognized as income or applied to the cost basis depending upon management's judgment. Generally, non-accrual loans are restored to accrual status when past due principal and interest are paid and, in management's judgment, are likely to remain current, or due to a restructuring such that the interest income is deemed to be collectible. As of March 31, 2022 and September 30, 2021, there were no loans on non-accrual status.

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

As of March 31, 2022 and September 30, 2021, we held four and six OID loans, respectively, primarily from the syndicated loans in our portfolio. We recorded OID income of $87 thousand and $0.2 million during the three and six months ended March 31, 2022, respectively, and $39 thousand and $0.1 million during the three and six months ended March 31, 2021, respectively. The unamortized balance of OID investments as of March 31, 2022 and September 30, 2021 totaled $0.9 million and $1.1 million, respectively. As of March 31, 2022 and September 30, 2021, we had six and seven investments which had a PIK interest component, respectively. We recorded PIK interest income of $0.9 million and $2.1 million during the three and six months ended March 31, 2022, respectively, and $0.4 million and $1.0 million during the three and six months ended March 31, 2021, respectively. We collected $2.4 million in PIK interest in cash during each of the three and six months ended March 31, 2022, and $1.2 million and $3.4 million during the three and six months ended March 31, 2021, respectively.

Success Fee Income Recognition

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

Dividend Income Recognition

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

Related Party Fees

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

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

NOTE 3. INVESTMENTS

Fair Value

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

- *Level 1* — inputs to the valuation methodology are quoted prices (unadjusted) for identical financial instruments in active markets;

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

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

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

As of each of March 31, 2022 and September 30, 2021, all of our investments were valued using Level 3 inputs within the ASC 820 fair value hierarchy, except for our investment in Funko Acquisition Holdings, LLC ("Funko"), which was valued using Level 2 inputs, and our investment in Leeds Novamark Capital I, L.P. (“Leeds”), which was valued using NAV as a practical expedient.

We transfer investments in and out of Level 1, 2, and 3 of the valuation hierarchy as of the beginning balance sheet date, based on changes in the use of observable and unobservable inputs utilized to perform the valuation for the period. During the six months ended March 31, 2022 and 2021, there were no investments transferred into or out of Levels 1, 2 or 3 of the valuation hierarchy.

As of March 31, 2022 and September 30, 2021, our investments, by security type, at fair value were categorized as follows within the ASC 820 fair value hierarchy:

		Fair Value Measurements		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of March 31, 2022:				
Secured first lien debt	$ 377,902	$ —	$ —	$ 377,902
Secured second lien debt	85,498	—	—	85,498
Unsecured debt	64	—	—	64
Preferred equity	27,935	—	—	27,935
Common equity/equivalents	41,340 (A)	—	76 (B)	41,264
Total Investments at March 31, 2022	**$ 532,739**	**$ —**	**$ 76**	**$ 532,663**

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

(A) Excludes our investment in Leeds with a fair value of $5.0 million and $6.5 million as of March 31, 2022 and September 30, 2021, respectively. Leeds was valued using NAV as a practical expedient.

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

The following table presents our portfolio investments, valued using Level 3 inputs within the ASC 820 fair value hierarchy and carried at fair value as of March 31, 2022 and September 30, 2021, by caption on our accompanying *Consolidated Statements of Assets and Liabilities* and by security type:

	Total Recurring Fair Value Measurements Reported in *Consolidated Statements of Assets and Liabilities* Using Significant Unobservable Inputs (Level 3)	
	March 31, 2022	**September 30, 2021**
Non-Control/Non-Affiliate Investments		
Secured first lien debt	**$ 327,013**	$ 304,095
Secured second lien debt	**77,673**	97,408
Unsecured debt	**64**	10
Preferred equity	**19,256**	18,110
Common equity/equivalents	**31,345** (A)	28,413 (B)
Total Non-Control/Non-Affiliate Investments	**$ 455,351**	$ 448,036
Affiliate Investments		
Secured first lien debt	**$ 36,358**	$ 29,158
Secured second lien debt	**—**	30,563
Preferred equity	**2,825**	10,866
Common equity/equivalents	**700**	11,694
Total Affiliate Investments	**$ 39,883**	$ 82,281
Control Investments		
Secured first lien debt	**$ 14,531**	$ 4,141
Secured second lien debt	**7,825**	7,985
Preferred equity	**5,854**	270
Common equity/equivalents	**9,219**	8,334
Total Control Investments	**$ 37,429**	$ 20,730
Total Investments at Fair Value Using Level 3 Inputs	**$ 532,663**	$ 551,047

(A) Excludes our investments in Leeds and Funko with fair values of $5.0 million and $76 thousand, respectively, as of March 31, 2022. Leeds was valued using NAV as a practical expedient, and Funko was valued using Level 2 inputs.

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

In accordance with ASC 820, the following table provides quantitative information about our Level 3 fair value measurements of our investments as of March 31, 2022 and September 30, 2021. The table below is not intended to be all-inclusive, but rather provides information on the significant Level 3 inputs as they relate to our fair value measurements.

The weighted average calculations in the table below are based on the principal balances for all debt related calculations and on the cost basis for all equity related calculations for the particular input.

	Quantitative Information about Level 3 Fair Value Measurements					
					Range / Weighted Average as of	
	March 31, 2022	September 30, 2021	Valuation Techniques/ Methodologies	Unobservable Input	March 31, 2022	September 30, 2021
Secured first lien debt	**$ 351,699**	$ 321,490	Yield Analysis	Discount Rate	7.9% - 26.2% / 10.5%	7.5% - 31.2% / 12.4%
	26,203	15,904	TEV	EBITDA multiple	5.3x – 7.4x / 6.5x	5.4x – 5.9x / 5.9x
				EBITDA	$689 - $9,506 / $5,871	$620 - $10,209 / $9,255
				Revenue multiple	0.3x – 0.3x / 0.3x	0.3x – 0.3x / 0.3x
				Revenue	$9,744 - $9,744 / $9,744	$9,968 - $9,968 / $9,968
Secured second lien debt	**66,146**	106,464	Yield Analysis	Discount Rate	10.1% - 20.2% / 14.5%	10.1% - 23.7% / 14.7%
	11,527	21,507	Market Quote	IBP	90.0% - 99.0% / 92.4%	90.0% - 99.0% / 95.7%
	7,825	7,985	TEV	EBITDA multiple	5.9x – 5.9x / 5.9x	6.0x – 6.0x / 6.0x
				EBITDA	$3,532 - $3,532 / $3,532	$3,125 - $3,125 / $3,125
Unsecured debt	**64**	10	TEV	Revenue multiple	0.3x – 1.3x / 0.9x	0.3x – 1.4x / 1.0x
				Revenue	$722 - $9,744 / $4,127	$752 - $9,968 / $3,740
Preferred and common equity / equivalents[(A)]	**69,199**	77,687	TEV	EBITDA multiple	4.5x – 10.0x / 6.8x	3.7x – 9.5x / 7.2x
				EBITDA	$689 -$54,654 / $9,841	$620 -$62,547 / $14,788
				Revenue multiple	0.3x – 4.4x / 2.2x	0.3x– 4.0x / 2.0x
				Revenue	$722 -$175,678 / $30,837	$752 -$144,889 / $29,437
Total Level 3 Investments, at Fair Value	**$ 532,663**	$ 551,047				

(A) Fair value as of March 31, 2022 excludes our investments in Leeds and Funko with fair values of $5.0 million and $76 thousand, respectively. Fair value as of September 30, 2021 excludes our investments in Leeds and Funko with fair values of $6.5 million and $78 thousand, respectively. Leeds was valued using NAV as a practical expedient and Funko was valued using Level 2 inputs as of both March 31, 2022 and September 30, 2021.

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

Changes in Level 3 Fair Value Measurements of Investments

The following tables provide the changes in fair value, broken out by security type, during the three and six months ended March 31, 2022 and 2021 for all investments for which we determine fair value using unobservable (Level 3) inputs.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Three months ended March 31, 2022	**Secured First Lien Debt**	**Secured Second Lien Debt**	**Unsecured Debt**	**Preferred Equity**	**Common Equity/ Equivalents**	**Total**
Fair Value as of December 31, 2021	**$ 395,753**	**$ 106,232**	**$ 66**	**$ 26,483**	**$ 41,494**	**$ 570,028**
Total gains (losses):						
Net realized gain (loss)(A)	—	—	—	—	—	—
Net unrealized appreciation (depreciation)(B)	(81)	(180)	(27)	1,452	(230)	934
Reversal of prior period net depreciation (appreciation) on realization(B)	(285)	117	—	—	1	(167)
New investments, repayments and settlements: (C)						
Issuances/originations	12,120	166	25	—	—	12,311
Settlements/repayments	(29,605)	(20,837)	—	—	—	(50,442)
Net proceeds from sales	—	—	—	—	(1)	(1)
Fair Value as of March 31, 2022	**$ 377,902**	**$ 85,498**	**$ 64**	**$ 27,935**	**$ 41,264**	**$ 532,663**

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Six months ended March 31, 2022	**Secured First Lien Debt**	**Secured Second Lien Debt**	**Unsecured Debt**	**Preferred Equity**	**Common Equity/ Equivalents**	**Total**
Fair Value as of September 30, 2021	**$ 337,394**	**$ 135,956**	**$ 10**	**$ 29,246**	**$ 48,441**	**$ 551,047**
Total gains (losses):						
Net realized gain (loss)(A)	—	—	—	—	13,876	13,876
Net unrealized appreciation (depreciation)(B)	4,412	379	29	791	292	5,903
Reversal of prior period net depreciation (appreciation) on realization(B)	(380)	(1,601)	—	(4,281)	(9,113)	(15,375)
New investments, repayments and settlements: (C)						
Issuances/originations	86,823	30,336	25	3,500	3,500	124,184
Settlements/repayments	(50,347)	(79,572)	—	—	—	(129,919)
Net proceeds from sales	—	—	—	(1,321)	(15,732)	(17,053)
Fair Value as of March 31, 2022	**$ 377,902**	**$ 85,498**	**$ 64**	**$ 27,935**	**$ 41,264**	**$ 532,663**

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Three months ended March 31, 2021	Secured First Lien Debt	Secured Second Lien Debt	Unsecured Debt	Preferred Equity	Common Equity/ Equivalents	Total
Fair Value as of December 31, 2020	$ 219,921	$ 194,219	$ 15	$ 9,236	$ 24,473	$ 447,864
Total gains (losses):						
Net realized gain (loss)(A)	—	—	—	—	—	—
Net unrealized appreciation (depreciation)(B)	1,156	2,190	(2)	(385)	12,986	15,945
Reversal of prior period net depreciation (appreciation) on realization(B)	20	(210)	—	—	—	(190)
New investments, repayments and settlements: (C)						
Issuances/originations	64,210	217	—	7,000	1,000	72,427
Settlements/repayments	(11,845)	(36,159)	—	—	—	(48,004)
Fair Value as of March 31, 2021	**$ 273,462**	**$ 160,257**	**$ 13**	**$ 15,851**	**$ 38,459**	**$ 488,042**

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Six months ended March 31, 2021	Secured First Lien Debt	Secured Second Lien Debt	Unsecured Debt	Preferred Equity	Common Equity/ Equivalents	Total
Fair Value as of September 30, 2020	$ 213,468	$ 196,986	$ 4,299	$ 7,000	$ 23,881	$ 445,634
Total gains (losses):						
Net realized gain (loss)(A)	—	—	—	—	(2,393)	(2,393)
Net unrealized appreciation (depreciation)(B)	2,088	3,199	(4)	(247)	16,283	21,319
Reversal of prior period net depreciation (appreciation) on realization(B)	20	(210)	133	—	2,950	2,893
New investments, repayments and settlements: (C)						
Issuances/originations	91,414	554	113	9,098	1,000	102,179
Settlements/repayments	(13,528)	(60,272)	(4,528)	—	—	(78,328)
Net proceeds from sales	—	—	—	—	(3,262)	(3,262)
Transfers	(20,000)	20,000	—	—	—	—
Fair Value as of March 31, 2021	**$ 273,462**	**$ 160,257**	**$ 13**	**$ 15,851**	**$ 38,459**	**$ 488,042**

(A) Included in net realized gain (loss) on investments on our accompanying *Consolidated Statements of Operations* for the corresponding period.
(B) Included in net unrealized appreciation (depreciation) on investments on our accompanying *Consolidated Statements of Operation* s for the corresponding period.
(C) Includes increases in the cost basis of investments resulting from new portfolio investments, accretion of discounts, PIK, and other non-cash disbursements to portfolio companies, as well as decreases in the cost basis of investments resulting from principal repayments or sales, the amortization of premiums and acquisition costs and other cost-basis adjustments.

Investment Activity

Proprietary Investments

As of March 31, 2022 and September 30, 2021, we held 39 and 38 proprietary investments with an aggregate fair value of $514.6 million and $525.9 million, or 95.7% and 94.3% of the total investment portfolio at fair value, respectively. The following significant proprietary investment transactions occurred during the six months ended March 31, 2022:

- In October 2021, we invested $26.3 million in Engineering Manufacturing Technologies, LLC through secured first lien debt and equity.

- In November 2021, our investment in Lignetics, Inc. was sold, which resulted in the recognition of success fee income of $1.6 million and a realized gain of $13.4 million. In connection with the sale, we received net cash proceeds of approximately $47.2 million, including the repayment of our debt investment of $29.0 million at par.

- In November 2021, our investment in Prophet Brand Strategy paid off at par for net cash proceeds of $13.1 million.In conjunction with the payoff, we received a prepayment fee of $0.1 million.

- In November 2021, our investment in Effective School Solutions LLC paid off at par for net cash proceeds of $19.5 million.In conjunction with the payoff, we received a prepayment fee of $0.5 million.

- In November 2021, we invested $13.4 million in WB Xcel Holdings, LLC through secured first lien debt and equity.

- In December 2021, our investment in Phoenix Aromas & Essential Oils, LLC paid off at par for net cash proceeds of $10.0 million.

- In December 2021, we invested $10.0 million in Fix-it Group, Inc. through secured first lien debt.

- In December 2021, we invested $10.5 million in Workforce QA LLC through secured first lien debt and equity.

- In December 2021, we invested $30.0 million in Springfield, Inc. through secured second lien debt.

- In December 2021, we invested $16.8 million in HH-Inspire Acquisition, Inc. through secured first lien debt and equity.

- In January 2022, our investment in Belnick, Inc. paid off at par for net cash proceeds of $10.0 million.

- In March 2022, we invested $5.0 million in Pansophic Learning Ltd., an existing portfolio company, through secured first lien debt.

- In March 2022, our investment in NetFortris Corp. was sold, which resulted in the recognition of success fee income of $3.2 million. In connection with the sale, we received net cash proceeds of $29.0 million, including the repayment of our debt investment of $28.8 million at par. We continue to retain an equity investment in NetFortris Holdings, LLC with a cost basis of $0.8 million and fair value of $0.6 million as of March 31, 2022.

Syndicated Investments

As of March 31, 2022 and September 30, 2021, we held six and eight syndicated investments with an aggregate fair value of $23.1 million and $31.7 million, or 4.3% and 5.7% of the total investment portfolio at fair value, respectively. The following significant syndicated investment transaction occurred during the six months ended March 31, 2022:

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

- In January 2022, our investment in Keystone Acquisition Corp. paid off at par for net cash proceeds of $4.0 million.

Investment Concentrations

As of March 31, 2022, our investment portfolio consisted of investments in 45 portfolio companies located in 22 states in 13 different industries, with an aggregate fair value of $537.7 million. The five largest investments at fair value as of March 31, 2022 totaled $158.4 million, or 29.5% of our total investment portfolio, as compared to the five largest investments at fair value as of September 30, 2021 totaling $166.2 million, or 29.8% of our total investment portfolio. As of each of March 31, 2022 and September 30, 2021, our average investment by obligor was $11.9 million at cost.

The following table outlines our investments by security type as of March 31, 2022 and September 30, 2021:

	March 31, 2022				September 30, 2021			
	Cost		Fair Value		Cost		Fair Value	
Secured first lien debt	**$ 399,092**	**74.3 %**	**$ 377,902**	**70.3 %**	$ 362,616	66.3 %	$ 337,394	60.5 %
Secured second lien debt	**88,407**	**16.4**	**85,498**	**15.9**	137,643	25.2	135,956	24.4
Unsecured debt	**318**	**0.1**	**64**	**0.0**	293	0.1	10	—
Total debt investments	**487,817**	**90.8**	**463,464**	**86.2**	500,552	91.6	473,360	84.9
Preferred equity	**31,409**	**5.8**	**27,935**	**5.2**	29,230	5.3	29,246	5.2
Common equity/equivalents	**18,239**	**3.4**	**46,304**	**8.6**	16,730	3.1	55,006	9.9
Total equity investments	**49,648**	**9.2**	**74,239**	**13.8**	45,960	8.4	84,252	15.1
Total Investments	**$ 537,465**	**100.0 %**	**$ 537,703**	**100.0 %**	$ 546,512	100.0 %	$ 557,612	100.0 %

Our investments at fair value consisted of the following industry classifications as of March 31, 2022 and September 30, 2021:

	March 31, 2022		September 30, 2021	
Industry Classification	Fair Value	Percentage of Total Investments	Fair Value	Percentage of Total Investments
Diversified/Conglomerate Service	**$ 135,453**	**25.2 %**	$ 132,458	23.8 %
Healthcare, Education, and Childcare	**87,654**	**16.3**	92,680	16.6
Diversified/Conglomerate Manufacturing	**81,327**	**15.1**	25,223	4.5
Aerospace and Defense	**78,751**	**14.7**	79,749	14.3
Beverage, Food, and Tobacco	**47,151**	**8.8**	48,385	8.7
Oil and Gas	**25,631**	**4.8**	25,861	4.6
Automobile	**21,662**	**4.0**	21,681	3.9
Personal and Non-Durable Consumer Products	**17,913**	**3.3**	1,542	0.3
Telecommunications	**14,400**	**2.7**	36,720	6.6
Textiles and Leather	**11,460**	**2.1**	10,030	1.8
Machinery	**10,430**	**1.9**	10,472	1.9
Diversified Natural Resources, Precious Metals and Minerals	—	—	47,134	8.4
Chemicals, Plastics and Rubber	—	—	10,062	1.8
Home and Office Furnishings, Housewares, and Durable Consumer Products	—	—	10,025	1.8
Other, < 2.0%	**5,871**	**1.1**	5,590	1.0
Total Investments	**$ 537,703**	**100.0 %**	$ 557,612	100.0 %

Our investments at fair value were included in the following U.S. geographic regions as of March 31, 2022 and September 30, 2021:

	March 31, 2022		September 30, 2021	
Location	Fair Value	Percentage of Total Investments	Fair Value	Percentage of Total Investments
South	**$ 254,309**	**47.3 %**	$ 238,917	42.8 %
West	**139,513**	**25.9**	184,247	33.0
Midwest	**109,221**	**20.3**	85,970	15.5
Northeast	**34,660**	**6.5**	48,478	8.7
Total Investments	**$ 537,703**	**100.0 %**	$ 557,612	100.0 %

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

Investment Principal Repayments

The following table summarizes the contractual principal repayment and maturity of our investment portfolio by fiscal year, assuming no voluntary prepayments, as of March 31, 2022:

			Amount
For the remaining six months ending September 30:	2022[(A)]	$	23,440
For the fiscal years ending September 30:	2023		27,469
	2024		66,011
	2025		82,477
	2026		146,035
	Thereafter		143,424
	Total contractual repayments	**$**	**488,856**
	Adjustments to cost basis of debt investments		(1,039)
	Investments in equity securities		49,648
	Investments held as of March 31, 2022 at cost:	**$**	**537,465**

(A) Includes debt investments with contractual principal amounts totaling $16.8 million for which the maturity date has passed as of March 31, 2022.

Receivables from Portfolio Companies

Receivables from portfolio companies represent non-recurring costs incurred on behalf of such portfolio companies and are included in other assets on our accompanying Consolidated Statements of Assets and Liabilities. We generally maintain an allowance for uncollectible receivables from portfolio companies when the receivable balance becomes 90 days or more past due or if it is determined, based upon management’s judgment, that the portfolio company is unable to pay its obligations. We write off accounts receivable when we have exhausted collection efforts and have deemed the receivables uncollectible. As of March 31, 2022 and September 30, 2021, we had gross receivables from portfolio companies of $1.3 million and $0.7 million, respectively. The allowance for uncollectible receivables was $0 as of each of March 31, 2022 and September 30, 2021.

NOTE 4. RELATED PARTY TRANSACTIONS

Transactions with the Adviser

We have been externally managed by the Adviser pursuant to the Advisory Agreement since October 1, 2004 pursuant to which we pay the Adviser a base management fee and an incentive fee for its services. On July 13, 2021, our Board of Directors, including a majority of the directors who are not parties to the Advisory Agreement or interested persons of us or the Adviser, unanimously approved the renewal of the Advisory Agreement through August 31, 2022.

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

Two of our executive officers, David Gladstone (our chairman and chief executive officer) and Terry Lee Brubaker (our vice chairman and chief operating officer), serve as directors and executive officers of the Adviser, which, as of March 31, 2022, is 100% indirectly owned and controlled by Mr. Gladstone. Robert Marcotte (our president) also serves as executive vice president of private equity (debt) of the Adviser. Michael LiCalsi, our general counsel and secretary (who also serves as the Administrator’s president, general counsel and secretary), is also the executive vice president of administration of our Adviser.

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2022	2021	**2022**	2021
Average total assets subject to base management fee[(A)]	**$ 566,629**	$ 478,857	**$ 571,314**	$ 468,229
Multiplied by prorated annual base management fee of 1.75%	**0.4375 %**	0.4375 %	**0.8750 %**	0.8750 %
Base management fee[(B)]	**$ 2,479**	$ 2,095	**$ 4,999**	$ 4,097
Portfolio company fee credit	**(59)**	(574)	**(1,928)**	(926)
Syndicated loan fee credit	**(43)**	(81)	**(101)**	(168)
Net Base Management Fee	**$ 2,377**	$ 1,440	**$ 2,970**	$ 3,003
Loan servicing fee[(B)]	**1,520**	1,396	**2,982**	2,744
Credit to base management fee - loan servicing fee[(B)]	**(1,520)**	(1,396)	**(2,982)**	(2,744)
Net Loan Servicing Fee	**$ —**	$ —	**$ —**	$ —
Incentive fee[(B)]	**1,971**	1,381	**4,062**	2,748
Incentive fee credit	**—**	(225)	**—**	(436)
Net Incentive Fee	**$ 1,971**	$ 1,156	**$ 4,062**	$ 2,312
Portfolio company fee credit	**(59)**	(574)	**(1,928)**	(926)
Syndicated loan fee credit	**(43)**	(81)	**(101)**	(168)
Incentive fee credit	**—**	(225)	**—**	(436)
Credits to Fees From Adviser - other[(B)]	**$ (102)**	$ (880)	**$ (2,029)**	$ (1,530)

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

(B) Reflected as a line item on our accompanying *Consolidated Statements of Operations*.

Base Management Fee

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

Additionally, pursuant to the requirements of the 1940 Act, the Adviser makes available significant managerial assistance to our portfolio companies. The Adviser may also provide other services to our portfolio companies under certain agreements and may receive fees for services other than managerial assistance. Such services may include: (i) assistance obtaining, sourcing or structuring credit facilities, long term loans or additional equity from unaffiliated third parties; (ii) negotiating important contractual financial relationships; (iii) consulting services regarding restructuring of the portfolio company and financial modeling as it relates to raising additional debt and equity capital from unaffiliated third parties; and (iv) taking a primary role in interviewing, vetting and negotiating employment contracts with candidates in connection with adding and retaining key portfolio company management team members. The Adviser non-contractually, unconditionally, and irrevocably credits 100% of any fees for such services against the base management fee that we would otherwise be required to pay to the Adviser; however, pursuant to the terms of the Advisory Agreement, a small percentage of certain of such fees, totaling $15 thousand for each of the three and six months ended March 31, 2021, was retained by the Adviser in the form of reimbursement, at cost, for tasks completed by personnel of the Adviser primarily for the valuation of portfolio companies. No such amounts were retained by the Adviser for the three and six months ended March 31, 2022.

Our Board of Directors accepted a non-contractual, unconditional, and irrevocable credit from the Adviser to reduce the annual base management fee on syndicated loan participations to 0.5%, to the extent that proceeds resulting from borrowings were used to purchase such syndicated loan participations, for each of the three and six months ended March 31, 2022 and 2021.

Loan Servicing Fee

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

Incentive Fee

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

- no incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate;

- 100.0% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875% (2.4375% during the period from April 1, 2020 through March 31, 2022 and 2.50% from April 1, 2022 through March 31, 2023) of our net assets, adjusted appropriately for any share issuances or repurchases during the period, in any calendar quarter; and

- 20.0% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.1875% (2.4375% during the period from April 1, 2020 through March 31, 2022 and 2.50% from April 1, 2022 through March 31, 2023) of our net assets, adjusted appropriately for any share issuances or repurchases during the period, in any calendar quarter.

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

The second part of the incentive fee is a capital gains-based incentive fee that is determined and payable in arrears as of the end of each fiscal year (or upon termination of the Advisory Agreement, as of the termination date) and equals 20.0% of our “net realized capital gains” (as defined herein) as of the end of the fiscal year. In determining the capital gains-based incentive fee payable to the Adviser, we calculate “net realized capital gains” at the end of each applicable year by subtracting the sum of our cumulative aggregate realized capital losses and our entire portfolio’s aggregate unrealized capital depreciation from our cumulative aggregate realized capital gains. For this purpose, cumulative aggregate realized capital gains, if any, equals the sum of the differences between the net sales price of each investment, when sold, and the original cost of such investment since inception. Cumulative aggregate realized capital losses equals the sum of the amounts by which the net sales price of each investment, when sold, is less than the original cost of such investment since inception. The entire portfolio’s aggregate unrealized capital depreciation, if any, equals the sum of the difference between the valuation of each investment as of the applicable calculation date and the original cost of such investment. At the end of the applicable fiscal year, the amount of capital gains that serves as the basis for our calculation of the capital gains-based incentive fee equals the cumulative aggregate realized capital gains less cumulative aggregate realized capital losses, less the entire portfolio’s aggregate unrealized capital depreciation, if any. If this number is positive at the end of such fiscal year, then the capital gains-based incentive fee for such year equals 20.0% of such amount, less the aggregate amount of any capital gains-based incentive fees paid in respect of our portfolio in all prior years. No capital gains-based incentive fee has been recorded or paid since our inception through March 31, 2022, as cumulative unrealized capital depreciation has exceeded cumulative realized capital gains net of cumulative realized capital losses.

In accordance with GAAP, a capital gains-based incentive fee accrual is calculated using the aggregate cumulative realized capital gains and losses and aggregate cumulative unrealized capital appreciation and depreciation. If such amount is positive at the end of a period, then GAAP requires us to record a capital gains-based incentive fee equal to 20.0% of such amount, less the aggregate amount of actual capital gains-based incentive fees paid in all prior years. If such amount is negative, then there is no accrual for such period. GAAP requires that the capital gains-based incentive fee accrual consider the cumulative aggregate unrealized capital appreciation in the calculation, as a capital gains-based incentive fee would be payable if such unrealized capital appreciation were realized. There can be no assurance that such unrealized capital appreciation will be realized in the future. No GAAP accrual for a capital gains-based incentive fee has been recorded from our inception through March 31, 2022.

Our Board of Directors accepted non-contractual, unconditional and irrevocable credits from the Adviser to reduce the income-based incentive fee to the extent net investment income did not 100.0% cover distributions to common stockholders for the three and six months ended March 31, 2021. There was no incentive fee credit during the three and six months ended March 31, 2022.

Transactions with the Administrator

We have entered into the Administration Agreement with the Administrator to provide administrative services. We reimburse the Administrator pursuant to the Administration Agreement for the portion of expenses the Administrator incurs while performing services for us. The Administrator's expenses are primarily rent and the salaries, benefits and expenses of the Administrator's employees, including: our chief financial officer and treasurer, chief compliance officer, chief valuation officer, and general counsel and secretary (who also serves as the Administrator's president, general counsel and secretary) and their respective staffs. Two of our executive officers, David Gladstone (our chairman and chief executive officer) and Terry Lee Brubaker (our vice chairman and chief operating officer) serve as members of the board of managers and executive officers of the Administrator, which, as of March 31, 2022, is 100% indirectly owned and controlled by Mr. Gladstone. Another of our officers, Michael LiCalsi (our general counsel and secretary), serves as the Administrator's president as well as the executive vice president of administration for the Adviser.

Our allocable portion of the Administrator's expenses is generally derived by multiplying the Administrator's total expenses by the approximate percentage of time during the current quarter the Administrator's employees performed services for us in relation to their time spent performing services for all companies serviced by the Administrator. On July 13, 2021, our Board of Directors, including a majority of the directors who are not parties to the Administration Agreement or interested persons of either party, approved the renewal of the Administration Agreement through August 31, 2022.

Other Transactions

Gladstone Securities, LLC ("Gladstone Securities"), a privately-held broker-dealer registered with the Financial Industry Regulatory Authority and insured by the Securities Investor Protection Corporation, which is 100% indirectly owned and controlled by Mr. Gladstone, our chairman and chief executive officer, has provided other services, such as investment banking and due diligence services, to certain of our portfolio companies, for which Gladstone Securities receives a fee. Any such fees paid by portfolio companies to Gladstone Securities do not impact the fees we pay to the Adviser or the non-contractual, unconditional and irrevocable credits against the base management fee or incentive fee. Gladstone Securities received fees from portfolio companies totaling $25 thousand and $0.6 million during the three and six months ended March 31, 2022, respectively, and $0.3 million and $0.4 million during the three and six months ended March 31, 2021, respectively.

Related Party Fees Due

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

	March 31, 2022	September 30, 2021
Base management fee due to Adviser	**$ 857**	$ 385
Loan servicing fee due to Adviser	**370**	343
Incentive fee due to Adviser	**1,971**	1,527
Total fees due to Adviser	**3,198**	2,255
Fee due to Administrator	**579**	382
Total Related Party Fees Due	**$ 3,777**	$ 2,637

In addition to the above fees, other operating expenses due to the Adviser as of March 31, 2022 and September 30, 2021, totaled $38 thousand and $35 thousand, respectively. In addition, net expenses payable to Gladstone Investment Corporation (for reimbursement purposes), which includes certain co-investment expenses, totaled $27 thousand and $38 thousand as of March 31, 2022 and September 30, 2021, respectively. These amounts are generally settled in the quarter subsequent to being incurred and are included in other liabilities on the accompanying *Consolidated Statements of Assets and Liabilities* as of March 31, 2022 and September 30, 2021.

NOTE 5. BORROWINGS

Revolving Credit Facility

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

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

	March 31, 2022	September 30, 2021
Commitment amount	**$ 175,000**	$ 175,000
Borrowings outstanding, at cost	**17,400**	50,500
Availability[(A)]	**138,093**	103,897

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2022	2021	2022	2021
Weighted average borrowings outstanding, at cost	**$ 42,491**	$ 69,418	**$ 37,677**	$ 87,442
Weighted average interest rate[(B)]	**5.9 %**	4.6 %	**6.6 %**	4.0 %
Commitment (unused) fees incurred	**$ 344**	$ 272	**$ 679**	$ 424

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

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

Our Credit Facility also requires that any interest or principal payments on pledged loans be remitted directly by the borrower into a lockbox account with KeyBank. KeyBank is also the trustee of the account and generally remits the collected funds to us once each month. Amounts collected in the lockbox account with KeyBank are presented as Due from administrative agent on the accompanying *Consolidated Statement of Assets and Liabilities* as of March 31, 2022 and September 30, 2021.

Our Credit Facility contains covenants that require Business Loan to maintain its status as a separate legal entity, prohibit certain significant corporate transactions (such as mergers, consolidations, liquidations or dissolutions), and restrict material changes to our credit and collection policies without the lenders' consent. Our Credit Facility also generally limits distributions to our stockholders on a fiscal year basis to the sum of our net investment income, net capital gains and amounts elected to have been paid during the prior year in accordance with Section 855(a) of the Code. Business Loan is also subject to certain limitations on the type of loan investments it can apply as collateral towards the borrowing base to receive additional borrowing availability under our Credit Facility, including restrictions on geographic concentrations, sector concentrations, loan size, payment frequency and status, average life and lien property. Our Credit Facility further requires Business Loan to comply with other financial and operational covenants, which obligate Business Loan to, among other things, maintain certain financial ratios, including asset and interest coverage and a minimum number of 25 obligors required in the borrowing base.

Additionally, we are required to maintain (i) a minimum net worth (defined in our Credit Facility to include any outstanding mandatorily redeemable preferred stock) of $325.0 million plus 50.0% of all equity and subordinated debt raised after May 13, 2021 less 50% of any equity and subordinated debt retired or redeemed after May 13, 2021, which equates to $334.4 million as of March 31, 2022, (ii) asset coverage with respect to "senior securities representing indebtedness" of at least 150% (or such percentage as may be set forth in Section 18 of the 1940 Act, as modified by Section 61 of the 1940 Act), and (iii) our status as a BDC under the 1940 Act and as a RIC under the Code.

As of March 31, 2022, and as defined in our Credit Facility, we had a net worth of $522.0 million, asset coverage on our "senior securities representing indebtedness" of 246.6%, calculated in accordance with the requirements of Section 18 and 61 of the 1940 Act, and an active status as a BDC and RIC. In addition, we had 29 obligors in our Credit Facility's borrowing base as of March 31, 2022. As of March 31, 2022, we were in compliance with all of our Credit Facility covenants.

Fair Value

We elected to apply the fair value option of ASC 825, "*Financial Instruments*," specifically for the Credit Facility, which was consistent with our application of ASC 820 to our investments. Generally, the fair value of our Credit Facility is determined using a yield analysis which includes a DCF calculation and the assumptions that the Valuation Team believes market participants would use, including the estimated remaining life, counterparty credit risk, current market yield and interest rate spreads of similar securities as of the measurement date. As of March 31, 2022, the discount rate used to determine the fair value of our Credit Facility was 30-day LIBOR, plus 2.70% per annum, plus a 1.00% unused commitment fee. As of September 30, 2021, the discount rate used to determine the fair value of our Credit Facility was 30-day LIBOR, plus 2.97% per annum, plus a 1.00% unused commitment fee. Generally, an increase or decrease in the discount rate used in the DCF calculation may result in a corresponding decrease or increase, respectively, in the fair value of our Credit Facility. As of March 31, 2022 and September 30, 2021, our Credit Facility was valued using Level 3 inputs and any changes in its fair value are recorded in net unrealized depreciation (appreciation) of other on our accompanying *Consolidated Statements of Operations*.

The following tables present our Credit Facility carried at fair value as of March 31, 2022 and September 30, 2021, on our accompanying *Consolidated Statements of Assets and Liabilities* for Level 3 of the hierarchy established by ASC 820 and the changes in fair value of our Credit Facility during the three and six months ended March 31, 2022 and 2021:

	Total Recurring Fair Value Measurement Reported in *Consolidated Statements of Assets and Liabilities* Using Significant Unobservable Inputs (Level 3)	
	March 31, 2022	**September 30, 2021**
Credit Facility	**$ 17,400**	$ 50,500

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

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Fair value as of December 31, 2021 and 2020, respectively	**$ 53,900**	$ 16,270
Borrowings	**23,300**	136,100
Repayments	**(59,800)**	(111,200)
Net unrealized appreciation[(A)]	**—**	20
Fair Value as of March 31, 2022 and 2021, respectively	**$ 17,400**	$ 41,190

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

	Six Months Ended March 31, 2022	Six Months Ended March 31, 2021
Fair value as of September 30, 2021 and 2020, respectively	**$ 50,500**	$ 127,650
Borrowings	**161,500**	157,600
Repayments	**(194,600)**	(244,400)
Net unrealized appreciation[(A)]	**—**	340
Fair Value as of March 31, 2022 and 2021, respectively	**$ 17,400**	$ 41,190

(A) Included in net unrealized appreciation (depreciation) of other on our accompanying *Consolidated Statements of Operations* for the three and six months ended March 31, 2022 and 2021.

The fair value of the collateral under our Credit Facility totaled approximately $478.3 million and $512.0 million as of March 31, 2022 and September 30, 2021, respectively.

Notes Payable

In November 2021, we completed a private placement of $50.0 million aggregate principal amount of 3.75% Notes due 2027 (the "2027 Notes") for net proceeds of approximately $48.5 million after deducting initial purchasers' costs, commissions and offering expenses borne by us. The 2027 Notes will mature on May 1, 2027 and may be redeemed in whole or in part at any time or from time to time at the Company's option prior to maturity at par plus a "make-whole" premium, if applicable. The 2027 Notes bear interest at a rate of 3.75% per year. Interest is payable semi-annually on May 1 and November 1 of each year (which equates to approximately $1.9 million per year) beginning May 1, 2022.

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

In October 2019, we completed a public debt offering of $38.8 million aggregate principal amount of 5.375% Notes due 2024 (the "2024 Notes"), inclusive of the overallotment option exercised by the underwriters, for net proceeds of approximately $37.5 million after deducting underwriting discounts, commissions and offering expenses borne by us. On November 1, 2021, we voluntarily redeemed the 2024 Notes with an aggregate principal amount outstanding of $38.8 million. In connection with the voluntary redemption of the 2024 Notes, we incurred a loss on extinguishment of debt of $0.8 million, which is primarily comprised of the unamortized deferred issuance costs at the time of redemption. The 2024 Notes would have otherwise matured on November 1, 2024.

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

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

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

The fair value, based on a DCF analysis, of the 2027 Notes as of March 31,2022 was $46.5 million. The fair value, based on a DCF analysis, of the 2026 Notes as of March 31, 2022 was $150.0 million. We consider the 2027 Notes and 2026 Notes to be Level 3 within the ASC 820 fair value hierarchy.

NOTE 6. REGISTRATION STATEMENT AND COMMON EQUITY OFFERINGS

Our shelf registration statement permits us to issue, through one or more transactions, up to an aggregate of $300.0 million in securities, consisting of common stock, preferred stock, subscription rights, debt securities and warrants to purchase common stock or preferred stock. As of March 31, 2022, we had the ability to issue up to $300.0 million in securities under the registration statement.

NOTE 7. NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS PER WEIGHTED AVERAGE COMMON SHARE

The following table sets forth the computation of basic and diluted net increase (decrease) in net assets resulting from operations per weighted average common share for the three and six months ended March 31, 2022 and 2021:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2022	**2021**	**2022**	**2021**
Numerator: basic and diluted net increase (decrease) in net assets resulting from operations per common share	**$ 8,303**	$ 21,299	**$ 20,406**	$ 33,602
Denominator: basic and diluted weighted average common share	**34,304,371**	32,765,980	**34,304,371**	32,428,089
Basic and diluted net increase (decrease) in net assets resulting from operations per common share	**$ 0.24**	$ 0.65	**$ 0.59**	$ 1.03

NOTE 8. DISTRIBUTIONS TO COMMON STOCKHOLDERS

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

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

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

We paid the following monthly distributions to common stockholders for the six months ended March 31, 2022 and 2021:

Fiscal Year	Declaration Date	Record Date	Payment Date	Distribution per Common Share
2022	October 12, 2021	October 22, 2021	October 29, 2021	$ 0.065
	October 12, 2021	November 19, 2021	November 30, 2021	0.065
	October 12, 2021	December 23, 2021	December 31, 2021	0.065
	January 11, 2022	January 21, 2022	January 31, 2022	0.065
	January 11, 2022	February 18, 2022	February 28, 2022	0.065
	January 11, 2022	March 23, 2022	March 31, 2022	0.065
			Six Months Ended March 31, 2022:	**$ 0.39**

Fiscal Year	Declaration Date	Record Date	Payment Date	Distribution per Common Share
2021	October 13, 2020	October 23, 2020	October 30, 2020	$ 0.065
	October 13, 2020	November 20, 2020	November 30, 2020	0.065
	October 13, 2020	December 23, 2020	December 31, 2020	0.065
	January 12, 2021	January 22, 2021	January 29, 2021	0.065
	January 12, 2021	February 17, 2021	February 26, 2021	0.065
	January 12, 2021	March 18, 2021	March 31, 2021	0.065
			Six Months Ended March 31, 2021:	**$ 0.39**

Aggregate distributions declared and paid to our common stockholders were approximately $13.4 million and $12.7 million for the six months ended March 31, 2022 and 2021, respectively, and were declared based on estimates of Investment Company Taxable Income for the respective fiscal years. For the fiscal year ended September 30, 2021, distributions declared and paid exceeded taxable income available for common distributions resulting in a partial return of capital of approximately $1.0 million.

For the six months ended March 31, 2022 and the fiscal year ended September 30, 2021, we recorded the following adjustments for book-tax differences to reflect tax character. Results of operations, total net assets, and cash flows were not affected by these adjustments.

	Six Months Ended March 31, 2022	Year Ended September 30, 2021
Undistributed net investment income	**$ (3,692)**	$ 39
Accumulated net realized losses	**3,692**	959
Capital in excess of par value	**—**	(998)

NOTE 9. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

We are party to certain legal proceedings incidental to the normal course of our business. We are required to establish reserves for litigation matters where those matters present loss contingencies that are both probable and estimable. When loss contingencies are not both probable and estimable, we do not establish reserves. Based on current knowledge, we do not believe that loss contingencies, if any, arising from pending investigations, litigation or regulatory matters will have a material adverse effect on our financial condition, results of operations or cash flows. Additionally, based on our current knowledge, we do not believe such loss contingencies are both probable and estimable and therefore, as of March 31, 2022 and September 30, 2021, we had no established reserves for such loss contingencies.

Escrow Holdbacks

From time to time, we enter into arrangements relating to exits of certain investments whereby specific amounts of the proceeds are held in escrow to be used to satisfy potential obligations, as stipulated in the sales agreements. We record escrow amounts in Restricted cash and cash equivalents, if received in cash but subject to potential obligations or other contractual restrictions, or as escrow receivables in Other assets, net, if not yet received in cash, on our accompanying *Consolidated Statements of Assets and Liabilities*. We establish reserves and holdbacks against escrow amounts if we determine that it is probable and estimable that a portion of the escrow amounts will not ultimately be released or received at the end of the escrow period. Reserves and holdbacks against escrow amounts were $0.5 million and $0.3 million as of March 31, 2022 and September 30, 2021, respectively.

Financial Commitments and Obligations

We have lines of credit, delayed draw term loans, and an uncalled capital commitment with certain of our portfolio companies that have not been fully drawn. Since these commitments have expiration dates and we expect many will never be fully drawn, the total commitment amounts do not necessarily represent future cash requirements. We estimate the fair value of the combined unused lines of credit, the unused delayed draw term loans and the uncalled capital commitment as of March 31, 2022 and September 30, 2021 to be immaterial.

The following table summarizes the amounts of our unused lines of credit, delayed draw term loans and uncalled capital commitment, at cost, as of March 31, 2022 and September 30, 2021, which are not reflected as liabilities in the accompanying *Consolidated Statements of Assets and Liabilities*:

	March 31, 2022	**September 30, 2021**
Unused line of credit commitments[(A)]	**$ 29,153**	$ 25,549
Delayed draw term loans	**28,754**	27,984
Uncalled capital commitment	**843**	843
Total	**$ 58,750**	$ 54,376

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

NOTE 10. FINANCIAL HIGHLIGHTS

	Three Months Ended March 31,		Six Months Ended March 31,	
	2022	**2021**	**2022**	**2021**
Per Common Share Data:				
Net asset value at beginning of period[(A)]	**$ 9.44**	$ 7.61	**$ 9.28**	$ 7.40
Income from operations[(B)]				
Net investment income	**0.25**	0.20	**0.52**	0.39
Net realized and unrealized gain (loss) on investments	**(0.02)**	0.49	**0.08**	0.69
Net realized and unrealized gain (loss) on other	**0.01**	(0.04)	**(0.01)**	(0.05)
Total from operations	**0.24**	0.65	**0.59**	1.03
Distributions to common stockholders from[(B)(C)]				
Net investment income	**(0.20)**	(0.18)	**(0.40)**	(0.36)
Return of capital	—	(0.02)	—	(0.03)
Total distributions	**(0.20)**	(0.20)	**(0.40)**	(0.39)
Capital share transactions[(B)]				
Anti-dilutive effect of common stock issuance[(D)]	—	0.05	—	0.07
Total capital share transactions	—	0.05	—	0.07
Other, net	**0.01**	—	**0.02**	—
Net asset value at end of period[(A)]	**$ 9.49**	$ 8.11	**$ 9.49**	$ 8.11
Per common share market value at beginning of period	**$ 11.59**	$ 8.86	**$ 11.30**	$ 7.41
Per common share market value at end of period	**11.79**	9.92	**11.79**	9.92
Total return[(E)]	**3.51 %**	14.26 %	**7.95 %**	39.92 %
Common stock outstanding at end of period[(A)]	**34,304,371**	33,396,426	**34,304,371**	33,396,426
Statement of Assets and Liabilities Data:				
Net assets at end of period	**$ 325,467**	$ 270,888	**$ 325,467**	$ 270,888
Average net assets[(F)]	**324,891**	255,449	**322,892**	252,408
Senior Securities Data:				
Borrowings under Credit Facility, at cost	**17,400**	41,200	**17,400**	41,200
Long term debt	**200,000**	188,813	**200,000**	188,813
Ratios/Supplemental Data:				
Ratio of net expenses to average net assets – annualized[(G)(H)]	**10.55 %**	10.16 %	**9.65 %**	10.37 %
Ratio of net investment income to average net assets – annualized[(I)]	**10.70 %**	10.02 %	**11.06 %**	10.05 %

(A) Based on actual shares outstanding at the end of the corresponding period.
(B) Based on weighted average basic per share data.
(C) The tax character of distributions is determined based on taxable income calculated in accordance with income tax regulations, which may differ from amounts determined under GAAP.
(D) During the three months ended December 31, 2020, the anti-dilution was a result of issuing common shares during the period at a price above the then current NAV per share.
(E) Total return equals the change in the ending market value of our common stock from the beginning of the fiscal year, taking into account distributions reinvested in accordance with the terms of our dividend reinvestment plan. Total return does not take into account distributions that may be characterized as a return of capital. For further information on the estimated character of our distributions to common stockholders, refer to Note 9—*Distributions to Common Stockholders* .
(F) Computed using the average of the balance of net assets at the end of each month of the reporting period.
(G) Ratio of net expenses to average net assets is computed using total expenses, net of credits from the Adviser, to the base management, loan servicing and incentive fees.
(H) Had we not received any non-contractual, unconditional and irrevocable credits of fees from the Adviser, the ratio of net expenses to average net assets would have been 12.56% and 12.78% for the three and six months ended March 31, 2022, respectively. and 13.76% and 13.80% for the three and six months ended March 31, 2021, respectively.
(I) Had we not received any non-contractual, unconditional and irrevocable credits of fees from the Adviser, the ratio of net investment income to average net assets would have been 8.72% and 7.98% for the three and six months ended March 31, 2022, respectively, and 6.48% and 6.68% for the three and six months ended March 31, 2021, respectively.

NOTE 11. SUBSEQUENT EVENTS

Portfolio Activity

In April 2022, we invested $12.0 million in Axios Industrial Group, LLC through secured first lien debt.

In April 2022, we invested $14.4 million in Salvo Technologies, Inc. through secured first lien debt and membership units.

Distributions and Dividends

On April 12, 2022, our Board of Directors declared the following monthly distributions to common stockholders:

Record Date	Payment Date	Distribution per Common Share	
April 22, 2022	April 29, 2022	$	0.0675
May 20, 2022	May 31, 2022		0.0675
June 22, 2022	June 30, 2022		0.0675
	Total for the Quarter:	**$**	**0.2025**

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

All statements contained herein, other than historical facts, may constitute "forward-looking statements." These statements may relate to, among other things, our future operating results, our business prospects and the prospects of our portfolio companies, actual and potential conflicts of interest with Gladstone Management Corporation (the "Adviser"), our adviser, and its affiliates, the use of borrowed money to finance our investments, the adequacy of our financing sources and working capital, and our ability to co-invest, among other factors. In some cases, you can identify forward-looking statements by terminology such as "estimate," "may," "might," "believe," "will," "provided," "anticipate," "future," "could," "growth," "plan," "project," "intend," "expect," "should," "would," "if," "seek," "possible," "potential," "likely" or the negative or variations of such terms or comparable terminology. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Such factors include: (1) changes in the economy and the capital markets, including stock price volatility; (2) risks associated with negotiation and consummation of pending and future transactions; (3) the loss of one or more of our executive officers, in particular David Gladstone, Terry Lee Brubaker or Robert L. Marcotte; (4) changes in our investment objectives and strategy; (5) availability, terms (including the possibility of interest rate volatility) and deployment of capital; (6) changes in our industry, interest rates, exchange rates or the general economy; (7) our business prospects and the prospects of our portfolio companies; (8) the degree and nature of our competition; (9) changes in governmental regulation, tax rates and similar matters; (10) our ability to exit investments in a timely manner; (11) our ability to maintain our qualification as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"), and as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"); (12) the impact of COVID-19 on the economy, our portfolio companies and the capital markets, including the measures taken by governmental authorities to address it, which may precipitate or exacerbate other risks and/or uncertainties and (13) those factors described herein, including Item 1A. "Risk Factors," and in the "Risk Factors" section of our Annual Report on Form 10-K (our "Annual Report") for the fiscal year ended September 30, 2021, filed with the U.S. Securities and Exchange Commission ("SEC") on November 15, 2021. Additionally, many of the risks and uncertainties listed above, among others, are currently elevated by and may or will continue to be elevated by the COVID-19 pandemic. We caution readers not to place undue reliance on any such forward-looking statements. Actual results could differ materially from those anticipated in our forward-looking statements and future results could differ materially from historical performance. We have based forward-looking statements on information available to us on the date of this report. Except as required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this Quarterly Report on Form 10-Q. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we have filed or in the future may file with the SEC from time to time, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. The forward-looking statements contained in this Quarterly Report on Form 10-Q are excluded from the safe harbor protection provided by the Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act of 1933, as amended.

The following analysis of our financial condition and results of operations should be read in conjunction with our accompanying *Consolidated Financial Statements* and the notes thereto contained elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report. Historical financial condition and results of operations and percentage relationships among any amounts in the financial statements are not necessarily indicative of financial condition or results of operations for any future periods. Except per share amounts, dollar amounts in the tables included herein are in thousands unless otherwise indicated.

OVERVIEW

General

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

We were established for the purpose of investing in debt and equity securities of established private businesses operating in the U.S. Our investment objectives are to: (1) achieve and grow current income by investing in debt securities of established lower middle market businesses that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time; and (2) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities of established businesses that we believe can grow over time to permit us to sell our equity investments for capital gains. To achieve our investment objectives, our investment strategy is to invest in several categories of debt and equity securities, with each investment generally ranging from $8 million to $30 million, although investment size may vary, depending upon our total assets or available capital at the time of investment. We expect that our investment portfolio over time will consist of approximately 90.0% debt investments and 10.0% equity investments, at cost. As of March 31, 2022, our investment portfolio was made up of approximately 90.8% debt investments and 9.2% equity investments, at cost.

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

We invest by ourselves or jointly with other funds and/or management of the portfolio company, depending on the opportunity. In July 2012, the SEC granted us an exemptive order (the "Co-Investment Order") that expanded our ability to co-invest, under certain circumstances, with certain of our affiliates, including Gladstone Investment Corporation, a BDC also managed by the Adviser, and any future BDC or closed-end management investment company that is advised (or sub-advised if it controls the fund) by the Adviser, or any combination of the foregoing, subject to the conditions in the Co-Investment Order. Since 2012, we have opportunistically made several co-investments with Gladstone Investment Corporation pursuant to the Co-Investment Order. We believe the Co-Investment Order has enhanced and will continue to enhance our ability to further our investment objectives and strategies. If we are participating in an investment with one or more co-investors, our investment is likely to be smaller than if we were investing alone.

We are externally managed by the Adviser, an investment adviser registered with the SEC and an affiliate of ours, pursuant to an investment advisory and management agreement. The Adviser manages our investment activities. We have also entered into an administration agreement with Gladstone Administration, LLC (the "Administrator"), an affiliate of ours and the Adviser, whereby we pay separately for administrative services.

Additionally, Gladstone Securities, LLC ("Gladstone Securities"), a privately-held broker-dealer registered with the Financial Industry Regulatory Authority and insured by the Securities Investor Protection Corporation, which is 100% indirectly owned and controlled by Mr. Gladstone, our chairman and chief executive officer, has provided other services, such as investment banking and due diligence services, to certain of our portfolio companies, for which Gladstone Securities receives a fee.

Business

Portfolio and Investment Activity

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

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

During the six months ended March 31, 2022, we invested $106.9 million in six new portfolio companies and extended $14.7 million in investments to existing portfolio companies. In addition, during the six months ended March 31, 2022, we exited seven portfolio companies through early payoffs. We received a total of $147.7 million in combined net proceeds and principal repayments from the aforementioned portfolio company exits, as well as principal repayments by existing portfolio companies, during the six months ended March 31, 2022. This activity resulted in a net decrease in our overall portfolio by one portfolio company (to 45) and a net decrease of $9.0 million in our portfolio at cost since September 30, 2021. From our initial public offering in August 2001 through March 31, 2022, we have made 589 different loans to, or investments in, 260 companies for a total of approximately $2.3 billion, before giving effect to principal repayments on investments and divestitures.

During the six months ended March 31, 2022, the following significant transactions occurred:

Proprietary Investments

- In October 2021, we invested $26.3 million in Engineering Manufacturing Technologies, LLC through secured first lien debt and equity.
- In November 2021, our investment in Lignetics, Inc. was sold, which resulted in the recognition of success fee income of $1.6 million and a realized gain of $13.4 million. In connection with the sale, we received net cash proceeds of approximately $47.2 million, including the repayment of our debt investment of $29.0 million at par.
- In November 2021, our investment in Prophet Brand Strategy paid off at par for net cash proceeds of $13.1 million.In conjunction with the payoff, we received a prepayment fee of $0.1 million.
- In November 2021, our investment in Effective School Solutions LLC paid off at par for net cash proceeds of $19.5 million.In conjunction with the payoff, we received a prepayment fee of $0.5 million.
- In November 2021, we invested $13.4 million in WB Xcel Holdings, LLC through secured first lien debt and equity.
- In December 2021, our investment in Phoenix Aromas & Essential Oils, LLC paid off at par for net cash proceeds of $10.0 million.
- In December 2021, we invested $10.0 million in Fix-it Group, Inc. through secured first lien debt.
- In December 2021, we invested $10.5 million in Workforce QA LLC through secured first lien debt and equity.
- In December 2021, we invested $30.0 million in Springfield, Inc. through secured second lien debt.
- In December 2021, we invested $16.8 million in HH-Inspire Acquisition, Inc. through secured first lien debt and equity.
- In January 2022, our investment in Belnick, Inc. paid off at par for net cash proceeds of $10.0 million.
- In March 2022, we invested $5.0 million in Pansophic Learning Ltd., an existing portfolio company, through secured first lien debt.
- In March 2022, our investment in NetFortris Corp. was sold, which resulted in the recognition of success fee income of $3.2 million. In connection with the sale, we received net cash proceeds of $29.0 million, including the repayment of our debt investment of $28.8 million at par. We continue to retain an equity investment in NetFortris Holdings, LLC with a cost basis of $0.8 million and fair value of $0.6 million as of March 31, 2022.

Syndicated Investments

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

Capital Raising

We have been able to meet our capital needs through extensions of and amendments to our line of credit with KeyBank National Association ("KeyBank"), as administrative agent, lead arranger and lender (as amended and/or restated from time to time, our "Credit Facility") and by accessing the capital markets in the form of public equity offerings of common stock and debt offerings. We have successfully extended the Credit Facility's revolving period multiple times, most recently to October 2023, and currently have a total commitment amount of $175.0 million. In December 2020, we completed a debt offering of $100.0 million aggregate principal amount of our 5.125% Notes due 2026 (the "2026 Notes"). In March 2021, we completed a debt offering of an additional $50.0 million aggregate principal amount of the 2026 Notes. In November 2021, we completed a debt offering of $50.0 million aggregate principal amount of our 3.75% Notes due 2027 (the "2027 Notes"). Refer to *"Liquidity and Capital Resources — Revolving Credit Facility," "Liquidity and Capital Resources — Equity — Common Stock,"* and *"Liquidity and Capital Resources — Notes Payable"* for further discussion.

Although we have been able to access the capital markets historically and in recent years, market conditions, including the impact of COVID-19, may affect the trading price of our capital stock and thus may inhibit our ability to finance new investments through the issuance of equity in the future. When our common stock trades below net asset value ("NAV") per common share, our ability to issue equity is constrained by provisions of the 1940 Act, which generally prohibits the issuance and sale of our common stock below NAV per common share without first obtaining approval from our stockholders and our independent directors, other than through sales to our then-existing stockholders pursuant to a rights offering.

On March 31, 2022, the closing market price of our common stock was $11.79 per share, a 24.2% premium to our March 31, 2022 NAV per share of $9.49.

Regulatory Compliance

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

On April 10, 2018, our Board of Directors, including a "required majority" (as such term is defined in Section 57(o) of the 1940 Act) thereof, approved the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act. As a result, the Company's asset coverage requirements for senior securities changed from 200% to 150%, effective April 10, 2019.

As of March 31, 2022, our asset coverage on our "senior securities representing indebtedness" was 246.6%.

Recent Developments

Distributions

On April 12, 2022, our Board of Directors declared the following monthly distributions to common stockholders:

Record Date	Payment Date	Distribution per Common Share	
April 22, 2022	April 29, 2022	$	0.0675
May 20, 2022	May 31, 2022		0.0675
June 22, 2022	June 30, 2022		0.0675
	Total for the Quarter:	**$**	**0.2025**

LIBOR Transition

In general, our investments in debt securities have a term of five years, accrue interest at variable rates (based on the one-month LIBOR) and, to a lesser extent, at fixed rates. Most U.S. dollar LIBOR are currently anticipated to be phased out in June 2023. LIBOR is currently expected to transition to a new standard rate, the Secured Overnight Financing Rate ("SOFR"), which will incorporate certain overnight repo market data collected from multiple data sets. To attain an equivalent one-month rate, we currently intend to adjust the SOFR to minimize the difference between the interest that a borrower would be paying using LIBOR versus what it will be paying using SOFR. We are currently monitoring the transition and cannot assure you whether SOFR will become a standard rate for variable rate debt. We expect we will need to renegotiate certain loan documents with our portfolio companies that utilize LIBOR as a factor in determining the interest rate to include LIBOR replacement language. Assuming that SOFR replaces LIBOR and is appropriately adjusted to equate to one-month LIBOR, we expect that there should be minimal impact on our operations.

COVID-19

We continue to monitor and work with the management teams and shareholders of our portfolio companies to navigate the significant market, operational and economic challenges created by the continuing COVID-19 pandemic. The Company's investment portfolio continues to be focused on a diversified mix of industries and sectors that have proven to be more durable than industries or sectors that are more prone to economic cycles including consumer or retail industries. We believe our portfolio companies effectively and efficiently responded to the challenges posed by the COVID-19 pandemic and related restrictions imposed by state and local governments, including developing liquidity plans supported by internal cash reserves, shareholder support, and, as appropriate, accessing the government Paycheck Protection Program. We believe we have sufficient levels of liquidity to support our existing portfolio companies, as necessary, and selectively deploy capital in new investment opportunities.

Impact of Inflation

We believe the effects of inflation, if any, on our historical results of operations and financial condition have been immaterial. During the six months ended March 31, 2022 and 2021, general inflationary pressures and certain commodity price volatility have impacted our portfolio companies to varying degrees; however, the broad based impact of these pricing changes have largely been mitigated by price adjustments without adverse sales implications, and thus, have not materially impacted our portfolio companies' ability to service their indebtedness, including our loans. Notwithstanding the results to date, we do expect that the cumulative effect of these inflationary pressures may impact the profit margins or sales of certain portfolio companies and their ability to service their debts. We continue to monitor the current inflationary environment to anticipate any impact on our portfolio companies including their availability to pay interest on our loans. We cannot assure you that our results of operations and financial condition or that of our portfolio companies will not be materially impacted by inflation in the future. See *"Risk Factors— We may experience fluctuations in our quarterly and annual results based on the impact of inflation in the U.S."*

RESULTS OF OPERATIONS

Comparison of the Three Months Ended March 31, 2022 to the Three Months Ended March 31, 2021

	Three Months Ended March 31,			
	2022	**2021**	**$ Change**	**% Change**
INVESTMENT INCOME				
Interest income	**$ 12,962**	$ 11,886	$ 1,076	9.1 %
Success fee, dividend, and other income	**4,298**	999	3,299	330.2
Total investment income	**17,260**	12,885	4,375	34.0
EXPENSES				
Base management fee	**2,479**	2,095	384	18.3
Loan servicing fee	**1,520**	1,396	124	8.9
Incentive fee	**1,971**	1,381	590	42.7
Administration fee	**401**	332	69	20.8
Interest expense on borrowings and notes payable	**3,020**	2,822	198	7.0
Amortization of deferred financing costs	**274**	338	(64)	(18.9)
Other expenses	**522**	398	124	31.2
Expenses, before credits from Adviser	**10,187**	8,762	1,425	16.3
Credit to base management fee – loan servicing fee	**(1,520)**	(1,396)	(124)	8.9
Credits to fees from Adviser – other	**(102)**	(880)	778	(88.4)
Total expenses, net of credits	**8,565**	6,486	2,079	32.1
NET INVESTMENT INCOME	**8,695**	6,399	2,296	35.9
NET REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized gain (loss) on investments	—	63	(63)	(100.0)
Net realized gain (loss) on other	**233**	(1,152)	1,385	(120.2)
Net unrealized appreciation (depreciation) of investments	**(625)**	16,009	(16,634)	(103.9)
Net unrealized appreciation of other	—	(20)	20	(100.0)
Net gain (loss) from investments and other	**(392)**	14,900	(15,292)	(102.6)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	**$ 8,303**	$ 21,299	$ (12,996)	(61.0)%

Investment Income

Interest income increased by 9.1% for the three months ended March 31, 2022, as compared to the prior year period. Generally, the level of interest income from investments is directly related to the principal balance of our interest-bearing investment portfolio outstanding during the period multiplied by the weighted-average yield. The weighted average principal balance of our interest-bearing investment portfolio for the three months ended March 31, 2022, was $514.4 million, compared to $454.1 million for the three months ended March 31, 2021, an increase of $60.3 million, or 13.3%. The weighted average yield on our interest-bearing investments is based on the current stated interest rate on interest-bearing investments, which decreased to 10.2% for the three months ended March 31, 2022, compared to 10.6% for the three months ended March 31, 2021, inclusive of any allowances on interest receivables made during those periods. The decrease in the weighted average yield was driven mainly by competitive marketplace conditions.

As of March 31, 2022 and September 30, 2021, there were no loans on non-accrual status.

Other income increased by $3.3 million during the three months ended March 31, 2022, as compared to the prior year period, primarily due to increases in success fees received and dividend income, partially offset by a decrease in prepayment fees received, period over period.

As of March 31, 2022 and September 30, 2021, no single investment represented greater than 10% of the total investment portfolio at fair value.

Expenses

Expenses, net of any non-contractual, unconditional and irrevocable credits to fees from the Adviser, increased $2.1 million, or 32.1%, for the three months ended March 31, 2022, as compared to the prior year period. This increase was primarily due to a $0.9 million increase in net base management fees and a $0.8 million increase in the net incentive fee.

Total interest expense on borrowings and notes payable increased by $0.2 million, or 7.0%, during the three months ended March 31, 2022, as compared to the prior year period. This increase was driven by an increase in our overall funding needs and a change in the composition of our debt financing. Interest expense on our notes payable increased by $0.4 million period over period with the issuance of the 2027 Notes in November 2021 and the 2026 Notes in March 2021, partially offset by the redemption of our 5.375% Notes due 2024 (the "2024 Notes") in November 2021. Interest expense on our Credit Facility decreased by $0.2 million, period over period, driven primarily by a decrease in the weighted average balance outstanding on our Credit Facility, partially offset by an increase in unused commitment fees. The weighted average balance outstanding on our Credit Facility was $42.5 million during the three months ended March 31, 2022, as compared to $69.4 million in the prior year period, a decrease of 38.8%. The effective interest rate on our Credit Facility, including unused commitment fees incurred, but excluding the impact of deferred financing costs, was 5.9% during the three months ended March 31, 2022, compared to 4.6% during the prior year period. The increase in the effective interest rate was driven primarily by a $72 thousand increase in unused commitment fees during the three months ended March 31, 2022 as compared to the prior year period.

The net base management fee earned by the Adviser increased by $0.9 million, for the three months ended March 31, 2022, as compared to the prior year period, resulting from a decrease in new deal origination credits to the base management fee from the Adviser period over period and an increase in average total assets subject to the base management fee.

The income-based incentive fee increased by $0.6 million for the three months ended March 31, 2022, as compared to the prior year period, due to higher pre-incentive fee net investment income as compared to the prior year period. During the three months ended March 31, 2021, our Board of Directors accepted non-contractual, unconditional and irrevocable credits from the Adviser of $0.2 million to reduce the income-based incentive fee to the extent net investment income did not cover 100.0% of our distributions to common stockholders. There was no incentive fee credit during the three months ended March 31, 2022.

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

	Three Months Ended March 31,	
	2022	**2021**
Average total assets subject to base management fee[(A)]	**$ 566,629**	$ 478,857
Multiplied by prorated annual base management fee of 1.75%	**0.4375 %**	0.4375 %
Base management fee[(B)]	**$ 2,479**	$ 2,095
Portfolio company fee credit	**(59)**	(574)
Syndicated loan fee credit	**(43)**	(81)
Net Base Management Fee	**$ 2,377**	$ 1,440
Loan servicing fee[(B)]	**1,520**	1,396
Credit to base management fee - loan servicing fee[(B)]	**(1,520)**	(1,396)
Net Loan Servicing Fee	**$ —**	$ —
Incentive fee[(B)]	**1,971**	1,381
Incentive fee credit	**—**	(225)
Net Incentive Fee	**$ 1,971**	$ 1,156
Portfolio company fee credit	**(59)**	(574)
Syndicated loan fee credit	**(43)**	(81)
Incentive fee credit	**—**	(225)
Credits to Fees From Adviser - other[(B)]	**$ (102)**	$ (880)

(A) Average total assets subject to the base management fee is defined as total assets, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings, valued at the end of the applicable quarters within the respective periods and adjusted appropriately for any share issuances or repurchases during the periods.
(B) Reflected, on a gross basis, as a line item on our *Consolidated Statements of Operations*.

Net Realized and Unrealized Gain (Loss)

Net Realized Gain (Loss) on Investments

For the three months ended March 31, 2021, we recorded a net realized gain on investments of $0.1 million, which resulted primarily from the gain recognized on our investment in Funko, LLC. No such amounts were recorded during the three months ended March 31, 2022.

Net Unrealized Appreciation (Depreciation) of Investments

During the three months ended March 31, 2022, we recorded net unrealized depreciation of investments in the aggregate amount of $0.6 million. The net realized gain (loss) and unrealized appreciation (depreciation) across our investments for the three months ended March 31, 2022 were as follows:

	Three Months Ended March 31, 2022			
Portfolio Company	**Realized Gain (Loss)**	**Unrealized Appreciation (Depreciation)**	**Reversal of Unrealized (Appreciation) Depreciation**	**Net Gain (Loss)**
WB Xcel Holdings, LLC	$ —	$ 2,826	$ —	$ 2,826
ENET Holdings, LLC	—	2,250	—	2,250
Targus Cayman HoldCo, Ltd.	—	1,309	—	1,309
Defiance Integrated Technologies, Inc.	—	713	—	713
B+T Group Acquisition Inc.	—	652	—	652
Engineering Manufacturing Technologies, LLC	—	(362)	—	(362)
MCG Energy Solutions, LLC	—	(380)	—	(380)
Triple H Food Processors, LLC	—	(409)	—	(409)
PIC 360, LLC	—	(410)	—	(410)
R2i Holdings, LLC	—	(665)	—	(665)
Leeds Novamark Capital I, L.P.	—	(1,388)	—	(1,388)
Antenna Research Associates, Inc.	—	(1,624)	—	(1,624)
Encore Dredging Holdings, LLC	—	(2,715)	—	(2,715)
Other, net (<$500)	—	(255)	(167)	(422)
Total:	**$ —**	**$ (458)**	**$ (167)**	**$ (625)**

The primary driver of net unrealized depreciation of $0.6 million for the three months ended March 31, 2022 was the decline in the financial and operational performance of certain of our portfolio companies, partially offset by improvement in the financial and operational performance of WB Xcel Holdings, LLC and ENET Holdings, LLC.

During the three months ended March 31, 2021, we recorded net unrealized appreciation of investments in the aggregate amount of $16.0 million. The net realized gain (loss) and unrealized appreciation (depreciation) across our investments for the three months ended March 31, 2021 were as follows:

	Three Months Ended March 31, 2021			
Portfolio Company	Realized Gain (Loss)	Unrealized Appreciation (Depreciation)	Reversal of Unrealized (Appreciation) Depreciation	Net Gain (Loss)
AG Transportation Holdings, LLC	$ —	$ 5,512	$ —	$ 5,512
Antenna Research Associates, Inc.	—	3,521	—	3,521
NetFortris Corp.	—	1,076	—	1,076
American Trailer Rental Group LLC	—	1,015	—	1,015
Imperative Holdings Corporation	—	819	—	819
Defiance Integrated Technologies, Inc.	—	659	—	659
TNCP Intermediate HoldCo, LLC	—	639	—	639
Targus Cayman HoldCo, Ltd.	—	636	—	636
Triple H Food Processors, LLC	—	492	—	492
Lignetics, Inc.	—	432	—	432
EL Academies, Inc.	—	410	—	410
Sea Link International IRB, Inc.	—	395	—	395
DKI Ventures, LLC	—	366	—	366
PIC 360, LLC	—	338	—	338
Canopy Safety Brands, LLC	—	221	—	221
Leeds Novamark Capital I, L.P.	—	220	—	220
ENET Holdings, LLC	—	(750)	—	(750)
Other, net (<$500)	63	198	(190)	71
Total:	**$ 63**	**$ 16,199**	**$ (190)**	**$ 16,072**

The primary driver of net unrealized appreciation of $16.0 million for the three months ended March 31, 2021 was the improvement in the financial and operational performance across a number of our portfolio companies and an increase in comparable multiples used to estimate the fair value of several of our portfolio companies, partially offset by a decrease in performance of certain of our other portfolio companies.

Net Realized Gain (Loss) on Other

We incurred a loss on extinguishment of debt of $1.2 million during the three months ended March 31, 2021, which resulted from the write-off of unamortized deferred issuance costs at the time of redemption of our $57.5 million aggregate principal amount of 6.125% Notes due 2023 (the “2023 Notes”) in January 2021. During the three months ended March 31, 2022, we recorded a net realized gain on other of $0.2 million associated with escrows received.

Net Unrealized (Appreciation) Depreciation of Other

During the three months ended March 31, 2021, we recorded $20 thousand of unrealized depreciation related to a change in the fair value of our Credit Facility. No such amounts were recorded during the three months ended March 31, 2022.

Comparison of the Six Months Ended March 31, 2022 to the Six Months Ended March 31, 2021

	Six Months Ended March 31,			
	2022	**2021**	**$ Change**	**% Change**
INVESTMENT INCOME				
Interest income	**$ 25,828**	$ 23,968	$ 1,860	7.8 %
Success fee, dividend, and other income	**7,599**	1,799	5,800	322.4
Total investment income	**33,427**	25,767	7,660	29.7
EXPENSES				
Base management fee	**4,999**	4,097	902	22.0
Loan servicing fee	**2,982**	2,744	238	8.7
Incentive fee	**4,062**	2,748	1,314	47.8
Administration fee	**780**	687	93	13.5
Interest expense on borrowings and notes payable	**6,027**	5,390	637	11.8
Amortization of deferred financing costs	**563**	756	(193)	(25.5)
Other expenses	**1,170**	940	230	24.5
Expenses, before credits from Adviser	**20,583**	17,362	3,221	18.6
Credit to base management fee – loan servicing fee	**(2,982)**	(2,744)	(238)	8.7
Credits to fees from Adviser – other	**(2,029)**	(1,530)	(499)	32.6
Total expenses, net of credits	**15,572**	13,088	2,484	19.0
NET INVESTMENT INCOME	**17,855**	12,679	5,176	40.8
NET REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized gain (loss) on investments	**13,880**	(2,081)	15,961	(767.0)
Net realized gain (loss) on other	**(467)**	(1,160)	693	(59.7)
Net unrealized appreciation (depreciation) of investments	**(10,862)**	24,504	(35,366)	(144.3)
Net unrealized appreciation of other	**—**	(340)	340	(100.0)
Net gain (loss) from investments and other	**2,551**	20,923	(18,372)	(87.8)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	**$ 20,406**	$ 33,602	$ (13,196)	(39.3)%

Investment Income

Interest income increased by 7.8% for the six months ended March 31, 2022, as compared to the prior year period. Generally, the level of interest income from investments is directly related to the principal balance of our interest-bearing investment portfolio outstanding during the period multiplied by the weighted-average yield. The weighted average principal balance of our interest-bearing investment portfolio for the six months ended March 31, 2022, was $504.3 million, compared to $448.7 million for the six months ended March 31, 2021, an increase of $55.6 million, or 12.4%. The weighted average yield on our interest-bearing investments is based on the current stated interest rate on interest-bearing investments, which decreased to 10.3% for the six months ended March 31, 2022, compared to 10.7% for the six months ended March 31, 2021, inclusive of any allowances on interest receivables made during those periods. The decrease in the weighted average yield was driven mainly by competitive marketplace conditions.

As of March 31, 2022 and September 30, 2021, there were no loans on non-accrual status.

Other income increased by $5.8 million during the six months ended March 31, 2022, as compared to the prior year period, primarily due to increases in success fees received and dividend income, period over period.

As of March 31, 2022 and September 30, 2021, no single investment represented greater than 10% of the total investment portfolio at fair value.

Expenses

Expenses, net of any non-contractual, unconditional and irrevocable credits to fees from the Adviser, increased $2.5 million, or 19.0%, for the six months ended March 31, 2022, as compared to the prior year period. This increase was primarily due to a $1.8 million increase in the net incentive fee and a $0.6 million increase in interest expense on borrowings and notes payable.

Total interest expense on borrowings and notes payable increased by $0.6 million, or 11.8%, during the six months ended March 31, 2022, as compared to the prior year period. This increase was driven by an increase in our overall funding needs and a change in the composition of our debt financing. Interest expense on our notes payable increased by $1.1 million period over period with the issuance of the 2027 Notes in November 2021 and the 2026 Notes in December 2020 and March 2021, partially offset by the redemption of the 2024 Notes in November 2021. Interest expense on our Credit Facility decreased by $0.5 million, period over period, driven primarily by a decrease in the weighted average balance outstanding on our Credit Facility, partially offset by an increase in unused commitment fees. The weighted average balance outstanding on our Credit Facility was $37.7 million during the six months ended March 31, 2022, as compared to $87.4 million in the prior year period, a decrease of 56.9%. The effective interest rate on our Credit Facility, including unused commitment fees incurred, but excluding the impact of deferred financing costs, was 6.6% during the six months ended March 31, 2022, compared to 4.0% during the prior year period. The increase in the effective interest rate was driven primarily by a $0.3 million increase in unused commitment fees during the three months ended March 31, 2022 as compared to the prior year period.

The net base management fee earned by the Adviser decreased by $33 thousand for the six months ended March 31, 2022, as compared to the prior year period, resulting from an increase in credits to the base management fee from the Adviser period over period driven by an increase in new deal activity, partially offset by an increase in average total assets subject to the base management fee.

The income-based incentive fee increased by $1.3 million for the six months ended March 31, 2022, as compared to the prior year period, due to higher pre-incentive fee net investment income as compared to the prior year period. During the six months ended March 31, 2021, our Board of Directors accepted non-contractual, unconditional and irrevocable credits from the Adviser of $0.4 million to reduce the income-based incentive fee to the extent net investment income did not cover 100.0% of our distributions to common stockholders. There was no incentive fee credit during the six months ended March 31, 2022.

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

	Six Months Ended March 31, 2022	Six Months Ended March 31, 2021
Average total assets subject to base management fee[(A)]	**$ 571,314**	$ 468,229
Multiplied by prorated annual base management fee of 1.75%	**0.8750 %**	0.8750 %
Base management fee[(B)]	**$ 4,999**	$ 4,097
Portfolio company fee credit	**(1,928)**	(926)
Syndicated loan fee credit	**(101)**	(168)
Net Base Management Fee	**$ 2,970**	$ 3,003
Loan servicing fee[(B)]	**2,982**	2,744
Credit to base management fee - loan servicing fee[(B)]	**(2,982)**	(2,744)
Net Loan Servicing Fee	**$ —**	$ —
Incentive fee[(B)]	**4,062**	2,748
Incentive fee credit	**—**	(436)
Net Incentive Fee	**$ 4,062**	$ 2,312
Portfolio company fee credit	**(1,928)**	(926)
Syndicated loan fee credit	**(101)**	(168)
Incentive fee credit	**—**	(436)
Credits to Fees From Adviser - other[(B)]	**$ (2,029)**	$ (1,530)

(A) Average total assets subject to the base management fee is defined as total assets, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings, valued at the end of the applicable quarters within the respective periods and adjusted appropriately for any share issuances or repurchases during the periods.

(B) Reflected, on a gross basis, as a line item on our *Consolidated Statements of Operations*.

Net Realized and Unrealized Gain (Loss)

Net Realized Gain (Loss) on Investments

For the six months ended March 31, 2022, we recorded a net realized gain on investments of $13.9 million, which resulted primarily from a $13.4 million realized gain recognized on the sale of our investment in Lignetics, Inc.

For the six months ended March 31, 2021, we recorded a net realized loss on investments of $2.1 million, which resulted primarily from the realized loss of $2.4 million recognized on our investment in Edmentum Ultimate Holdings, LLC.

Net Unrealized Appreciation (Depreciation) of Investments

During the six months ended March 31, 2022, we recorded net unrealized depreciation of investments in the aggregate amount of $10.9 million. The net realized gain (loss) and unrealized appreciation (depreciation) across our investments for the six months ended March 31, 2022 were as follows:

	Six Months Ended March 31, 2022			
Portfolio Company	**Realized Gain (Loss)**	**Unrealized Appreciation (Depreciation)**	**Reversal of Unrealized (Appreciation) Depreciation**	**Net Gain (Loss)**
NetFortris Holdings LLC	$ —	$ 4,127	$ (284)	$ 3,843
ENET Holdings, LLC	—	3,300	—	3,300
WB Xcel Holdings, LLC	—	2,826	—	2,826
Targus Cayman HoldCo, Ltd.	—	1,430	—	1,430
Imperative Holdings Corporation	—	1,151	—	1,151
B+T Group Acquisition Inc.	—	784	—	784
AG Transportation Holdings, LLC	468	—	—	468
Engineering Manufacturing Technologies, LLC	—	(362)	—	(362)
Sea Link International IRB, Inc.	—	(388)	—	(388)
Triple H Food Processors, LLC	—	(581)	—	(581)
MCG Energy Solutions, LLC	—	(922)	—	(922)
R2i Holdings, LLC	—	(926)	—	(926)
Leeds Novamark Capital I, L.P.	—	(1,388)	—	(1,388)
Antenna Research Associates, Inc.	—	(1,459)	—	(1,459)
Lignetics, Inc.	13,408	—	(14,958)	(1,550)
Encore Dredging Holdings, LLC	—	(2,776)	—	(2,776)
Other, net (<$500)	4	(303)	(133)	(432)
Total:	**$ 13,880**	**$ 4,513**	**$ (15,375)**	**$ 3,018**

The primary driver of net unrealized depreciation of $10.9 million for the six months ended March 31, 2022 was the reversal of unrealized depreciation associated with the exit of our investment in Lignetics, Inc. and the decline in the financial and operational performance of certain of our other portfolio companies, partially offset by the improvement in the financial and operational performance of NetFortris Holdings LLC (formerly NetFortris Corp.) and ENET Holdings, LLC.

During the six months ended March 31, 2021, we recorded net unrealized appreciation of investments in the aggregate amount of $24.5 million. The net realized gain (loss) and unrealized appreciation (depreciation) across our investments for the six months ended March 31, 2021 were as follows:

	Six Months Ended March 31, 2021			
Portfolio Company	**Realized Gain (Loss)**	**Unrealized Appreciation (Depreciation)**	**Reversal of Unrealized (Appreciation) Depreciation**	**Net Gain (Loss)**
AG Transportation Holdings, LLC	$ —	$ 6,788	$ —	$ 6,788
Antenna Research Associates, Inc.	—	4,015	—	4,015
American Trailer Rental Group LLC	—	1,213	—	1,213
Triple H Food Processors, LLC	—	1,094	—	1,094
Targus Cayman HoldCo, Ltd.	—	1,043	—	1,043
NetFortris Corp.	—	984	—	984
PIC 360, LLC	—	856	—	856
TNCP Intermediate HoldCo, LLC	—	831	—	831
EL Academies, Inc.	—	669	—	669
DKI Ventures, LLC	—	615	—	615
Defiance Integrated Technologies, Inc.	—	502	—	502
Edmentum Ultimate Holdings, LLC	(2,351)	—	2,770	419
Café Zupas	—	454	—	454
Sea Link International IRB, Inc.	—	425	—	425
Lignetics, Inc.	—	417	—	417
R2i Holdings, LLC	—	412	—	412
Keystone Acquisition Corp.	—	395	—	395
Tailwind Smith Cooper Intermediate Corporation	—	334	—	334
Vertellus Holdings LLC	(41)	—	313	272
Drive Chassis Holdco, LLC	—	260	—	260
Medical Solutions Holdings, Inc.	—	233	—	233
Leeds Novamark Capital I, L.P.	—	220	—	220
Gray Matter Systems, LLC	—	203	—	203
SpaceCo Holdings, LLC	—	202	—	202
Belnick, Inc.	—	175	—	175
Canopy Safety Brands, LLC	—	163	—	163
ENET Holdings, LLC	—	(1,124)	—	(1,124)
Other, net (<$500)	311	232	(190)	353
Total:	**$ (2,081)**	**$ 21,611**	**$ 2,893**	**$ 22,423**

The primary driver of net unrealized appreciation of $24.5 million for the six months ended March 31, 2021 was the improvement in the financial and operational performance across a number of our portfolio companies and an increase in comparable multiples used to estimate the fair value of several of our portfolio companies, partially offset by the decline in the financial and operational performance of certain of our other portfolio companies, including most notably, ENET Holdings, LLC.

Net Realized Loss on Other

We incurred a loss on extinguishment of debt of $0.8 million during the six months ended March 31, 2022, which resulted from the write-off of unamortized deferred issuance costs at the time of redemption of our 2024 Notes in November 2021. We incurred a loss on extinguishment of debt of $1.2 million during the six months ended March 31, 2021, which resulted from the write-off of unamortized deferred issuance costs at the time of redemption of our 2023 Notes in January 2021.

Net Unrealized (Appreciation) Depreciation of Other

During the six months ended March 31, 2021, we recorded $0.3 million of unrealized depreciation related to a change in the fair value of our Credit Facility. No such amounts were recorded during the six months ended March 31, 2022.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

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

Net cash provided by operating activities for the six months ended March 31, 2022 was $37.7 million, as compared to net cash used in operating activities of $4.8 million for the six months ended March 31, 2021. The change was primarily due to an increase in principal repayments, partially offset by an increase in purchases of investments, period over period. Purchases of investments were $121.6 million during the six months ended March 31, 2022, compared to $101.1 million during the six months ended March 31, 2021. Repayments and net proceeds from sales were $147.5 million during the six months ended March 31, 2022 compared to $82.1 million during the six months ended March 31, 2021.

As of March 31, 2022, we had loans to, syndicated participations in or equity investments in 45 companies, with an aggregate cost basis of approximately $537.5 million. As of September 30, 2021, we had loans to, syndicated participations in or equity investments in 46 companies, with an aggregate cost basis of approximately $546.5 million.

The following table summarizes our total portfolio investment activity during the six months ended March 31, 2022 and 2021:

	Six Months Ended March 31,	
	2022	**2021**
Beginning investment portfolio, at fair value	**$ 557,612**	$ 450,400
New investments	**106,918**	101,000
Disbursements to existing portfolio companies	**14,651**	98
Scheduled principal repayments on investments	**(3,662)**	(1,563)
Unscheduled principal repayments on investments	**(126,938)**	(76,893)
Net proceeds from sale of investments	**(17,057)**	(3,598)
Net unrealized appreciation (depreciation) of investments	**4,513**	21,611
Reversal of prior period depreciation (appreciation) of investments on realization	**(15,375)**	2,893
Net realized gain (loss) on investments	**13,880**	(2,081)
Increase in investments due to PIK[(A)] or other	**2,614**	1,081
Net change in premiums, discounts and amortization	**547**	(181)
Investment Portfolio, at Fair Value	**$ 537,703**	$ 492,767

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

The following table summarizes the contractual principal repayment and maturity of our investment portfolio by fiscal year, assuming no voluntary prepayments, as of March 31, 2022:

			Amount
For the remaining six months ending September 30:	2022[(A)]	$	23,440
For the fiscal years ending September 30:	2023		27,469
	2024		66,011
	2025		82,477
	2026		146,035
	Thereafter		143,424
	Total contractual repayments	**$**	**488,856**
	Adjustments to cost basis of debt investments		(1,039)
	Investments in equity securities		49,648
	Investments held as of March 31, 2022 at cost:	**$**	**537,465**

(A) Includes debt investments with contractual principal amounts totaling $16.8 million for which the maturity date has passed as of March 31, 2022.

Financing Activities

Net cash used in financing activities for the six months ended March 31, 2022 was $36.9 million, which consisted primarily $38.8 million used in the redemption of our 2024 Notes and $33.1 million in net repayments on our Credit Facility, partially offset by $50.0 million in gross proceeds from the issuance of our 2027 Notes.

Net cash provided by financing activities for the six months ended March 31, 2021 was $7.4 million, which consisted primarily of $150.0 million in gross proceeds from the issuance of long term debt, partially offset by $86.8 million in net repayments on our Credit Facility and $57.5 million used in the redemption of our 2023 Notes.

Distributions to Stockholders

Common Stock Distributions

To qualify to be taxed as a RIC and thus avoid corporate level federal income tax on the income we distribute to our stockholders, we are required to distribute to our stockholders on an annual basis at least 90.0% of our Investment Company Taxable Income. Additionally, our Credit Facility has a covenant that generally restricts the amount of distributions to stockholders that we can pay out to be no greater than our aggregate net investment income, net capital gains and amounts elected to have been paid during the prior year in accordance with Section 855(a) of the Code. In accordance with these requirements, we paid monthly cash distributions of $0.065 per common share for each month for the six months ended March 31, 2022 and 2021. These distributions totaled an aggregate of $13.4 million and $12.7 million for the six months ended March 31, 2022 and 2021, respectively. In April 2022, our Board of Directors declared a monthly distribution of $0.0675 per common share for each of April, May, and June 2022. Our Board of Directors declared these distributions to our stockholders based on our estimates of our Investment Company Taxable Income for the fiscal year ending September 30, 2022. From inception through March 31, 2022, we have paid 230 monthly or quarterly consecutive distributions to common stockholders totaling approximately $409.7 million or $21.43 per share.

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

The characterization of the common stockholder distributions declared and paid for the fiscal year ending September 30, 2022 will be determined at fiscal year end, based upon our investment company taxable income for the full fiscal year and distributions paid during the full fiscal year. Such a characterization made on a quarterly basis may not be representative of the actual full fiscal year characterization.

Dividend Reinvestment Plan

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

Equity

Registration Statement

Our shelf registration statement permits us to issue, through one or more transactions, up to an aggregate of $300.0 million in securities, consisting of common stock, preferred stock, subscription rights, debt securities and warrants to purchase common stock, preferred stock or debt securities. As of March 31, 2022, we had the ability to issue up to $300.0 million in securities under the registration statement.

Common Stock

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

On March 31, 2022, the closing market price of our common stock was $11.79 per share, a 24.2% premium to our March 31, 2022 NAV per share of $9.49.

Revolving Credit Facility

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

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

Our Credit Facility contains covenants that require Business Loan to maintain its status as a separate legal entity, prohibit certain significant corporate transactions (such as mergers, consolidations, liquidations or dissolutions), and restrict material changes to our credit and collection policies without the lenders' consents. Our Credit Facility generally limits distributions to our stockholders on a fiscal year basis to the sum of our net investment income, net capital gains and amounts elected to have been paid during the prior year in accordance with Section 855(a) of the Code. Business Loan is also subject to certain limitations on the type of loan investments it can apply as collateral towards the borrowing base to receive additional borrowing availability under our Credit Facility, including restrictions on geographic concentrations, sector concentrations, loan size, payment frequency and status, average life, portfolio company leverage and lien property. Our Credit Facility further requires Business Loan to comply with other financial and operational covenants, which obligate Business Loan to, among other things, maintain certain financial ratios, including asset and interest coverage and a minimum number of 25 obligors required in the borrowing base.

Additionally, we are required to maintain (i) a minimum net worth (defined in our Credit Facility to include any outstanding mandatorily redeemable preferred stock) of $325.0 million plus 50.0% of all equity and subordinated debt raised after May 13, 2021 less 50% of any equity and subordinated debt retired or redeemed after May 13, 2021, which equates to $334.4 million as of March 31, 2022, (ii) asset coverage with respect to “senior securities representing indebtedness” of at least 150% (or such percentage as may be set forth in Section 18 of the 1940 Act, as modified by Section 61 of the 1940 Act), and (iii) our status as a BDC under the 1940 Act and as a RIC under the Code.

As of March 31, 2022, and as defined in our Credit Facility, we had a net worth of $522.0 million, asset coverage on our “senior securities representing indebtedness” of 246.6%, calculated in accordance with the requirements of Section 18 and 61 of the 1940 Act, and an active status as a BDC and RIC. In addition, we had 29 obligors in our Credit Facility’s borrowing base as of March 31, 2022. As of March 31, 2022, we were in compliance with all of our Credit Facility covenants. Refer to Note 5–*Borrowings* of the notes to our *Consolidated Financial Statements* included elsewhere in this Quarterly Report for additional information regarding our Credit Facility.

Notes Payable

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

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

In October 2019, we completed a public debt offering of the 2024 Notes for net proceeds of approximately $37.5 million after deducting underwriting discounts, commissions and offering expenses borne by us. On November 1, 2021, we voluntarily redeemed the 2024 Notes with an aggregate principal amount outstanding of $38.8 million. In connection with the voluntary redemption of the 2024 Notes, we incurred a loss on extinguishment of debt of $0.8 million, which is primarily comprised of the unamortized deferred issuance costs at the time of redemption. The 2024 Notes would have otherwise matured on November 1, 2024.

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

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

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

Off-Balance Sheet Arrangements

We generally recognize success fee income when the payment has been received. As of March 31, 2022 and September 30, 2021, we had off-balance sheet success fee receivables on our accruing debt investments of $12.1 million and $11.7 million (or approximately $0.35 per common share and $0.34 per common share), respectively, that would be owed to us, generally upon a change of control of the portfolio companies. Consistent with GAAP, we generally have not recognized our success fee receivables and related income in our Consolidated Financial Statements until earned. Due to the contingent nature of our success fees, there are no guarantees that we will be able to collect all of these success fees or know the timing of such collections.

Contractual Obligations

We have lines of credit, delayed draw term loans, and an uncalled capital commitment with certain of our portfolio companies that have not been fully drawn. Since these commitments have expiration dates and we expect many will never be fully drawn, the total commitment amounts do not necessarily represent future cash requirements. We estimate the fair value of the combined unused lines of credit, the unused delayed draw term loans, and the uncalled capital commitment as of March 31, 2022 and September 30, 2021 to be immaterial.

The following table shows our contractual obligations as of March 31, 2022, at cost:

	Payments Due by Period				
Contractual Obligations[A]	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**	**Total**
Credit Facility[B]	$ —	$ —	$ 17,400	$ —	$ 17,400
Notes Payable	—	—	150,000	50,000	200,000
Interest expense on debt obligations[C]	11,729	23,457	11,420	156	46,762
Total	**$ 11,729**	**$ 23,457**	**$ 178,820**	**$ 50,156**	**$ 264,162**

(A) Excludes our unused line of credit commitments, unused delayed draw term loans, and uncalled capital commitments to our portfolio companies in an aggregate amount of $58.8 million, at cost, as of March 31, 2022.
(B) Principal balance of borrowings outstanding under our Credit Facility, based on the maturity date following the current contractual revolver period end date.
(C) Includes estimated interest payments on our Credit Facility, 2027 Notes, and 2026 Notes. The amount of interest expense calculated for purposes of this table was based upon rates and balances as of March 31, 2022.

Critical Accounting Estimates

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

Investment Valuation

Credit Monitoring and Risk Rating

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

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

The following table reflects risk ratings for all proprietary loans in our portfolio as of March 31, 2022 and September 30, 2021, representing approximately 97.5% and 95.5%, respectively, of the principal balance of all debt investments in our portfolio at the end of each period:

Rating	**As of March 31, 2022**	**As of September 30, 2021**
Highest	**10.0**	10.0
Average	**6.7**	6.6
Weighted Average	**7.4**	7.0
Lowest	**1.0**	1.0

The following table reflects the risk ratings for all syndicated loans in our portfolio that were rated by an NRSRO as of March 31, 2022 and September 30, 2021, representing approximately 1.9% and 3.9%, respectively, of the principal balance of all debt investments in our portfolio at the end of each period:

Rating	**As of March 31, 2022**	**As of September 30, 2021**
Highest	**4.0**	5.0
Average	**4.0**	4.6
Weighted Average	**4.0**	4.5
Lowest	**4.0**	4.0

The following table reflects the risk ratings for all syndicated loans in our portfolio that were not rated by an NRSRO as of March 31, 2022 and September 30, 2021, representing approximately 0.6% and 0.6%, respectively, of the principal balance of all debt investments in our portfolio at the end of each period:

Rating	As of March 31, 2022	As of September 30, 2021
Highest	**5.0**	5.0
Average	**5.0**	5.0
Weighted Average	**5.0**	5.0
Lowest	**5.0**	5.0

Tax Status

We intend to continue to maintain our qualification as a RIC under Subchapter M of the Code for federal income tax purposes. As a RIC, we generally are not subject to federal income tax on the portion of our taxable income and gains distributed to our stockholders. To maintain our qualification as a RIC, we must maintain our status as a BDC and meet certain source-of-income and asset diversification requirements. In addition, in order to qualify to be taxed as a RIC, we must distribute to stockholders at least 90% of our Investment Company Taxable Income, determined without regard to the dividends paid deduction. Our policy generally is to make distributions to our stockholders in an amount up to 100% of our Investment Company Taxable Income. We may retain some or all of our net long-term capital gains, if any, and designate them as deemed distributions, or distribute such gains to stockholders in cash.

To avoid a 4% federal excise tax on undistributed amounts of income, we must distribute to stockholders, during each calendar year, an amount at least equal to the sum of: (1) 98% of our ordinary income for the calendar year, (2) 98.2% of our capital gain net income (both long-term and short-term) for the one-year period ending on October 31 of the calendar year, and (3) any income realized, but not distributed, in the preceding year (to the extent that income tax was not imposed on such amounts) less certain over-distributions in prior years. Under the RIC Modernization Act, we are permitted to carryforward any capital losses that we may incur for an unlimited period, and such capital loss carryforwards will retain their character as either short-term or long-term capital losses.

Recent Accounting Pronouncements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. The prices of securities held by us may decline in response to certain events, including those directly involving the companies whose securities are owned by us; conditions affecting the general economy, including public health emergencies, such as COVID-19; overall market changes; local, regional or global political, social or economic instability; interest rate fluctuations; and inflation.

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

All of our variable-rate debt investments have rates generally associated with either the current LIBOR or prime rate As of March 31, 2022, our portfolio of debt investments on a principal basis consisted of the following:

Variable rates	90.9 %
Fixed rates	9.1 %
Total:	100.0 %

To illustrate the potential impact of changes in market interest rates on our net increase in net assets resulting from operations, we have performed the following hypothetical analysis, which assumes that our balance sheet and contractual interest rates remain constant as of March 31, 2022 and no further actions are taken to alter our existing interest rate sensitivity.

Basis Point Change	Increase (Decrease) in Interest Income	Increase (Decrease) in Interest Expense	Net Increase (Decrease) in Net Assets Resulting from Operations
Up 200 basis points	$ 5,522	$ 348	$ 5,174
Up 100 basis points	1,442	174	1,268
Up 50 basis points	61	87	(26)
Up 25 basis points	30	44	(14)
Down 45 basis points	(43)	(18)	(25)

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

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

ITEM 4. CONTROLS AND PROCEDURES

a) Evaluation of Disclosure Controls and Procedures

As of March 31, 2022 (the end of the period covered by this report), our management, including our chief executive officer and chief financial officer, evaluated the effectiveness and design and operation of our disclosure controls and procedures. Based on that evaluation, our management, including the chief executive officer and chief financial officer, concluded that our disclosure controls and procedures were effective at a reasonable assurance level in timely alerting management, including the chief executive officer and chief financial officer, of material information about us required to be included in periodic SEC filings. However, in evaluation of the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

b) Changes in Internal Control over Financial Reporting

There were no changes in internal controls for the three months ended March 31, 2022 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 various investigation, claims and legal proceedings that arise in the ordinary course of our business. Furthermore, third parties may try to seek to impose liability on us in connection with the activities of our portfolio companies. While we do not expect that the resolution of these matters, if they arise, would materially affect our business, financial condition, results of operations or cash flows, resolution of these matters will be subject to various uncertainties and could result in the expenditure of significant financial and managerial resources. Neither we, nor any of our subsidiaries are currently subject to any material legal proceeding, nor, to our knowledge, is any material legal proceeding pending or threatened against us or any of our subsidiaries.

ITEM 1A. RISK FACTORS.

Our business is subject to certain risks and events that, if they occur, could adversely affect our financial condition and results of operations and the trading price of our securities. For a discussion of these risks, please refer to the section captioned "Item 1A. Risk Factors" in Part I of our Annual Report on Form 10-K for the fiscal year ended September 30, 2021, as filed with the SEC on November 15, 2021. The risks described in our Annual Report are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Sales of Unregistered Securities

Not applicable.

Issuer Purchases of Equity Securities

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

Not applicable.

ITEM 6. EXHIBITS.

Exhibit	Description
3.1	Articles of Amendment and Restatement to the Articles of Incorporation, incorporated by reference to Exhibit 99.a.2 to Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-63700), filed July 27, 2001.
3.2	Articles Supplementary Establishing and Fixing the Rights and Preferences of Term Preferred Shares, including Appendix A thereto relating to the Term Preferred Shares, 7.125% Series 2016, incorporated by reference to Exhibit 2.a.2 to Post-Effective Amendment No. 5 to the Registration Statement on Form N-2 (File No. 333-162592), filed October 31, 2011.

3.3	Certificate of Correction to Articles Supplementary Establishing and Fixing the Rights and Preferences of Term Preferred Shares, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 814-00237), filed October 29, 2015.
3.4	Articles Supplementary, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 814-00237), filed September 21, 2017.
3.5	Bylaws, incorporated by reference to Exhibit 99.b to Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-63700), filed July 27, 2001.
3.6	Amendment to Bylaws, incorporated by reference to Exhibit 3.3 to the Quarterly Report on Form 10-Q (File No. 814-00237), filed February 17, 2004.
3.7	Second Amendment to Bylaws, incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K (File No. 814-00237), filed July 10, 2007.
3.8	Third Amendment to Bylaws, incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K (File No. 814-00237), filed June 10, 2011.
3.9	Fourth Amendment to Bylaws, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 814-00237), filed November 29, 2016.
4.1	Form of Certificate for Common Stock, incorporated by reference to Exhibit 99.d.2 to Pre-Effective Amendment No. 3 to the Registration Statement on Form N-2 (File No. 333-63700), filed August 23, 2001.
4.2	Indenture between the Registrant and U.S. Bank National Association, dated as of November 6, 2018, incorporated by reference to Exhibit 2.d.10 to Post-Effective Amendment No. 7 to the Registration Statement on Form N-2 (File No. 333-208637), filed November 6, 2018.
4.3	Third Supplemental Indenture between Gladstone Capital Corporation and U.S. Bank National Association, dated as of December 15, 2020, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K (File No. 814-00237), filed December 15, 2020.
4.4	Fourth Supplemental Indenture between Gladstone Capital Corporation and U.S. Bank National Association, dated as of November 4, 2021, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K (File No. 814-00237), filed on November 4, 2021.
4.5	Registration Rights Agreement, dated as of November 4, 2021, by and between Gladstone Capital Corporation and Raymond James & Associates, Inc., as representative of the several initial purchasers, incorporated by reference to Exhibit 4.4 to the Current Report on Form 8-K (File No. 814-00237), filed on November 4, 2021.
10.1	Third Amended and Restated Investment Advisory and Management Agreement between the Registrant and Gladstone Management Corporation, dated as of April 13, 2021, incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 814-00237), filed on May 4, 2021.
10.2	Sixth Amended and Restated Credit Agreement dated as of May 13, 2021 by and among Gladstone Business Loan, LLC as Borrower, Gladstone Management Corporation as Servicer, KeyBank National Association, as Administrative Agent and the financial institutions from the time to time party thereto, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 814-00237), filed May 13, 2021.
10.3	Fourth Amended and Restated Investment Advisory and Management Agreement between the Registrant and Gladstone Management Corporation, dated as of April 12, 2022*
31.1	Certification of Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002.+
32.2	Certification of Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002.+

* Filed herewith
+ Furnished herewith

All other exhibits for which provision is made in the applicable regulations of the Securities and Exchange Commission are not required under the related instruction or are inapplicable and therefore have been omitted.

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.

GLADSTONE CAPITAL CORPORATION

By: /s/ *Nicole Schaltenbrand*
Nicole Schaltenbrand
Chief Financial Officer and Treasurer
(principal financial and accounting officer)

Date: May 3, 2022

FOURTH AMENDED AND RESTATED
INVESTMENT ADVISORY AND MANAGEMENT AGREEMENT
BETWEEN
GLADSTONE CAPITAL CORPORATION
AND
GLADSTONE MANAGEMENT CORPORATION

Agreement is made this 12th day of April 2022, by and between Gladstone Capital Corporation, a Maryland corporation (the ***"Fund"***), and Gladstone Management Corporation, a Delaware corporation (the ***"Adviser"***).

Whereas, the Fund is a closed-end management investment company that has elected to be treated as a business development company under the Investment Company Act of 1940 (the ***"Investment Company Act"***);

Whereas, the Adviser is an investment adviser that has registered under the Investment Advisers Act of 1940 (the ***"Advisers Act"***);

Whereas, the Fund and the Adviser are party to that certain Third Amended and Restated Investment Advisory and Management Agreement, dated April 13, 2021 (the "***Prior Agreement***");

Whereas, the Fund and the Adviser wish to amend and restate the Prior Agreement hereby; and

Whereas, the Fund desires to retain the Adviser to furnish investment advisory services to the Fund on the terms and conditions hereinafter set forth, and the Adviser wishes to be retained to provide such services.

Now, Therefore, in consideration of the premises and for other good and valuable consideration, the parties hereby agree as follows:

1. Duties of the Adviser.

(a) The Fund hereby employs the Adviser to act as the investment adviser to the Fund and to manage the investment and reinvestment of the assets of the Fund, subject to the supervision of the Board of Directors of the Fund, for the period and upon the terms herein set forth, (i) in accordance with the investment objective, policies and restrictions that are set forth in the Fund's Registration Statement on Form N-2, as the same shall be amended from time to time (as amended, the ***"Registration Statement"***), (ii) in accordance with the Investment Company Act and (iii) during the term of this Agreement in accordance with all other applicable federal and state laws, rules and regulations, and the Fund's charter and by-laws. Without limiting the generality of the foregoing, the Adviser shall, during the term and subject to the provisions of this Agreement, (i) determine the composition of the portfolio of the Fund, the nature and timing of the changes therein and the manner of implementing such changes; (ii) identify, evaluate and negotiate the structure of the investments made by the Fund; (iii) close and monitor the Fund's investments; (iv) determine the securities and other assets that the Fund will purchase, retain, or sell; (v) perform due diligence on prospective portfolio companies; and (vi) provide the Fund with such other investment advisory, research and related services as the Fund may, from time to time, reasonably require for the investment of its funds. The Adviser shall have the discretion, power and authority

on behalf of the Fund to effectuate its investment decisions for the Fund, including the execution and delivery of all documents relating to the Fund's investments and the placing of orders for other purchase or sale transactions on behalf of the Fund. In the event that the Fund determines to acquire debt financing, the Adviser will arrange for such financing on the Fund's behalf, subject to the oversight and approval of the Fund's Board of Directors. If it is necessary for the Adviser to make investments on behalf of the Fund through a special purpose vehicle, the Adviser shall have authority to create or arrange for the creation of such special purpose vehicle and to make such investments through such special purpose vehicle in accordance with the Investment Company Act.

(b) The Adviser hereby accepts such employment and agrees during the term hereof to render the services described herein for the compensation provided herein.

(c) Subject to the requirements of the Investment Company Act, the Adviser is hereby authorized to enter into one or more sub-advisory agreements with other investment advisers (each, a ***"Sub-Adviser"***) pursuant to which the Adviser may obtain the services of the Sub-Adviser(s) to assist the Adviser in fulfilling its responsibilities hereunder. Specifically, the Adviser may retain a Sub-Adviser to recommend specific securities or other investments based upon the Fund's investment objective and policies, and work, along with the Adviser, in structuring, negotiating, arranging or effecting the acquisition or disposition of such investments and monitoring investments on behalf of the Fund, subject to the oversight of the Adviser and the Fund. The Adviser, and not the Fund, shall be responsible for any compensation payable to any Sub-Adviser. Any sub-advisory agreement entered into by the Adviser shall be in accordance with the requirements of the Investment Company Act and other applicable federal and state law and shall contain a provision requiring the Sub-Adviser to comply with sections 1(e) and 1(f) below as if it were the Adviser.

(d) The Adviser shall for all purposes herein provided be deemed to be an independent contractor and, except as expressly provided or authorized herein, shall have no authority to act for or represent the Fund in any way or otherwise be deemed an agent of the Fund.

(e) The Adviser shall keep and preserve for the period required by the Investment Company Act any books and records relevant to the provision of its investment advisory services to the Fund and shall specifically maintain all books and records with respect to the Fund's portfolio transactions and shall render to the Fund's Board of Directors such periodic and special reports as the Board may reasonably request. The Adviser agrees that all records that it maintains for the Fund are the property of the Fund and will surrender promptly to the Fund any such records upon the Fund's request, provided that the Adviser may retain a copy of such records.

(f) The Adviser has adopted and implemented written policies and procedures reasonably designed to prevent violation of the Federal Securities laws by the Adviser. The Adviser has provided the Fund, and shall provide the Fund at such times in the future as the Fund shall reasonably request, with a copy of such policies and procedures and a report of such policies and procedures. Such report shall be of sufficient scope and in sufficient detail, as may reasonably be required to comply with Rule 38a-1 under the Investment Company Act and to provide reasonable assurance that any material inadequacies would be disclosed by such examination, and, if there are no such inadequacies, the report shall so state.

no such inadequacies, the report shall so state.

2. Fund's Responsibilities and Expenses Payable by the Fund.

All investment professionals of the Adviser and their respective staffs, when and to the extent engaged in providing investment advisory and management services hereunder, and the compensation and routine overhead expenses of such personnel allocable to such services, will be provided and paid for by the Adviser and not by the Fund. The Fund will bear all other costs and expenses of its operations and transactions, including (without limitation) those relating to: organization and offering; calculating the Fund's net asset value (including the cost and expenses of any independent valuation firm); expenses incurred by the Adviser payable to third parties, including agents, consultants or other advisors (such as independent valuation firms, accountants and legal counsel), in monitoring financial and legal affairs for the Fund and in monitoring the Fund's investments and performing due diligence on its prospective portfolio companies; interest payable on debt, if any, incurred to finance the Fund's investments; offerings of the Fund's common stock and other securities; investment advisory and management fees; administration fees, if any, payable under the Administration Agreement between the Fund and Gladstone Administration, LLC (the ***"Administrator"***), the Fund's administrator; fees payable to third parties (including agents, consultants or other advisors) relating to, or associated with, evaluating and making investments; transfer agent and custodial fees; federal and state registration fees; all costs of registration and listing the Fund's shares on any securities exchange; federal, state and local taxes; independent Directors' fees and expenses; costs of preparing and filing reports or other documents required by the Securities and Exchange Commission; costs of any reports, proxy statements or other notices to stockholders, including printing costs; the Fund's allocable portion of the fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums; direct costs and expenses of administration, including printing, mailing, long distance telephone, copying, secretarial and other staff, independent auditors and outside legal costs; and all other expenses incurred by the Fund or the Administrator in connection with administering the Fund's business, including payments under the Administration Agreement between the Fund and the Administrator based upon the Fund's allocable portion of the Administrator's overhead in performing its obligations under the Administration Agreement, including rent and the allocable portion of the cost of the Fund's chief compliance officer, chief financial officer, controller and their respective staffs.

3. Compensation of the Adviser.

The Fund agrees to pay, and the Adviser agrees to accept, as compensation for the services provided by the Adviser hereunder, a base management fee ***("Base Management Fee")*** and an incentive fee ***("Incentive Fee")*** as hereinafter set forth. The Fund shall make any payments due hereunder to the Adviser or to the Adviser's designee as the Adviser may otherwise direct.

(a) Base Management Fee.

(i) The Base Management Fee shall be payable quarterly in arrears, and shall be calculated at an annual rate of 1.75% of the average value of the Fund's total assets, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings (the "***Gross Assets***"), valued as of the end of the two most recently completed calendar quarters, and appropriately adjusted for any share issuances or repurchases during the current calendar quarter.

current calendar quarter.

(ii) Base Management Fees payable for any partial month or quarter will be appropriately prorated.

(b) The Incentive Fee shall consist of two parts, as follows:

(i) One part will be calculated and payable quarterly in arrears based on the pre-Incentive Fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-Incentive Fee net investment income means interest income, dividend income and any other income (including any other fees, such as commitment, origination, structuring, diligence, consulting fees that the Fund receives from portfolio companies, but excluding fees for providing managerial assistance) accrued by the Fund during the calendar quarter, minus the Fund's operating expenses for the quarter (including the Base Management Fee, less any rebate of other fees received by the Adviser), expenses payable under the Administration Agreement and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the Incentive Fee). Pre-Incentive Fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with payment-in-kind interest and zero coupon securities), accrued income that the Fund has not yet received in cash. Pre-Incentive Fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Pre-Incentive Fee net investment income, expressed as a rate of return on the value of the Fund's net assets at the end of the immediately preceding calendar quarter, will be compared to a "hurdle rate" of 1.75% per quarter (7% annualized). The Fund will pay the Adviser an Incentive Fee with respect to the Fund's pre-Incentive Fee net investment income in each calendar quarter as follows: (1) no Incentive Fee in any calendar quarter in which the Fund's pre-Incentive Fee net investment income does not exceed the hurdle rate; (2) 100% of the Fund's pre-Incentive Fee net investment income with respect to that portion of such pre-Incentive Fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875% in any calendar quarter (8.75% annualized); and (3) 20% of the amount of the Fund's pre-Incentive Fee net investment income, if any, that exceeds 2.1875% in any calendar quarter (8.75% annualized). For purposes of the period beginning April 1, 2022 through March 31, 2023, Pre-Incentive Fee net investment income, expressed as a rate of return on the value of the Fund's net assets at the end of the immediately preceding calendar quarter, will be compared to a "hurdle rate" of 2.00% per quarter (8% annualized). The Fund will pay the Adviser an Incentive Fee with respect to the Fund's pre-Incentive Fee net investment income in each calendar quarter as follows: (1) no Incentive Fee in any calendar quarter in which the Fund's pre-Incentive Fee net investment income does not exceed the hurdle rate; (2) 100% of the Fund's pre-Incentive Fee net investment income with respect to that portion of such pre-Incentive Fee net investment income, if any, that exceeds the hurdle rate but is less than 2.50% in any calendar quarter (10.00% annualized); and (3) 20% of the amount of the Fund's pre-Incentive Fee net investment income, if any, that exceeds 2.50% in any calendar quarter (10.00% annualized). These calculations will be appropriately pro rated for any period of less than three months and adjusted for any share issuances or repurchases during the current quarter.

(ii) The second part of the Incentive Fee (the ***"Capital Gains Fee"***) will be determined and payable in arrears as of the end of each fiscal year (or upon termination of this Agreement as set forth below), commencing on September 30, 2007, and will equal 20.0% of the Fund's realized capital gains, if any, computed net of all realized capital losses and unrealized capital depreciation at the end of such year. The amount of capital gains used to determine the Capital Gains Fee shall be calculated at the end of each applicable year by subtracting the sum of the Fund's Cumulative Aggregate Realized Capital Losses and Aggregate Unrealized Capital Depreciation from the Fund's Cumulative Aggregate Realized Capital Gains (each as defined in Section 3(b)(iii) below). If this number is positive at the end of such year, then the Capital Gains Fee for such year will be equal to 20.0% of such amount, less the aggregate amount of any Capital Gains Fees paid in all prior years. In the event that this Agreement shall terminate as of a date that is not a fiscal year end, the termination date shall be treated as though it were a fiscal year end for purposes of calculating and paying a Capital Gains Fee.

(iii) For purposes of this Section 3:

(1) ***"Cumulative Aggregate Realized Capital Gains"*** shall mean the sum of the differences between the net sales price of each investment in the Fund's portfolio when sold, and the original cost of such investment since inception of the Fund.

(2) ***"Cumulative Aggregate Realized Capital Losses"*** shall mean the sum of the amounts by which the net sales price of each investment in the Fund's portfolio when sold is less than the original cost of such investment since inception of the Fund.

(3) ***"Aggregate Unrealized Capital Depreciation"*** shall mean the sum of the difference, if negative, between the valuation of each investment in the Fund's portfolio as of the applicable Capital Gains Fee calculation date and the original cost of such investment.

4. Covenants of the Adviser.

The Adviser covenants that it is registered as an investment adviser under the Advisers Act. The Adviser agrees that its activities will at all times be in compliance in all material respects with all applicable federal and state laws governing its operations and investments.

5. Excess Brokerage Commissions.

The Adviser is hereby authorized, to the fullest extent now or hereafter permitted by law, to cause the Fund to pay a member of a national securities exchange, broker or dealer an amount of commission for effecting a securities transaction in excess of the amount of commission another member of such exchange, broker or dealer would have charged for effecting that transaction, if the Adviser determines in good faith, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution, and operational facilities of the firm and the firm's risk and skill in positioning blocks of securities, that such amount of commission is reasonable in relation to the value of the brokerage and/or research services provided by such member, broker or dealer, viewed in terms of either that particular transaction or its overall responsibilities with respect to the Fund's portfolio, and constitutes the best net results for the Fund.

6. Limitations on the Employment of the Adviser.

The services of the Adviser to the Fund are not exclusive, and the Adviser may engage in any other business or render similar or different services to others including, without limitation, the direct or indirect sponsorship or management of other investment based accounts or commingled pools of capital, however structured, having investment objectives similar to those of the Fund, so long as its services to the Fund hereunder are not impaired thereby, and nothing in this Agreement shall limit or restrict the right of any manager, partner, officer or employee of the Adviser to engage in any other business or to devote his or her time and attention in part to any other business, whether of a similar or dissimilar nature, or to receive any fees or compensation in connection therewith (including fees for serving as a director of, or providing consulting services to, one or more of the Fund's portfolio companies, subject to applicable law). So long as this Agreement or any extension, renewal or amendment remains in effect, the Adviser shall be the only investment adviser for the Fund, subject to the Adviser's right to enter into sub-advisory agreements. The Adviser assumes no responsibility under this Agreement other than to render the services called for hereunder. It is understood that directors, officers, employees and stockholders of the Fund are or may become interested in the Adviser and its affiliates, as directors, officers, employees, partners, stockholders, members, managers or otherwise, and that the Adviser and directors, officers, employees, partners, stockholders, members and managers of the Adviser and its affiliates are or may become similarly interested in the Fund as stockholders or otherwise.

7. Responsibility of Dual Directors, Officers or Employees.

If any person who is a manager, partner, officer or employee of the Adviser or the Administrator is or becomes a director, officer or employee of the Fund and acts as such in any business of the Fund, then such manager, partner, officer and/or employee of the Adviser or the Administrator shall be deemed to be acting in such capacity solely for the Fund, and not as a manager, partner, officer or employee of the Adviser or the Administrator or under the control or direction of the Adviser or the Administrator, even if paid by the Adviser or the Administrator.

8. Limitation of Liability of the Adviser: Indemnification.

The Adviser (and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with the Adviser, including without limitation the Administrator) shall not be liable to the Fund for any action taken or omitted to be taken by the Adviser in connection with the performance of any of its duties or obligations under this Agreement or otherwise as an investment adviser of the Fund, except to the extent specified in Section 36(b) of the Investment Company Act concerning loss resulting from a breach of fiduciary duty (as the same is finally determined by judicial proceedings) with respect to the receipt of compensation for services, and the Fund shall indemnify, defend and protect the Adviser (and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with the Adviser, including without limitation its general partner and the Administrator, each of whom shall be deemed a third party beneficiary hereof) (collectively, the ***"Indemnified Parties"***) and hold them harmless from and against all damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) incurred by the Indemnified Parties in or by reason of any pending, threatened or completed action, suit, investigation or other proceeding (including an action or suit by or in the right of the Fund or its security holders) arising out of or otherwise based upon the performance of any of the Adviser's duties or obligations under this Agreement or otherwise as an investment adviser of the Fund. Notwithstanding the preceding sentence of this Paragraph 8 to the contrary, nothing contained herein shall protect or be deemed to protect the Indemnified Parties against or entitle or be deemed to entitle the Indemnified Parties to indemnification in respect of, any liability to the Fund or its security holders to which the Indemnified Parties would otherwise be subject by reason of willful misfeasance, bad faith or gross negligence in the performance of the Adviser's duties or by reason of the reckless disregard of the Adviser's duties and obligations under this Agreement (as the same shall be determined in accordance with the Investment Company Act and any interpretations or guidance by the Securities and Exchange Commission or its staff thereunder).

9. Effectiveness, Duration and Termination of Agreement.

This Agreement shall become effective as of the first date above written. This Agreement shall remain in effect for one year, and thereafter shall continue automatically for successive annual periods, provided that such continuance is specifically approved at least annually by (a) the vote of the Fund's Board of Directors, or by the vote of a majority of the outstanding voting securities of the Fund and (b) the vote of a majority of the Fund's Directors who are not parties to this Agreement or "interested persons" (as such term is defined in Section 2(a)(19) of the Investment Company Act) of any such party, in accordance with the requirements of the Investment Company Act. This Agreement may be terminated at any time, without the payment of any penalty, upon 60 days' written notice, by the vote of a majority of the outstanding voting securities of the Fund, or by the vote of the Fund's Directors or by the Adviser. This Agreement will automatically terminate in the event of its "assignment" (as such term is defined for purposes of Section 15(a)(4) of the Investment Company Act). The provisions of Paragraph 8 of this Agreement shall remain in full force and effect, and the Adviser and its representatives shall remain entitled to the benefits thereof, notwithstanding any termination or expiration of this Agreement. Further, notwithstanding the termination or expiration of this Agreement as aforesaid, the Adviser shall be entitled to any amounts owed under Section 3 through the date of termination or expiration.

All fees and calculations contemplated hereunder, including those for the quarter ending June 30, 2022 and any period thereafter, shall be calculated as if this Agreement was effective as of April 1, 2022.

10. Notices.

Any notice under this Agreement shall be given in writing, addressed and delivered or mailed, postage prepaid, to the other party at its principal office.

11. Amendments.

This Agreement may be amended by mutual consent, but the consent of the Fund must be obtained in conformity with the requirements of the Investment Company Act.

12. Entire Agreement; Governing Law.

This Agreement contains the entire agreement of the parties and supersedes all prior agreements, understandings and arrangements with respect to the subject matter hereof. This Agreement shall be construed in accordance with the laws of the State of Delaware and the applicable provisions of the Investment Company Act. To the extent the applicable laws of the State of Delaware or any of the provisions herein, conflict with the provisions of the Investment

Company Act, the latter shall control.

In Witness Whereof, the parties hereto have caused this Agreement to be duly executed on the date above written.

Gladstone Capital Corporation

By: ______________________
Bob Marcotte
President

Gladstone Management Corporation

By: ______________________
David Gladstone
Chief Executive Officer

Exhibit 31.1

CERTIFICATION
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David Gladstone, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gladstone Capital Corporation;

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

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

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

(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: May 3, 2022

/s/ *David Gladstone*
David Gladstone
Chief Executive Officer and
Chairman of the Board of Directors

Exhibit 31.2

CERTIFICATION
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Nicole Schaltenbrand, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gladstone Capital Corporation;

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

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

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

(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: May 3, 2022

/s/ *Nicole Schaltenbrand*
Nicole Schaltenbrand
Chief Financial Officer and Treasurer

Exhibit 32.1

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

The undersigned, the Chief Executive Officer and Chairman of the Board of Gladstone Capital Corporation (the “Company”), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350(a), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 (“Form 10-Q”), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 3, 2022

/s/ *David Gladstone*

David Gladstone
Chief Executive Officer and
Chairman of the Board of Directors

Exhibit 32.2

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

The undersigned, the Chief Financial Officer of Gladstone Capital Corporation (the “Company”), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350(a), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 (“Form 10-Q”), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 3, 2022

/s/ *Nicole Schaltenbrand*
Nicole Schaltenbrand
Chief Financial Officer and Treasurer