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

FORM 10-Q

(Mark one):

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

FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2020

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 (State or other jurisdiction of incorporation or organization)	**54-2040781** (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
5.375% Notes due 2024, $25.00 par value per note	GLADL	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, anon-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 February 2, 2020 was 32,490,392.

GLADSTONE CAPITAL CORPORATION
TABLE OF CONTENTS

Table of Contents

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

	December 31, 2020	September 30, 2020
ASSETS		
Investments, at fair value:		
Non-Control/Non-Affiliate investments (Cost of **$411,458** and $427,798, respectively)	**$ 392,594**	$ 401,047
Affiliate investments (Cost of **$48,322** and $38,322, respectively)	**43,084**	33,179
Control investments (Cost of **$28,331** and $28,527, respectively)	**16,681**	16,174
Cash and cash equivalents	**1,464**	2,420
Restricted cash and cash equivalents	**90**	49
Interest receivable, net	**2,129**	3,001
Due from administrative agent	**2,357**	2,103
Deferred financing costs, net	**360**	372
Other assets, net	**647**	832
TOTAL ASSETS	**$ 459,406**	$ 459,177
LIABILITIES		
Borrowings, at fair value (Cost of **$16,300** and $128,000, respectively)	**$ 16,270**	$ 127,650
Notes payable, net of unamortized deferred financing costs of **$4,527** and $2,428, respectively	**191,786**	93,885
Accounts payable and accrued expenses	**600**	377
Interest payable	**1,336**	1,181
Fees due to Adviser(A)	**1,710**	1,686
Fee due to Administrator(A)	**434**	329
Other liabilities	**153**	326
TOTAL LIABILITIES	**$ 212,289**	$ 225,434
Commitments and contingencies(B)		
NET ASSETS		
Common stock, $0.001 par value per share, **44,560,000** and 44,560,000 shares authorized, respectively, and **32,490,392** and 31,566,850 shares issued and outstanding, respectively	**$ 33**	$ 32
Capital in excess of par value	**374,296**	367,125
Cumulative net unrealized depreciation of investments	**(35,752)**	(44,247)
Cumulative net unrealized appreciation of other	**30**	350
Over distributed net investment income	**(59)**	(39)
Accumulated net realized losses	**(91,431)**	(89,478)
Total distributable loss	**(127,212)**	(133,414)
TOTAL NET ASSETS	**$ 247,117**	$ 233,743
NET ASSET VALUE PER COMMON SHARE	**$ 7.61**	$ 7.40

(A) Refer to Note 4—*Related Party Transactions* in the accompanying *Notes to Consolidated Financial Statements* for additional information.
(B) Refer to Note 10—*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 December 31, 2020	Three Months Ended December 31, 2019
INVESTMENT INCOME		
Interest income		
Non-Control/Non-Affiliate investments	**$ 10,222**	$ 9,648
Affiliate investments	**910**	1,046
Control investments	**415**	422
Cash and cash equivalents	**—**	8
Total interest income (excluding PIK interest income)	**11,547**	11,124
PIK interest income		
Non-Control/Non-Affiliate investments	**535**	332
Total PIK interest income	**535**	332
Total interest income	**12,082**	11,456
Dividend income		
Non-Control/Non-Affiliate investments	**366**	164
Control investments	**222**	186
Total dividend income	**588**	350
Other income	**212**	353
Total investment income	**12,882**	12,159
EXPENSES		
Base management fee(A)	**2,002**	1,852
Loan servicing fee(A)	**1,348**	1,403
Incentive fee(A)	**1,367**	1,394
Administration fee(A)	**355**	371
Interest expense on borrowings and notes payable	**2,568**	2,537
Dividends on mandatorily redeemable preferred stock	**—**	9
Amortization of deferred financing costs	**418**	361
Professional fees	**218**	185
Other general and administrative expenses	**324**	346
Expenses before credits from Adviser	**8,600**	8,458
Credit to base management fee - loan servicing fee(A)	**(1,348)**	(1,403)
Credit to fees from Adviser - other(A)	**(650)**	(1,313)
Total expenses, net of credits	**6,602**	5,742
NET INVESTMENT INCOME	**6,280**	6,417
NET REALIZED AND UNREALIZED GAIN (LOSS)		
Net realized gain (loss):		
Non-Control/Non-Affiliate investments	**(2,143)**	(4,434)
Control investments	**(1)**	—
Other	**(8)**	(1,407)
Total net realized gain (loss)	**(2,152)**	(5,841)
Net unrealized appreciation (depreciation):		
Non-Control/Non-Affiliate investments	**7,887**	2,742
Affiliate investments	**(95)**	(140)
Control investments	**703**	(2,463)
Other	**(320)**	(17)
Total net unrealized appreciation (depreciation)	**8,175**	122
Net realized and unrealized gain (loss)	**6,023**	(5,719)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	**$ 12,303**	$ 698

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

Table of Contents

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

BASIC AND DILUTED PER COMMON SHARE:		
Net investment income	**$ 0.20**	$ 0.21
Net increase (decrease) in net assets resulting from operations	**$ 0.38**	$ 0.02
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING: Basic and Diluted	**32,097,542**	30,513,530

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

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

	2020	2019
NET ASSETS, SEPTEMBER 30	**$233,743**	$249,330
OPERATIONS		
Net investment income	**6,280**	6,417
Net realized gain (loss) on investments	**(2,144)**	(4,434)
Realized gain (loss) on other	**(8)**	(1,407)
Net unrealized appreciation (depreciation) of investments	**8,495**	139
Net unrealized depreciation (appreciation) of other	**(320)**	(17)
Net increase (decrease) in net assets resulting from operations	**12,303**	698
DISTRIBUTIONS		
Distributions to common stockholders from net investment income ($0.19 per share and $0.21 per share, respectively)(A)	**(6,100)**	(6,417)
Distributions to common stockholders from return of capital ($0.01 per share and $0.00 per share, respectively)(A)	**(180)**	—
Net decrease in net assets from distributions	**(6,280)**	(6,417)
CAPITAL TRANSACTIONS		
Issuance of common stock	**7,491**	7,315
Discounts, commissions and offering costs for issuance of common stock	**(140)**	(137)
Net increase (decrease) in net assets resulting from capital transactions	**7,351**	7,178
NET INCREASE (DECREASE) IN NET ASSETS	**13,374**	1,459
NET ASSETS, DECEMBER 31	**$247,117**	$250,789

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

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

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

	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase (decrease) in net assets resulting from operations	**$ 12,303**	$ 698
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:		
Purchase of investments	**(29,098)**	(42,535)
Principal repayments on investments	**30,631**	12,656
Net proceeds from sale of investments	**3,511**	(25)
Increase in investments due to PIK interest	**(654)**	(328)
Net change in premiums, discounts and amortization	**2**	(196)
Net realized loss (gain) on investments	**2,144**	4,434
Net realized loss (gain) on other	**8**	1,407
Net unrealized depreciation (appreciation) of investments	**(8,495)**	(139)
Net unrealized appreciation (depreciation) of other	**320**	17
Changes in assets and liabilities:		
Amortization of deferred financing fees	**418**	361
Decrease (increase) in interest receivable, net	**872**	(279)
Decrease (increase) in funds due from administrative agent	**(254)**	(347)
Decrease (increase) in other assets, net	**157**	(123)
Increase (decrease) in accounts payable and accrued expenses	**223**	84
Increase (decrease) in interest payable	**155**	395
Increase (decrease) in fees due to Adviser(A)	**24**	(582)
Increase (decrease) in fees due to Administrator(A)	**105**	104
Increase (decrease) in other liabilities	**(173)**	85
Net cash provided by (used in) operating activities	**12,199**	(24,313)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	**21,500**	84,300
Repayments on line of credit	**(133,200)**	(60,400)
Redemption of preferred stock	**—**	(51,750)
Proceeds from issuance of long-term debt	**100,000**	38,813
Deferred financing fees	**(2,513)**	(1,383)
Proceeds from issuance of common stock	**7,491**	7,315
Discounts, commissions and offering costs for issuance of common stock	**(112)**	(112)
Distributions paid to common stockholders	**(6,280)**	(6,417)
Net cash provided by (used in) financing activities	**(13,114)**	10,366
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS	**(915)**	(13,947)
CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS, BEGINNING OF PERIOD	**2,469**	15,748
CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS, END OF PERIOD	**$ 1,554**	$ 1,801
CASH PAID FOR INTEREST	**$ 2,413**	$ 2,142

(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 SCHEDULE OF INVESTMENTS
DECEMBER 31, 2020
(UNAUDITED)
(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment(A)(B)(W)(Y)	Principal/ Shares/ Units(J) (X)	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS(M) – 158.9%			
Secured First Lien Debt – 80.3%			
Aerospace and Defense – 5.0%			
Antenna Research Associates, Inc. – Term Debt (L + 10.0%, 12.0% Cash, 4.0% PIK, Due 11/2023)(E)	$ 12,411	**$ 12,411**	**$ 12,411**
Beverage, Food, and Tobacco – 10.4%			
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	1,955
Café Zupas – Term Debt (L + 7.4%, 8.9% Cash, Due 12/2024)(C)	24,000	24,000	23,820
		25,970	**25,775**
Buildings and Real Estate – 0.7%			
GFRC 360, LLC – Line of Credit, $500 available (L + 8.0%, 9.0% Cash, Due 9/2021)(C)	700	700	690
GFRC 360, LLC – Term Debt (L + 8.0%, 9.0% Cash, Due 9/2021)(C)	1,000	1,000	985
		1,700	**1,675**
Diversified/Conglomerate Service – 23.7%			
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)	6,001	6,001	4,802
ENET Holdings, LLC – Term Debt (10.2% Cash, Due 12/2022)(C)(F)	1,000	1,000	795
ENET Holdings, LLC – Term Debt (10.2% Cash, Due 4/2025)(C)(F)	29,000	29,000	23,055
R2i Holdings, LLC – Line of Credit, $1,171 available (8.0% Cash, Due 12/2021)(C)(F)	829	829	808
R2i Holdings, LLC – Term Debt (8.0% Cash, Due 12/2023)(C)(F)	19,625	19,625	19,134
Vision Government Solutions, Inc. – Line of Credit, $2,500 available (L + 8.8%, 9.8% Cash, Due 12/2022)(C)	—	—	—
Vision Government Solutions, Inc. – Term Debt (L + 8.8%, 9.8% Cash, Due 12/2022)(C)	9,975	9,945	9,925
		66,400	**58,519**
Healthcare, Education, and Childcare – 27.5%			
ALS Education, LLC – Line of Credit, $4,000 available (L + 7.5%, 9.0% Cash, Due 5/2025)(C)	—	—	—
ALS Education, LLC – Term Debt (L + 7.5%, 9.0% Cash, Due 5/2025)(C)	21,340	21,340	21,313
Effective School Solutions LLC – Line of Credit, $2,000 available (L + 7.8%, 8.8% Cash, Due 12/2025)(C)	—	—	—
Effective School Solutions LLC – Term Debt (L + 7.8%, 8.8% Cash, Due 12/2025)(C)	19,000	19,000	19,000
Effective School Solutions LLC – Delayed Draw Term Loan, $3,200 available (L + 7.8%, 8.8% 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	15,988	15,840
EL Academies, Inc. – Term Debt (L + 8.0%, 9.0% Cash, Due 8/2022)(C)	12,000	11,985	11,880
		68,313	**68,033**
Machinery – 2.5%			
Arc Drilling Holdings LLC – Line of Credit, $875 available (L + 8.0%, 9.3% Cash, Due 11/2022)(C)	125	125	121
Arc Drilling Holdings LLC – Term Debt (L + 9.5%, 10.8% Cash, 3.0% PIK, Due 11/2022)(C)	5,916	5,916	5,741
Precision International, LLC – Line of Credit, $500 available (L + 7.5%, 8.5% Cash, Due 9/2021)(C)	—	—	—
Precision International, LLC – Term Debt (10.0% Cash, Due 9/2021)(C)(F)	286	286	280
		6,327	**6,142**
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)	107	**107**	**—**
Telecommunications – 10.5%			
B+T Group Acquisition, Inc.(S) – Line of Credit, $0 available (L + 11.0%, 13.0% Cash, Due 12/2021)(C)(H)	1,200	1,200	1,101
B+T Group Acquisition, Inc.(S) – Term Debt (L + 11.0%, 13.0% Cash, Due 12/2021)(C)(H)	6,000	6,000	5,505
NetFortris Corp. – Term Debt (L + 9.0%, 9.5% Cash, Due 2/2021)(C)	23,302	23,302	19,224
		30,502	**25,830**
Total Secured First Lien Debt		**$211,730**	**$198,385**

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

GLADSTONE CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS
DECEMBER 31, 2020
(UNAUDITED)
(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment(A)(B)(W)(Y)	Principal/ Shares/ Units(J) (X)	Cost	Fair Value
Secured Second Lien Debt – 67.2%			
Automobile – 3.9%			
Sea Link International IRB, Inc. – Term Debt (11.3% Cash, 2.0% PIK, Due 3/2023)(C)(F)	$ 10,729	**$ 10,729**	**$ 9,575**
Beverage, Food, and Tobacco – 1.5%			
8th Avenue Food & Provisions, Inc. – Term Debt (L + 7.8%, 7.9% Cash, Due 10/2026)(D)	3,683	**3,704**	**3,618**
Cargo Transportation – 12.5%			
AG Transportation Holdings, LLC – Term Debt (L + 10.0%, 13.3% Cash, Due 12/2021)(C)	13,000	12,978	12,984
American Trailer Rental Group LLC – Term Debt (L + 8.9%, 10.4% Cash, Due 8/2025)(C)	18,000	18,000	17,910
		30,978	**30,894**
Chemicals, Plastics, and Rubber – 4.0%			
Phoenix Aromas & Essential Oils, LLC – Term Debt (L + 11.5%, 12.5% Cash, Due 5/2024)(C)	10,012	**10,012**	**9,962**
Diversified/Conglomerate Manufacturing – 13.1%			
Magpul Industries Corp. – Term Debt (L + 10.5%, 11.5% Cash, Due 5/2026)(C)	28,000	28,000	28,210
Tailwind Smith Cooper Intermediate Corporation – Term Debt (L + 9.0%, 9.1% Cash, Due 5/2027)(D)	5,000	4,783	4,150
		32,783	**32,360**
Diversified/Conglomerate Service – 13.1%			
CHA Holdings, Inc. – Term Debt (L + 8.8%, 9.8% Cash, Due 4/2026)(D)(U)	3,000	2,955	2,700
Drive Chassis Holdco, LLC – Term Debt (L + 8.3%, 8.4% Cash, Due 4/2026)(D)	5,000	4,793	4,962
Gray Matter Systems, LLC – Term Debt (12.0% Cash, Due 12/2026)(C)(F)	8,100	8,060	8,039
Keystone Acquisition Corp. – Term Debt (L + 9.3%, 10.3% Cash, Due 5/2025)(D)(U)	4,000	3,947	3,560
Prophet Brand Strategy – Delayed Draw Term Loan, $5,000 available (L + 8.5%, 10.5% Cash, Due 2/2025)(C)	—	—	—
Prophet Brand Strategy – Term Debt (L + 8.5%, 10.5% Cash, Due 2/2025)(C)	13,000	13,000	13,033
		32,755	**32,294**
Healthcare, Education, and Childcare – 2.3%			
Medical Solutions Holdings, Inc. – Term Debt (L + 8.4%, 9.4% Cash, Due 6/2025)(D)	3,000	2,970	2,850
Medical Solutions Holdings, Inc. – Term Debt (L + 8.8%, 9.8% Cash, Due 6/2025)(D)	3,000	2,950	2,850
		5,920	**5,700**
Home and Office Furnishings, Housewares and Durable Consumer Products – 3.9%			
Belnick, Inc. – Term Debt (11.0% Cash, Due 8/2023)(C)(F)	10,000	**10,000**	**9,750**
Hotels, Motels, Inns, and Gaming – 3.3%			
Vacation Rental Pros Property Management, LLC – Term Debt (L + 10.0%, 11.0% Cash, 3.0% PIK, Due 6/2023)(C)	8,113	**8,113**	**8,113**
Machinery – 0.4%			
CPM Holdings, Inc. – Term Debt (L + 8.3%, 8.4% Cash, Due 11/2026)(D)	1,000	**1,000**	**970**
Oil and Gas – 9.2%			
Imperative Holdings Corporation – Term Debt (L + 10.3%, 12.3% Cash, 1.8% PIK, Due 9/2022)(C)	27,706	**27,706**	**22,719**
Total Secured Second Lien Debt		**$173,700**	**$165,955**

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

GLADSTONE CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS
DECEMBER 31, 2020
(UNAUDITED)
(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment(A)(B)(W)(Y)	Principal/ Shares/ Units(J)(X)	Cost	Fair Value
Unsecured Debt – 0.0%			
Diversified/Conglomerate Service – 0.0%			
Frontier Financial Group Inc. – Convertible Debt (6.0%, Due 6/2022)(E)(F)	$ 198	**$ 198**	**$ 15**
Preferred Equity – 2.0%			
Automobile – 0.1%			
Sea Link International IRB, Inc. – Preferred Stock(E)(G)	98,039	**98**	**111**
Beverage, Food, and Tobacco – 0.0%			
Triple H Food Processors, LLC – Preferred Stock(E)(G)	75	**75**	**86**
Buildings and Real Estate – 0.6%			
GFRC 360, LLC – Preferred Stock(E)(G)	1,000	**1,025**	**1,565**
Diversified/Conglomerate Service – 0.0%			
Frontier Financial Group Inc. – Preferred Stock(E)(G)	766	500	—
Frontier Financial Group Inc. – Preferred Stock Warrant(E)(G)	168	—	—
		500	**—**
Oil and Gas – 0.4%			
FES Resources Holdings LLC – Preferred Equity Units(E)(G)	6,350	6,350	—
Imperative Holdings Corporation – Preferred Equity Units(E)(G)	13,740	632	1,073
		6,982	**1,073**
Telecommunications – 0.9%			
B+T Group Acquisition, Inc.(S) – Preferred Stock(E)(G)	6,130	2,024	—
NetFortris Corp. – Preferred Stock(E)(G)	7,890,860	789	2,162
		2,813	**2,162**
Total Preferred Equity		**$11,493**	**$4,997**
Common Equity – 9.4%			
Aerospace and Defense – 1.9%			
Antenna Research Associates, Inc. – Common Equity Units(E)(G)	4,283	**$ 4,283**	**$4,632**
Automobile– 0.1%			
Sea Link International IRB, Inc.– Common Equity Units(E)(G)	823,333	**823**	**321**
Beverage, Food, and Tobacco – 0.2%			
Triple H Food Processors, LLC – Common Stock(E)(G)	250,000	**250**	**599**
Buildings and Real Estate – 0.0%			
GFRC 360, LLC – Common Stock Warrants(E)(G)	45.0%	**—**	**—**
Cargo Transportation – 2.1%			
AG Transportation Holdings, LLC – Member Profit Participation(E)(G)	27.0%	1,350	3,518
AG Transportation Holdings, LLC – Profit Participation Warrants(E)(G)	5.0%	244	492
American Trailer Rental Group LLC – Common Stock(E)(G)	6,667	1,000	1,117
		2,594	**5,127**
Healthcare, Education, and Childcare – 2.1%			
GSM MidCo LLC – Common Stock(E)(G)	767	767	676
Leeds Novamark Capital I, L.P. – Limited Partnership Interest ($843 uncalled capital commitment)(G)(L)(R)	3.5%	1,499	4,409
		2,266	**5,085**
Machinery – 0.3%			
Arc Drilling Holdings LLC – Common Stock(E)(G)	15,000	1,500	271
Precision International, LLC – Membership Unit Warrant(E)(G)	33.3%	—	529
		1,500	**800**

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

GLADSTONE CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS
DECEMBER 31, 2020
(UNAUDITED)
(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment(A)(B)(W)(Y)	Principal/ Shares/ Units(J)(X)	Cost	Fair Value
Oil and Gas – 0.1%			
FES Resources Holdings LLC – Common Equity Units(E)(G)	6,233	—	—
Total Safety Holdings, LLC – Common Equity(E)(G)	435	499	280
		499	**280**
Personal and Non-Durable Consumer Products (Manufacturing Only) – 0.0%			
Funko Acquisition Holdings, LLC(S) – Common Units(G)(T)	12,180	**59**	**86**
Telecommunications – 0.0%			
B+T Group Acquisition, Inc.(S) – Common Stock Warrant(E)(G)	1.5%	—	—
NetFortris Corp. – Common Stock Warrant(E)(G)	1	1	—
		1	**—**
Textiles and Leather – 2.6%			
Targus Cayman HoldCo, Ltd. – Common Stock(E)(G)	3,076,414	**2,062**	**6,312**
Total Common Equity		**$ 14,337**	**$ 23,242**
Total Non-Control/Non-Affiliate Investments		**$411,458**	**$392,594**
AFFILIATE INVESTMENTS(N) – 17.4%			
Secured First Lien Debt – 6.7%			
Diversified/Conglomerate Manufacturing – 3.5%			
Edge Adhesives Holdings, Inc. (S) – Line of Credit, $0 available (L + 8.0%, 10.0% Cash, Due 9/2021)(C)	$ 680	$ 680	$ 661
Edge Adhesives Holdings, Inc. (S) – Term Debt (L + 10.5%, 12.5% Cash, Due 2/2022)(C)	6,200	6,200	6,030
Edge Adhesives Holdings, Inc. (S) – Term Debt (L + 11.8%, 13.8% Cash, Due 2/2022)(C)	2,000	2,000	1,945
		8,880	**8,636**
Diversified/Conglomerate Service – 3.2%			
Encore Dredging Holdings, LLC – Line of Credit, $3,000 available (L + 8.0%, 9.0% Cash, Due 12/2025)(C)	—	—	—
Encore Dredging Holdings, LLC – Term Debt (L + 8.0%, 9.0% Cash, Due 12/2025)(C)	8,000	8,000	8,000
		8,000	**8,000**
Total Secured First Lien Debt		**$ 16,880**	**$ 16,636**
Secured Second Lien Debt – 8.2%			
Diversified Natural Resources, Precious Metals and Minerals – 8.2%			
Lignetics, Inc. – Term Debt (L + 9.0%, 12.0% Cash, Due 5/2025)(C)	$ 6,000	$ 6,000	$ 5,970
Lignetics, Inc. – Term Debt (L + 9.0%, 12.0% Cash, Due 5/2025)(C)	8,000	8,000	7,960
Lignetics, Inc. – Term Debt (L + 9.0%, 12.0% Cash, Due 5/2025)(C)	3,300	3,300	3,284
Lignetics, Inc. – Term Debt (L + 9.0%, 12.0% Cash, Due 5/2025)(C)	3,000	3,000	2,985
		20,300	**20,199**
Total Secured Second Lien Debt		**$ 20,300**	**$ 20,199**
Preferred Equity –1.6%			
Diversified/Conglomerate Manufacturing – 0.0%			
Edge Adhesives Holdings, Inc. (S) – Preferred Stock(E)(G)	5,466	**$ 5,466**	**$ —**
Diversified/Conglomerate Service– 0.8%			
Encore Dredging Holdings, LLC (S) – Preferred Stock(E)(G)	2,000,000	**2,000**	**$ 2,000**
Diversified Natural Resources, Precious Metals and Minerals – 0.6%			
Lignetics, Inc. – Preferred Stock(E)(G)	68,880	**1,321**	**1,589**
Personal and Non-Durable Consumer Products (Manufacturing Only) – 0.2%			
Canopy Safety Brands, LLC – Preferred Stock(E)(G)	500,000	**500**	**449**
Total Preferred Equity		**$ 9,287**	**$ 4,038**
Common Equity – 0.9%			
Diversified Natural Resources, Precious Metals and Minerals – 0.9%			
Lignetics, Inc. – Common Stock(E)(G)	152,603	**$ 1,855**	**$ 2,211**
Personal and Non-Durable Consumer Products (Manufacturing Only) – 0.0%			
Canopy Safety Brands, LLC – Common Stock(E)(G)	500,000	—	—
Total Common Equity		**$ 1,855**	**$ 2,211**
Total Affiliate Investments		**$ 48,322**	**$ 43,084**

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

GLADSTONE CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS
DECEMBER 31, 2020
(UNAUDITED)
(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment(A)(B)(W)(Y)	Principal/ Shares/ Units(J)(X)	Cost	Fair Value
CONTROL INVESTMENTS(O) – 6.8%			
Secured First Lien Debt – 2.0%			
Diversified/Conglomerate Manufacturing – 1.5%			
LWO Acquisitions Company LLC – Term Debt (L + 7.5%, 10.0% Cash, Due 6/2021)(E)	$ 6,000	$ 6,000	$ 3,600
LWO Acquisitions Company LLC – Term Debt (Due 6/2021)(E)(P)	10,632	10,632	—
		16,632	**3,600**
Printing and Publishing – 0.5%			
TNCP Intermediate HoldCo, LLC – Line of Credit, $700 available (8.0% Cash, Due 9/2021)(E)(F)	1,300	**1,287**	**1,300**
Total Secured First Lien Debt		**$ 17,919**	**$ 4,900**
Secured Second Lien Debt – 3.3%			
Automobile– 3.3%			
Defiance Integrated Technologies, Inc. – Term Debt (L + 9.5%, 11.0% Cash, Due 5/2026)(E)	$ 8,065	**$ 8,065**	**$ 8,065**
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**	**$ 201**
Common Equity – 1.4%			
Automobile– 0.0%			
Defiance Integrated Technologies, Inc. – Common Stock(E)(G)	33,321	**$ 580**	**$ —**
Diversified/Conglomerate Manufacturing – 0.0%			
LWO Acquisitions Company LLC – Common Units(E)(G)	921,000	**921**	—
Machinery – 1.2%			
PIC 360, LLC – Common Equity Units(E)(G)	750	**1**	**2,860**
Printing and Publishing – 0.2%			
TNCP Intermediate HoldCo, LLC – Common Equity Units(E)(G)	790,000	**500**	**655**
Total Common Equity		**$ 2,002**	**$ 3,515**
Total Control Investments		**$ 28,331**	**$ 16,681**
TOTAL INVESTMENTS – 183.1%		**$488,111**	**$452,359**

(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 $421.5 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 December 31, 2020, our investments in Leeds Novamark Capital I, L.P. ("Leeds") and Funko Acquisition Holdings, LLC ("Funko") are considered non-qualifying assets under Section 55 of the 1940 Act. Such non-qualifying assets represent 1.0% of total investments, at fair value, as of December 31, 2020.

(B) Unless indicated otherwise, all cash interest rates are indexed to 30-day London Interbank Offered Rate ("LIBOR" or "L"), which was 0.14% as of December 31, 2020. 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 December 31, 2020, 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) Debt security is on non-accrual status.

(I) Reserved.

(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) Reserved.

(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.

Table of Contents

(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) Reserved.

(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 to90-day LIBOR, which was 0.24% as of December 31, 2020.

(V) The cash interest rate on this investment was indexed to the U.S. Prime Rate ("PRIME"), which was 3.25% as of December 31, 2020.

(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) 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.

(Y) Category percentages represent the fair value of each category and subcategory as a percentage of net assets as of December 31, 2020.

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

GLADSTONE CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS
SEPTEMBER 30, 2020
(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment(A)(B)(W)(Y)	Principal/ Shares/ Units(J) (X)	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS(M) – 171.6%			
Secured First Lien Debt – 85.5%			
Aerospace and Defense – 14.3%			
Aerospace Engineering, LLC – Line of Credit, $2,350 available (L + 7.3%, 8.3% Cash, Due 8/2025)(C)	$ 650	**$ 650**	**$ 650**
Aerospace Engineering, LLC – Term Debt (L + 7.3%, 8.3% Cash, Due 8/2025)(C)	20,000	**20,000**	**20,000**
Antenna Research Associates, Inc. – Term Debt (L + 10.0%, 12.0% Cash, 4.0% PIK, Due 11/2023)(E)	12,672	12,672	12,672
		33,322	**33,322**
Beverage, Food, and Tobacco – 10.9%			
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	1,931
Café Zupas – Term Debt (L + 7.4%, 8.9% Cash, Due 12/2024)(C)	24,000	24,000	23,520
		25,970	**25,451**
Buildings and Real Estate – 0.7%			
GFRC 360, LLC – Line of Credit, $500 available (L + 8.0%, 9.0% Cash, Due 9/2021)(C)	700	700	681
GFRC 360, LLC – Term Debt (L + 8.0%, 9.0% Cash, Due 9/2021)(C)	1,000	1,000	973
		1,700	**1,654**
Diversified/Conglomerate Service – 24.9%			
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)	5,971	5,971	4,523
ENET Holdings, LLC – Term Debt (10.2% Cash, Due 12/2022)(C)(F)	1,000	1,000	807
ENET Holdings, LLC – Term Debt (10.2% Cash, Due 4/2025)(C)(F)	29,000	29,000	23,417
R2i Holdings, LLC – Line of Credit, $1,171 available (8.0% Cash, Due 12/2021)(C)(F)	829	829	790
R2i Holdings, LLC – Term Debt (8.0% Cash, Due 12/2023)(C)(F)	19,625	19,625	18,693
Vision Government Solutions, Inc. – Line of Credit, $2,500 available (L + 8.8%, 9.8% Cash, Due 12/2022)(C)	—	—	—
Vision Government Solutions, Inc. – Term Debt (L + 8.8%, 9.8% Cash, Due 12/2022)(C)	10,100	10,066	10,036
		66,491	**58,266**
Healthcare, Education, and Childcare – 20.9%			
ALS Education, LLC – Line of Credit, $4,000 available (L + 7.5%, 9.0% Cash, Due 5/2025)(C)	—	—	—
ALS Education, LLC – Term Debt (L + 7.5%, 9.0% Cash, Due 5/2025)(C)	21,670	21,670	21,562
EL Academies, Inc. – Delayed Draw Term Loan, $0 available (L + 8.0%, 9.0% Cash, Due 8/2022)(C)	16,000	15,986	15,640
EL Academies, Inc. – Term Debt (L + 8.0%, 9.0% Cash, Due 8/2022)(C)	12,000	11,983	11,730
		49,639	**48,932**
Machinery – 2.6%			
Arc Drilling Holdings LLC – Line of Credit, $875 available (L + 8.0%, 9.3% Cash, Due 11/2020)(C)	125	125	121
Arc Drilling Holdings LLC – Term Debt (L + 9.5%, 10.8% Cash, 3.0% PIK, Due 11/2022)(C)	5,871	5,871	5,689
Precision International, LLC – Line of Credit, $500 available (L + 7.5%, 8.5% Cash, Due 9/2021)(C)	—	—	—
Precision International, LLC – Term Debt (10.0% Cash, Due 9/2021)(C)(F)	286	286	277
		6,282	**6,087**
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)	107	**107**	—
Telecommunications – 11.2%			
B+T Group Acquisition, Inc.(S) – Line of Credit, $0 available (L + 11.0%, 13.0% Cash, Due 12/2021)(C)(H)	1,200	1,200	1,086
B+T Group Acquisition, Inc.(S) – Term Debt (L + 11.0%, 13.0% Cash, Due 12/2021)(C)(H)	6,000	6,000	5,430
NetFortris Corp. – Term Debt (L + 9.0%, 9.5% Cash, Due 2/2021)(C)	23,302	23,302	19,632
		30,502	**26,148**
Total Secured First Lien Debt		**$214,013**	**$199,860**

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

GLADSTONE CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS
SEPTEMBER 30, 2020
(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment(A)(B)(W)(Y)	Principal/ Shares/ Units(J) (X)	Cost	Fair Value
Secured Second Lien Debt – 72.2%			
Automobile – 4.1%			
Sea Link International IRB, Inc. – Term Debt (13.3% PIK, Due 3/2023)(C)(F)	$ 10,576	**$ 10,576**	**$ 9,518**
Beverage, Food, and Tobacco – 1.6%			
8th Avenue Food & Provisions, Inc. – Term Debt (L + 7.8%, 7.9% Cash, Due 10/2026)(D)	3,683	**3,704**	**3,637**
Cargo Transportation – 13.1%			
AG Transportation Holdings, LLC – Term Debt (L + 10.0%, 13.3% Cash, Due 12/2021)(C)	13,000	12,973	12,805
American Trailer Rental Group LLC – Term Debt (L + 8.9%, 10.4% Cash, Due 8/2025)(C)	18,000	18,000	17,820
		30,973	**30,625**
Chemicals, Plastics, and Rubber – 4.7%			
Phoenix Aromas & Essential Oils, LLC – Term Debt (L + 11.5%, 12.5% Cash, Due 5/2024)(C)	10,012	10,012	9,911
Vertellus Holdings LLC – Term Debt (L + 12.0%, 13.0% Cash, Due 7/2022)(C)	1,099	1,099	1,099
		11,111	**11,010**
Diversified/Conglomerate Manufacturing – 13.7%			
Magpul Industries Corp. – Term Debt (L + 11.5%, 12.5% Cash, Due 5/2026)(C)	28,000	28,000	28,000
Tailwind Smith Cooper Intermediate Corporation – Term Debt (L + 9.0%, 9.1% Cash, Due 5/2027)(D)	5,000	4,776	3,887
		32,776	**31,887**
Diversified/Conglomerate Service – 14.9%			
CHA Holdings, Inc. – Term Debt (L + 8.8%, 9.8% Cash, Due 4/2026)(D)(U)	3,000	2,953	2,700
Drive Chassis Holdco, LLC – Term Debt (L + 8.3%, 8.4% Cash, Due 4/2026)(D)	5,000	4,786	4,787
Gray Matter Systems, LLC – Term Debt (12.0% Cash, Due 11/2023)(C)(F)	11,100	11,100	10,906
Keystone Acquisition Corp. – Term Debt (L + 9.3%, 10.3% Cash, Due 5/2025)(D)(U)	4,000	3,945	3,300
Prophet Brand Strategy – Delayed Draw Term Loan, $5,000 available (L + 8.5%, 10.5% Cash, Due 2/2025)(C)	—	—	—
Prophet Brand Strategy – Term Debt (L + 8.5%, 10.5% Cash, Due 2/2025)(C)	13,000	13,000	12,984
		35,784	**34,677**
Healthcare, Education, and Childcare – 2.3%			
Medical Solutions Holdings, Inc. – Term Debt (L + 8.4%, 9.4% Cash, Due 6/2025)(D)	3,000	2,969	2,700
Medical Solutions Holdings, Inc. – Term Debt (L + 8.8%, 9.8% Cash, Due 6/2025)(D)	3,000	2,948	2,760
		5,917	**5,460**
Home and Office Furnishings, Housewares and Durable Consumer Products – 4.1%			
Belnick, Inc. – Term Debt (11.0% Cash, Due 8/2023)(C)(F)	10,000	**10,000**	**9,675**
Hotels, Motels, Inns, and Gaming – 3.4%			
Vacation Rental Pros Property Management, LLC – Term Debt (L + 10.0%, 11.0% Cash, 3.0% PIK, Due 6/2023)(C)	8,052	**8,052**	**8,052**
Machinery – 0.4%			
CPM Holdings, Inc. – Term Debt (L + 8.3%, 8.4% Cash, Due 11/2026)(D)	1,000	**1,000**	**910**
Oil and Gas – 9.9%			
Imperative Holdings Corporation – Term Debt (L + 10.3%, 12.3% Cash, 1.8% PIK, Due 9/2022)(C)	27,583	**27,583**	**23,170**
Total Secured Second Lien Debt		**$177,476**	**$168,621**

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

GLADSTONE CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS
SEPTEMBER 30, 2020
(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment(A)(B)(W)(Y)	Principal/ Shares/ Units(J)(X)	Cost	Fair Value
Unsecured Debt – 1.8%			
Diversified/Conglomerate Service – 0.0%			
Frontier Financial Group Inc. – Convertible Debt (6.0%, Due 6/2022)(E)(F)	$ 198	**$ 198**	**$ 17**
Healthcare, education, and childcare – 1.8%			
Edmentum Ultimate Holdings, LLC – Term Debt (10.0% PIK, Due 12/2021)(C)(F)	4,415	**4,415**	**4,282**
Total Unsecured Debt		**$ 4,613**	**$4,299**
Preferred Equity – 2.0%			
Beverage, Food, and Tobacco – 0.0%			
Triple H Food Processors, LLC – Preferred Stock(E)(G)	75	**75**	**83**
Buildings and Real Estate – 0.6%			
GFRC 360, LLC – Preferred Stock(E)(G)	1,000	**1,025**	**1,456**
Diversified/Conglomerate Service – 0.0%			
Frontier Financial Group Inc. – Preferred Stock(E)(G)	766	500	—
Frontier Financial Group Inc. – Preferred Stock Warrant(E)(G)	168	—	—
		500	**—**
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	1,292
		6,982	**1,292**
Telecommunications – 0.8%			
B+T Group Acquisition, Inc.(S) – Preferred Stock(E)(G)	6,130	2,024	—
NetFortris Corp. – Preferred Stock(E)(G)	7,890,860	789	1,846
		2,813	**1,846**
Total Preferred Equity		**$11,395**	**$4,677**
Common Equity – 10.1%			
Aerospace and Defense – 1.8%			
Antenna Research Associates, Inc. – Common Equity Units(E)(G)	4,283	**$ 4,283**	**$4,138**
Automobile– 0.1%			
Sea Link International IRB, Inc.– Common Equity Units(E)(G)	823,333	**823**	**208**
Beverage, Food, and Tobacco – 0.0%			
Triple H Food Processors, LLC – Common Stock(E)(G)	250,000	**250**	**—**
Buildings and Real Estate – 0.0%			
GFRC 360, LLC – Common Stock Warrants(E)(G)	45.0%	**—**	**—**
Cargo Transportation – 1.7%			
AG Transportation Holdings, LLC – Member Profit Participation(E)(G)	27.0%	1,350	2,345
AG Transportation Holdings, LLC – Profit Participation Warrants(E)(G)	5.0%	244	563
American Trailer Rental Group LLC – Common Stock(E)(G)	6,667	1,000	1,009
		2,594	**3,917**
Chemicals, Plastics, and Rubber – 1.2%			
Vertellus Holdings LLC – Common Stock Units((E)(G)	879,121	**3,018**	**2,705**
Healthcare, Education, and Childcare – 2.3%			
Edmentum Ultimate Holdings, LLC – Common Stock(E)(G)	21,429	2,637	—
GSM MidCo LLC – Common Stock(E)(G)	767	767	763
Leeds Novamark Capital I, L.P. – Limited Partnership Interest ($843 uncalled capital commitment)(G)(L)(R)	3.5%	1,808	4,718
		5,212	**5,481**
Machinery – 0.4%			
Arc Drilling Holdings LLC – Common Stock(E)(G)	15,000	1,500	400
Precision International, LLC – Membership Unit Warrant(E)(G)	33.3%	—	525
		1,500	**925**

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

GLADSTONE CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS
SEPTEMBER 30, 2020
(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment(A)(B)(W)(Y)	Principal/ Shares/ Units(J)(X)	Cost	Fair Value
Oil and Gas – 0.1%			
FES Resources Holdings LLC – Common Equity Units(E)(G)	6,233	—	—
Total Safety Holdings, LLC – Common Equity(E)(G)	435	499	263
		499	**263**
Personal and Non-Durable Consumer Products (Manufacturing Only) – 0.0%			
Funko Acquisition Holdings, LLC(S) – Common Units(G)(T)	12,180	**59**	**48**
Telecommunications – 0.0%			
B+T Group Acquisition, Inc.(S) – Common Stock Warrant(E)(G)	1.5%	—	—
NetFortris Corp. – Common Stock Warrant(E)(G)	1	1	—
		1	—
Textiles and Leather – 2.5%			
Targus Cayman HoldCo, Ltd. – Common Stock(E)(G)	3,076,414	**2,062**	**5,905**
Total Common Equity		**$ 20,301**	**$ 23,590**
Total Non-Control/Non-Affiliate Investments		**$427,798**	**$401,047**
AFFILIATE INVESTMENTS(N) – 14.2%			
Secured First Lien Debt – 3.7%			
Diversified/Conglomerate Manufacturing – 3.7%			
Edge Adhesives Holdings, Inc. (S) – Line of Credit, $0 available (L + 8.0%, 10.0% Cash, Due 12/2020)(C)	$ 680	$ 680	$ 663
Edge Adhesives Holdings, Inc. (S) – Term Debt (L + 10.5%, 12.5% Cash, Due 2/2022)(C)	6,200	6,200	6,045
Edge Adhesives Holdings, Inc. (S) – Term Debt (L + 11.8%, 13.8% Cash, Due 2/2022)(C)	2,000	2,000	1,950
		8,880	**8,658**
Total Secured First Lien Debt		**$ 8,880**	**$ 8,658**
Secured Second Lien Debt – 8.7%			
Diversified Natural Resources, Precious Metals and Minerals – 8.7%			
Lignetics, Inc. – Term Debt (L + 9.0%, 12.0% Cash, Due 5/2025)(C)	$ 6,000	$ 6,000	$ 6,000
Lignetics, Inc. – Term Debt (L + 9.0%, 12.0% Cash, Due 5/2025)(C)	8,000	8,000	8,000
Lignetics, Inc. – Term Debt (L + 9.0%, 12.0% Cash, Due 5/2025)(C)	3,300	3,300	3,300
Lignetics, Inc. – Term Debt (L + 9.0%, 12.0% Cash, Due 5/2025)(C)	3,000	3,000	3,000
		20,300	**20,300**
Total Secured Second Lien Debt		**$ 20,300**	**$ 20,300**
Preferred Equity – 0.9%			
Diversified/Conglomerate Manufacturing – 0.0%			
Edge Adhesives Holdings, Inc. (S) – Preferred Stock(E)(G)	5,466	**$ 5,466**	**$ —**
Diversified Natural Resources, Precious Metals and Minerals – 0.7%			
Lignetics, Inc. – Preferred Stock(E)(G)	68,880	**1,321**	**1,562**
Personal and Non-Durable Consumer Products (Manufacturing Only) – 0.2%			
Canopy Safety Brands, LLC – Preferred Stock(E)(G)	500,000	**500**	**507**
Total Preferred Equity		**$ 7,287**	**$ 2,069**
Common Equity – 0.9%			
Diversified Natural Resources, Precious Metals and Minerals – 0.9%			
Lignetics, Inc. – Common Stock(E)(G)	152,603	**$ 1,855**	**$ 2,152**
Personal and Non-Durable Consumer Products (Manufacturing Only) – 0.0%			
Canopy Safety Brands, LLC – Common Stock(E)(G)	500,000	—	—
Total Common Equity		**$ 1,855**	**$ 2,152**
Total Affiliate Investments		**$ 38,322**	**$ 33,179**

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

Table of Contents

GLADSTONE CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS
SEPTEMBER 30, 2020
(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment(A)(B)(W)(Y)	Principal/ Shares/ Units(J)(X)	Cost	Fair Value
CONTROL INVESTMENTS(O) – 6.9%			
Secured First Lien Debt – 2.1%			
Diversified/Conglomerate Manufacturing – 1.5%			
LWO Acquisitions Company LLC – Term Debt (L + 7.5%, 10.0% Cash, Due 6/2021)(E)	$ 6,000	$ 6,000	$ 3,450
LWO Acquisitions Company LLC – Term Debt (Due 6/2021)(E)(P)	10,632	10,632	—
		16,632	**3,450**
Printing and Publishing – 0.6%			
TNCP Intermediate HoldCo, LLC – Line of Credit, $500 available (8.0% Cash, Due 9/2021)(E)(F)	1,500	**1,483**	**1,500**
Total Secured First Lien Debt		**$ 18,115**	**$ 4,950**
Secured Second Lien Debt – 3.5%			
Automobile– 3.5%			
Defiance Integrated Technologies, Inc. – Term Debt (L + 9.5%, 11.0% Cash, Due 5/2026)(E)	$ 8,065	**$ 8,065**	**$ 8,065**
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**	**$ 254**
Common Equity – 1.2%			
Automobile– 0.0%			
Defiance Integrated Technologies, Inc. – Common Stock(E)(G)	33,321	**$ 580**	**$ 104**
Diversified/Conglomerate Manufacturing – 0.0%			
LWO Acquisitions Company LLC – Common Units(E)(G)	921,000	**921**	**—**
Machinery – 1.0%			
PIC 360, LLC – Common Equity Units(E)(G)	750	**1**	**2,342**
Printing and Publishing – 0.2%			
TNCP Intermediate HoldCo, LLC – Common Equity Units(E)(G)	790,000	**500**	**459**
Total Common Equity		**$ 2,002**	**$ 2,905**
Total Control Investments		**$ 28,527**	**$ 16,174**
TOTAL INVESTMENTS(Z) – 192.7%		**$494,647**	**$450,400**

(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 $412.5 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, 2020, 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 1.1% of total investments, at fair value, as of September 30, 2020.

(B) Unless indicated otherwise, all cash interest rates are indexed to 30-day London Interbank Offered Rate ("LIBOR" or "L"), which was 0.15% as of September 30, 2020. 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, 2020, 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) Debt security is on non-accrual status.

(I) Reserved.

(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) Reserved.

(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) Reserved.

(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 to90-day LIBOR, which was 0.23% as of September 30, 2020.

(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, 2020.

(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) 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.

(Y) Category percentages represent the fair value of each category and subcategory as a percentage of net assets as of September 30, 2020.

(Z) Cumulative gross unrealized depreciation for federal income tax purposes is $68.3 million; cumulative gross unrealized appreciation for federal income tax purposes is $13.4 million. Cumulative net unrealized depreciation is $54.9 million, based on a tax cost of $504.9 million.

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

GLADSTONE CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
DECEMBER 31, 2020
(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 also have significant subsidiaries (as defined under Rule 1-02(w) of the U.S. Securities and Exchange Commission's ("SEC") Regulation S-X) whose financial statements are not consolidated with ours. Refer to Note 12 –*Unconsolidated Significant Subsidiaries* for additional information regarding our unconsolidated significant subsidiaries.

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 months ended December 31, 2020 are not necessarily indicative of results that ultimately may be achieved for the fiscal year ending September 30, 2021 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, 2020, as filed with the SEC on November 10, 2020.

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 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 presented by the chief valuation officer. 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 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 obtained from our indexing methodology whereby the original transaction EBITDA at the time of our closing is indexed to a general subset of comparable disclosed transactions and EBITDA 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; however, TEV may also be calculated using 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 explained 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 December 31, 2020, loans to B+T Group Acquisition Inc. ("B+T") were on non-accrual status with an aggregate debt cost basis of $7.2 million, or 1.6% of the cost basis of all debt investments in our portfolio, and an aggregate fair value of approximately $6.6 million, or 1.6% of the fair value of all debt investments in our portfolio. As of September 30, 2020, loans to B+T were on non-accrual status with an aggregate debt cost basis of $7.2 million, or 1.6% of the cost basis of all debt investments in our portfolio, and an aggregate fair value of approximately $6.5 million, or 1.6% of the fair value of all debt investments in our portfolio.

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 each of December 31, 2020 and September 30, 2020, we held five OID loans, primarily from the syndicated loans in our portfolio. We recorded OID income of $21 thousand and $0.2 million during the three months ended December 31, 2020 and 2019, respectively. The unamortized balance of OID investments as of each of December 31, 2020 and September 30, 2020 totaled $0.6 million. As of December 31, 2020 and September 30, 2020, we had six and seven investments which had a PIK interest component, respectively. We recorded PIK interest income of $0.5 million and $0.3 million during the three months ended December 31, 2020 and 2019, respectively. We collected $2.2 million and $0 in PIK interest in cash during the three months ended December 31, 2020 and 2019, 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 Fifth Amended and Restated Credit Agreement with KeyBank National Association ("KeyBank"), as administrative agent, lead arranger and lender (as amended, 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.

Recent Accounting Pronouncements

In August 2018, the FASB issued Accounting Standards Update 2018-13, "*Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value*" ("ASU 2018-13"), which modifies the disclosure requirements in ASC 820. ASU 2018-13 is effective for annual reporting periods beginning after December 15, 2019, and we adopted ASU 2018-13 effective October 1, 2020. Our adoption of ASU 2018-13 did not have a material impact on our financial position, results of operations or cash flows.

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 December 31, 2020 and September 30, 2020, 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 three months ended December 31, 2020 and 2019, there were no investments transferred into or out of Levels 1, 2 or 3 of the valuation hierarchy.

As of December 31, 2020 and September 30, 2020, 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 December 31, 2020:				
Secured first lien debt	$219,921	$ —	$ —	$ 219,921
Secured second lien debt	194,219	—	—	194,219
Unsecured debt	15	—	—	15
Preferred equity	9,236	—	—	9,236
Common equity/equivalents	24,559(A)	—	86(B)	24,473
Total Investments at December 31, 2020	**$447,950**	**$ —**	**$ 86**	**$ 447,864**

		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, 2020:				
Secured first lien debt	$213,468	$ —	$ —	$ 213,468
Secured second lien debt	196,986	—	—	196,986
Unsecured debt	4,299	—	—	4,299
Preferred equity	7,000	—	—	7,000
Common equity/equivalents	23,929(A)	—	48(B)	23,881
Total Investments as of September 30, 2020	**$445,682**	**$ —**	**$ 48**	**$ 445,634**

(A) Excludes our investment in Leeds with a fair value of $4.4 million and $4.7 million as of December 31, 2020 and September 30, 2020, 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 December 31, 2020 and September 30, 2020, 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)	
	December 31, 2020	September 30, 2020
Non-Control/Non-Affiliate Investments		
Secured first lien debt	**$ 198,385**	$ 199,860
Secured second lien debt	**165,955**	168,621
Unsecured debt	**15**	4,299
Preferred equity	**4,997**	4,677
Common equity/equivalents	**18,747**(A)	18,824(B)
Total Non-Control/Non-Affiliate Investments	**$ 388,099**	$ 396,281
Affiliate Investments		
Secured first lien debt	**$ 16,636**	$ 8,658
Secured second lien debt	**20,199**	20,300
Preferred equity	**4,038**	2,069
Common equity/equivalents	**2,211**	2,152
Total Affiliate Investments	**$ 43,084**	$ 33,179
Control Investments		
Secured first lien debt	**$ 4,900**	$ 4,950
Secured second lien debt	**8,065**	8,065
Preferred equity	**201**	254
Common equity/equivalents	**3,515**	2,905
Total Control Investments	**$ 16,681**	$ 16,174
Total Investments at Fair Value Using Level 3 Inputs	**$ 447,864**	$ 445,634

(A) Excludes our investments in Leeds and Funko with fair values of $4.4 million and $0.1 million, respectively, as of December 31, 2020. 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 $4.7 million and $48 thousand, respectively, as of September 30, 2020. 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 December 31, 2020 and September 30, 2020. 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	
	December 31, 2020	September 30, 2020	Valuation Techniques/ Methodologies	Unobservable Input	December 31, 2020	September 30, 2020
Secured first lien debt	**$ 202,610**	$ 195,486	Yield Analysis	Discount Rate	8.8% - 25.4% / 13.3%	8.3% - 24.6% / 13.4%
	17,311	17,622	TEV	EBITDA multiple	5.2x – 5.2x / 5.2x	4.8x – 4.8x / 4.8x
				EBITDA	$ 6,301 - $6,301 / $6,301	$ 6,492 - $6,492 / $6,492
				Revenue multiple	0.3x – 0.3x / 0.3x	0.3x – 0.3x / 0.3x
				Revenue	$9,122 - $12,000 / $11,791	$7,451 - $11,500 / $11,165
Secured second lien debt	**160,494**	163,141	Yield Analysis	Discount Rate	10.4% - 28.3% / 15.1%	10.5% - 25.1% / 14.5%
	25,660	24,681	Market Quote	IBP	83.0% - 99.3% / 92.7%	77.7% - 98.8% / 89.2%
	8,065	9,164	TEV	EBITDA multiple	5.3x – 5.3x / 5.3x	5.3x – 9.0x / 5.7x
				EBITDA	$ 2,975 - $2,975 / $2,975	$3,020 - $69,552 / $10,999
Unsecured debt	**—**	4,282	Yield Analysis	Discount Rate	—	12.6% - 12.6% / 12.6%
	15	17	TEV	Revenue multiple	0.3x – 1.4x / 1.0x	0.3x – 1.4x / 1.0x
				Revenue	$ 947 - $12,000 / $4,531	$ 883 - $11,500 / $4,325
Preferred and common equity / equivalents(A)	**33,709**	30,881	TEV	EBITDA multiple	3.2x – 9.3x / 5.8x	3.0x – 9.2x / 6.0x
				EBITDA	$ 483 - $88,306 / $9,819	$ 483 - $88,142 / $16,403
				Revenue multiple	0.3x – 1.4x / 0.8x	0.3x – 1.4x / 0.8x
				Revenue	$ 947 - $141,040 / $44,403	$ 883 - $161,232 / $48,273
Total Level 3 Investments, at Fair Value	**$ 447,864**	$ 445,634				

(A) Fair value as of December 31, 2020 excludes our investments in Leeds and Funko with fair values of $4.4 million and $0.1 million, respectively. Fair value as of September 30, 2020 excludes our investments in Leeds and Funko with fair values of $4.7 million and $48 thousand, respectively. Leeds was valued using NAV as a practical expedient and Funko was valued using Level 2 inputs as of both December 31, 2020 and September 30, 2020.

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

Changes in Level 3 Fair Value Measurements of Investments

The following tables provide the changes in fair value, broken out by security type, during the three months ended December 31, 2020 and 2019 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 December 31, 2020	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 loss(A)	—	—	—	—	(2,393)	(2,393)
Net unrealized appreciation (depreciation)(B)	932	1,009	(2)	138	3,297	5,374
Reversal of prior period net depreciation on realization(B)	—	—	133	—	2,950	3,083
New investments, repayments and settlements: (C)						
Issuances/originations	27,204	337	113	2,098	—	29,752
Settlements/repayments	(1,683)	(24,113)	(4,528)	—	—	(30,324)
Sales	—	—	—	—	(3,262)	(3,262)
Transfers	(20,000)	20,000	—	—	—	—
Fair Value as of December 31, 2020	**$219,921**	**$194,219**	**$ 15**	**$ 9,236**	**$ 24,473**	**$447,864**

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Three months ended December 31, 2019	Secured First Lien Debt	Secured Second Lien Debt	Unsecured Debt	Preferred Equity	Common Equity/ Equivalents	Total
Fair Value as of September 30, 2019	$178,213	$181,541	$ 3,933	$ 9,854	$ 25,104	$398,645
Total gains (losses):						
Net realized loss(A)	—	(4,409)	—	—	—	(4,409)
Net unrealized appreciation (depreciation)(B)	(537)	(132)	14	(680)	(2,921)	(4,256)
Reversal of prior period net depreciation on realization(B)	—	4,307	—	—	—	4,307
New investments, repayments and settlements: (C)						
Issuances/originations	39,403	3,058	102	300	—	42,863
Settlements/repayments	(1,739)	(10,721)	—	—	—	(12,460)
Fair Value as of December 31, 2019	**$215,340**	**$173,644**	**$ 4,049**	**$ 9,474**	**$ 22,183**	**$424,690**

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

Investment Activity

Proprietary Investments

As of December 31, 2020 and September 30, 2020, we held 38 and 37 proprietary investments with an aggregate fair value of $420.1 million and $411.5 million, or 92.9% and 91.4% of the total investment portfolio at fair value, respectively. The following significant proprietary investment transactions occurred during the three months ended December 31, 2020:

- In December 2020, we invested $19.0 million in Effective School Solutions LLC through secured first lien debt.
- In December 2020, we invested $10.0 million in Encore Dredging Holdings, LLC through a combination of secured first lien debt and equity.
- In December 2020, our investment in Aerospace Engineering, LLC paid off at par for net proceeds of $20.2 million. In conjunction with the payoff, we received a prepayment fee of $0.2 million.

Syndicated Investments

As of December 31, 2020 and September 30, 2020, we held nine and 11 syndicated investments with an aggregate fair value of $32.3 million and $38.9 million, or 7.1% and 8.6% of the total investment portfolio at fair value, respectively. The following significant syndicated investment transactions occurred during the three months ended December 31, 2020:

- In December 2020, our investment in Edmentum Ultimate Holdings, LLC was sold, which resulted in a realized loss of approximately $2.4 million on our equity investment. In connection with the sale, we received net cash proceeds of approximately $4.9 million, including the repayment of our debt investment of $4.6 million at par.
- In December 2020, our investment in Vertellus Holdings LLC was sold, which resulted in a realized loss of approximately $41 thousand. In connection with the sale, we received net cash proceeds of approximately $4.1 million, including the repayment of our debt investment of $1.1 million at par.

Investment Concentrations

As of December 31, 2020, our investment portfolio consisted of investments in 47 portfolio companies located in 24 states in 18 different industries, with an aggregate fair value of $452.4 million. The five largest investments at fair value as of December 31, 2020 totaled $130.2 million, or 28.8% of our total investment portfolio, as compared to the five largest investments at fair value as of September 30, 2020 totaling $130.3 million, or 28.9% of our total investment portfolio. As of December 31, 2020 and September 30, 2020, our average investment by obligor was $10.4 million and $10.3 million at cost, respectively.

The following table outlines our investments by security type as of December 31, 2020 and September 30, 2020:

	December 31, 2020				September 30, 2020			
	Cost		Fair Value		Cost		Fair Value	
Secured first lien debt	**$246,529**	**50.5%**	**$219,921**	**48.6%**	$241,008	48.7%	$213,468	47.4%
Secured second lien debt	**202,065**	**41.4**	**194,219**	**42.9**	205,841	41.6	196,986	43.7
Unsecured debt	**293**	**0.1**	**15**	**0.0**	4,708	1.0	4,299	1.0
Total debt investments	**448,887**	**92.0**	**414,155**	**91.5**	451,557	91.3	414,753	92.1
Preferred equity	**21,030**	**4.3**	**9,236**	**2.1**	18,932	3.8	7,000	1.5
Common equity/equivalents	**18,194**	**3.7**	**28,968**	**6.4**	24,158	4.9	28,647	6.4
Total equity investments	**39,224**	**8.0**	**38,204**	**8.5**	43,090	8.7	35,647	7.9
Total Investments	**$488,111**	**100.0%**	**$452,359**	**100.0%**	$494,647	100.0%	$450,400	100.0%

Our investments at fair value consisted of the following industry classifications as of December 31, 2020 and September 30, 2020:

Industry Classification	December 31, 2020 Fair Value	December 31, 2020 Percentage of Total Investments	September 30, 2020 Fair Value	September 30, 2020 Percentage of Total Investments
Diversified/Conglomerate Service	**$100,828**	**22.3%**	$ 92,960	20.6%
Healthcare, Education, and Childcare	**78,818**	**17.4**	64,155	14.3
Diversified/Conglomerate Manufacturing	**44,596**	**9.9**	43,995	9.8
Cargo Transportation	**36,021**	**8.0**	34,542	7.7
Beverage, Food, and Tobacco	**30,078**	**6.6**	29,171	6.5
Telecommunications	**27,992**	**6.2**	27,994	6.2
Oil and Gas	**24,072**	**5.3**	24,725	5.5
Diversified Natural Resources, Precious Metals, and Minerals	**23,999**	**5.3**	24,014	5.3
Automobile	**18,273**	**4.0**	18,149	4.0
Aerospace and Defense	**17,043**	**3.8**	37,460	8.3
Machinery	**10,772**	**2.4**	10,264	2.3
Chemicals, Plastics, and Rubber	**9,962**	**2.2**	13,715	3.0
Home and Office Furnishings, Housewares, and Durable Consumer Products	**9,750**	**2.2**	9,675	2.2
Hotels, Motels, Inns, and Gaming	**8,113**	**1.8**	8,052	1.8
Textiles and Leather	**6,312**	**1.4**	5,905	1.3
Buildings and Real Estate	**3,240**	**0.7**	3,110	0.7
Other, < 2.0%	**2,490**	**0.5**	2,514	0.5
Total Investments	**$452,359**	**100.0%**	$450,400	100.0%

Our investments at fair value were included in the following U.S. geographic regions as of December 31, 2020 and September 30, 2020:

Location	December 31, 2020 Fair Value	December 31, 2020 Percentage of Total Investments	September 30, 2020 Fair Value	September 30, 2020 Percentage of Total Investments
South	**$225,199**	**49.8%**	$214,808	47.7%
West	**119,672**	**26.4**	138,746	30.8
Northeast	**57,336**	**12.7**	40,740	9.0
Midwest	**50,152**	**11.1**	56,106	12.5
Total Investments	**$452,359**	**100.0%**	$450,400	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 December 31, 2020:

		Amount
For the remaining nine months ending September 30:	2021	$ 48,332
For the fiscal years ending September 30:	2022	88,085
	2023	48,440
	2024	44,834
	2025	132,500
	Thereafter	87,407
	Total contractual repayments	**$449,598**
	Adjustments to cost basis of debt investments	(711)
	Investments in equity securities	39,224
	Investments held as of December 31, 2020 at cost:	**$488,111**

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 December 31, 2020 and September 30, 2020, we had gross receivables from portfolio companies of $0.1 million and $0.4 million, respectively. The allowance for uncollectible receivables was $0 and $11 thousand as of December 31, 2020 and September 30, 2020, respectively.

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 14, 2020, our Board of Directors, including a majority of the directors who are not parties to the Advisory Agreement or interested persons of such party, unanimously approved the renewal of the Advisory Agreement through August 31, 2021.

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

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

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

	Three Months Ended December 31,	
	2020	**2019**
Average total assets subject to base management fee(A)	**$457,600**	$423,314
Multiplied by prorated annual base management fee of 1.75%	**0.4375%**	0.4375%
Base management fee(B)	**$ 2,002**	$ 1,852
Portfolio company fee credit	**(352)**	(352)
Syndicated loan fee credit	**(87)**	(121)
Net Base Management Fee	**$ 1,563**	$ 1,379
Loan servicing fee(B)	**1,348**	1,403
Credit to base management fee - loan servicing fee(B)	**(1,348)**	(1,403)
Net Loan Servicing Fee	**$ —**	$ —
Incentive fee(B)	**1,367**	1,394
Incentive fee credit	**(211)**	(840)
Net Incentive Fee	**$ 1,156**	$ 554
Portfolio company fee credit	**(352)**	(352)
Syndicated loan fee credit	**(87)**	(121)
Incentive fee credit	**(211)**	(840)
Credits to Fees From Adviser - other(B)	**$ (650)**	$ (1,313)

(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 months ended December 31, 2020 and 2019, was retained by the Adviser in the form of reimbursement, at cost, for tasks completed by personnel of the Adviser primarily for the valuation of portfolio companies.

Our Board of Directors accepted a non-contractual, unconditional, and irrevocable credit from the Adviser to reduce the annual base management fee on syndicated loan participations to 0.5%, to the extent that proceeds resulting from borrowings were used to purchase such syndicated loan participations, for each of the three months ended December 31, 2020 and 2019.

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 one year period from April 1, 2020 through March 31, 2021) 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 one year period from April 1, 2020 through March 31, 2021) 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 one year period from April 1, 2020 through March 31, 2021) of our net assets, adjusted appropriately for any share issuances or repurchases during the period, in any calendar quarter.

As reflected above, on April 14, 2020, our Board of Directors approved the amendment of the Advisory Agreement, which temporarily revised the hurdle rate, for the period beginning April 1, 2020 and ending March 31, 2021, increasing the hurdle rate from 1.75% per quarter (7% annualized) to 2.00% per quarter (8% annualized) and increasing the excess incentive fee hurdle rate from 2.1875% per quarter (8.75% annualized) to 2.4375% per quarter (9.75% annualized).

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 December 31, 2020, 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 December 31, 2020.

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 months ended December 31, 2020 and 2019.

Transactions with the Administrator

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

Our allocable portion of the Administrator’s expenses is generally derived by multiplying the Administrator’s total expenses by the approximate percentage of time during the current quarter the Administrator’s employees performed services for us in relation to their time spent performing services for all companies serviced by the Administrator. On July 14, 2020, 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, 2021.

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 $0.2 million and $0.3 million during the three months ended December 31, 2020 and 2019, respectively.

Related Party Fees Due

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

	December 31, 2020	September 30, 2020
Base management fee due to Adviser	**$ 215**	$ 95
Loan servicing fee due to Adviser	**339**	355
Incentive fee due to Adviser	**1,156**	1,236
Total fees due to Adviser	**1,710**	1,686
Fee due to Administrator	**434**	329
Total Related Party Fees Due	**$ 2,144**	$ 2,015

In addition to the above fees, other operating expenses due to the Adviser as of December 31, 2020 and September 30, 2020, totaled $22 thousand and $31 thousand, respectively. In addition, net expenses payable to Gladstone Investment Corporation (for reimbursement purposes), which includes certain co-investment expenses, totaled $40 thousand and $0 as of December 31, 2020 and September 30, 2020, 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 December 31, 2020 and September 30, 2020.

NOTE 5. BORROWINGS

Revolving Credit Facility

On December 9, 2020, we, through Business Loan, entered into Amendment No. 8 to our Credit Facility with KeyBank, which increased the commitment amount from $180 million to $205 million.

On November 2, 2020, we, through Business Loan, entered into Amendment No. 7 to our Credit Facility with KeyBank, which provided consent for relevant amendments to our credit agreements with certain of our portfolio companies.

On April 29, 2020, we, through Business Loan, entered into Amendment No. 6 to our Credit Facility with KeyBank, which extended the revolving period end date to July 15, 2021, included certain LIBOR transition provisions and decreased the commitment amount from $190 million to $180 million.

On July 10, 2019, we, through Business Loan, entered into Amendment No. 5 to our Credit Facility with KeyBank, which (i) modified the covenants to reduce our minimum asset coverage with respect to senior securities representing indebtedness from 200% to 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), (ii) amended the excess concentration limits definition to decrease the limit for non-first lien loans from 60% to 50% under certain circumstances and (iii) amended the distributions covenant to allow a distribution to be applied towards the redemption of our 6.00% Series 2024 Term Preferred Stock, par value $0.001 per share ("Series 2024 Term Preferred Stock").

On March 9, 2018, we, through Business Loan, entered into Amendment No. 4 to our Credit Facility with KeyBank, which increased the commitment amount from $170.0 million to $190.0 million, extended the revolving period end date by approximately two years to January 15, 2021, decreased the marginal interest rate added to 30-day LIBOR from 3.25% to 2.85% per annum, and changed the unused commitment fee from 0.50% of the total unused commitment amount to 0.50% when the average unused commitment amount for the reporting period is less than or equal to 50%, 0.75% when the average unused commitment amount for the reporting period is greater than 50% but less than or equal to 65%, and 1.00% when the average unused commitment amount for the reporting period is greater than 65%. Subject to certain terms and conditions, our Credit Facility may be expanded up to a total of $265.0 million through additional commitments of new or existing lenders. We incurred fees of approximately $1.2 million in connection with this amendment, which are being amortized through our Credit Facility's revolving period end date of July 15, 2021.

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

	December 31, 2020	September 30, 2020
Commitment amount	**$ 205,000**	$ 180,000
Borrowings outstanding, at cost	**16,300**	128,000
Availability(A)	**168,807**	17,641

	For the Three Months Ended December 31, 2020	For the Three Months Ended December 31, 2019
Weighted average borrowings outstanding, at cost	**$ 105,074**	$ 88,160
Weighted average interest rate(B)	**3.6%**	5.4%
Commitment (unused) fees incurred	**$ 152**	$ 190

(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 fees.

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 December 31, 2020 and September 30, 2020.

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 $205.0 million plus 50.0% of all equity and subordinated debt raised after May 1, 2015 less 50% of any equity and subordinated debt retired or redeemed after May 1, 2015, which equates to $323.2 million as of December 31, 2020, (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 December 31, 2020, and as defined in our Credit Facility, we had a net worth of $438.5 million, asset coverage on our "senior securities representing indebtedness" of 213.2%, 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 32 obligors in our Credit Facility's borrowing base as of December 31, 2020. As of December 31, 2020, 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 December 31, 2020, the discount rate used to determine the fair value of our Credit Facility was 30-day LIBOR, plus 3.20% per annum, plus a 1.00% unused commitment fee. As of September 30, 2020, the discount rate used to determine the fair value of our Credit Facility was 30-day LIBOR, plus 3.20% per annum, plus a 0.50% 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 December 31, 2020 and September 30, 2020, 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 December 31, 2020 and September 30, 2020, 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 months ended December 31, 2020 and 2019:

	Total Recurring Fair Value Measurement Reported in *Consolidated Statements of Assets and Liabilities* Using Significant Unobservable Inputs (Level 3)	
	December 31, 2020	**September 30, 2020**
Credit Facility	**$ 16,270**	$ 127,650

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

	Three Months Ended December 31,	
	2020	**2019**
Fair value as of September 30, 2020 and 2019, respectively	**$ 127,650**	$ 67,067
Borrowings	**21,500**	84,300
Repayments	**(133,200)**	(60,400)
Net unrealized appreciation(A)	**320**	17
Fair Value as of December 31, 2020 and 2019, respectively	**$ 16,270**	$ 90,984

(A) Included in net unrealized appreciation (depreciation) of other on our accompanying *Consolidated Statements of Operations* for the three months ended December 31, 2020 and 2019.

The fair value of the collateral under our Credit Facility totaled approximately $421.5 million and $412.5 million as of December 31, 2020 and September 30, 2020, respectively.

Notes Payable

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. 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 $5.1 million per year) beginning July 31, 2021.

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. The 2024 Notes are traded under the ticker symbol "GLADL" on the Nasdaq Global Select Market ("Nasdaq"). The 2024 Notes and will mature on November 1, 2024 and may be redeemed in whole or in part at any time or from time to time at the Company's option on or after November 1, 2021. The 2024 Notes bear interest at a rate of 5.375% per year, payable quarterly on February 1, May 1, August 1, and November 1 of each year (which equates to approximately $2.1 million per year).

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. As of December 31, 2020, the 2023 Notes were traded under the ticker symbol GLADD on Nasdaq. On January 7, 2021, we voluntarily redeemed the 2023 Notes with an aggregate principal amount outstanding of $57.5 million. The net redemption amount was $58.1 million inclusive of accrued interest through the date of redemption. The 2021 Notes would have otherwise matured on November 1, 2023.

The indenture relating to the 2026 Notes, the 2024 Notes and the 2023 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 2026 Notes, the 2024 Notes, and the 2023 Notes, as applicable, and the trustee with audited annual consolidated financial statements and unaudited interim consolidated financial statements.

The 2026 Notes, 2024 Notes, and 2023 Notes are recorded at the principal amount, less discounts and offering costs, on our *Consolidated Statements of Assets and Liabilities*.

The fair value, based on the last quoted closing price, of the 2023 Notes as of December 31, 2020 and September 30, 2020 was $58.3 million and $57.8 million, respectively. The fair value, based on the last quoted closing price, of the 2024 Notes as of December 31, 2020 and September 30, 2020 was $40.0 million and $38.7 million, respectively. We consider the trading price of the 2024 Notes and 2023 Notes to be a Level 1 input within the ASC 820 hierarchy. The fair value, based on a DCF analysis, of the 2026 Notes as of December 31, 2020 was $100.0 million. We consider the instrument to be Level 3 within the ASC 820 fair value hierarchy.

NOTE 6. MANDATORILY REDEEMABLE PREFERRED STOCK

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

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

NOTE 7. REGISTRATION STATEMENT AND COMMON EQUITY OFFERINGS

Our shelf registration statement permits us to issue, through one or more transactions, up to an aggregate of $300.0 million in securities, consisting of common stock, preferred stock, subscription rights, debt securities and warrants to purchase common stock or preferred stock. As of December 31, 2020, we had the ability to issue up to an additional $124.8 million in securities under the registration statement.

Common Stock Offerings

In February 2019, we entered into an equity distribution agreement with Jefferies LLC (the "Jefferies Sales Agreement") under which we have the ability to issue and sell, from time to time, up to an aggregate offering price of $50.0 million shares of our common stock. During the three months ended December 31, 2020, we sold 923,542 shares of our common stock under the Jefferies Sales Agreement, at a weighted-average price of $8.11 per share and raised $7.5 million of gross proceeds. Net proceeds, after deducting commissions and offering costs borne by us, were approximately $7.4 million. As of December 31, 2020, we had a remaining capacity to sell up to an additional $13.6 million of our common stock under the Jefferies Sales Agreement.

NOTE 8. 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 months ended December 31, 2020 and 2019:

	Three Months Ended December 31,	
	2020	**2019**
Numerator, basic and diluted net increase (decrease) in net assets resulting from operations	**$ 12,303**	$ 698
Denominator, basic and diluted weighted average common shares	**32,097,542**	30,513,530
Basic and diluted net increase (decrease) in net assets resulting from operations per weighted average common share	**$ 0.38**	$ 0.02

NOTE 9. DISTRIBUTIONS TO COMMON STOCKHOLDERS

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

The federal income tax characteristics of all distributions will be reported to stockholders on the IRS Form 1099 after the end of each calendar year. 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. For the calendar year ended December 31, 2019, 97.4% of distributions to common stockholders were deemed to be paid from ordinary income and 2.6% 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 three months ended December 31, 2020 and 2019:

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
		Three Months Ended December 31, 2020:		**$0.195**
2020	October 8, 2019	October 22, 2019	October 31, 2019	$ 0.07
	October 8, 2019	November 19, 2019	November 29, 2019	0.07
	October 8, 2019	December 19, 2019	December 31, 2019	0.07
		Three Months Ended December 31, 2019:		**$0.21**

Aggregate distributions declared and paid to our common stockholders were approximately $6.3 million and $6.4 million for the three months ended December 31, 2020 and 2019, respectively, and were declared based on estimates of Investment Company Taxable Income for the respective fiscal years. For the fiscal year ended September 30, 2020, distributions declared and paid exceeded taxable income available for common distributions resulting in a partial return of capital of approximately $0.4 million.

For the three months ended December 31, 2020 and the fiscal year ended September 30, 2020, 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.

	Three Months Ended December 31, 2020	Year Ended September 30, 2020
Undistributed net investment income	**$ (20)**	$ (175)
Accumulated net realized losses	**200**	2,610
Capital in excess of par value	**(180)**	(2,435)

NOTE 10. 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 December 31, 2020 and September 30, 2020, 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. There were no aggregate reserves recorded against the escrow amounts as of December 31, 2020 and September 30, 2020.

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 December 31, 2020 and September 30, 2020 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 December 31, 2020 and September 30, 2020, which are not reflected as liabilities in the accompanying *Consolidated Statements of Assets and Liabilities*:

	December 31, 2020	**September 30, 2020**
Unused line of credit commitments	**$ 21,746**	$ 18,896
Delayed draw term loans	**11,230**	8,030
Uncalled capital commitment	**843**	843
Total	**$ 33,819**	$ 27,769

NOTE 11. FINANCIAL HIGHLIGHTS

	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019
Per Common Share Data(A):		
Net asset value at beginning of period(A)	**$ 7.40**	$ 8.22
Income from operations(B)		
Net investment income(B)	**0.20**	0.21
Net realized and unrealized gain (loss) on investments	**0.19**	(0.14)
Net realized and unrealized loss on other	**(0.01)**	(0.05)
Total from operations	**0.38**	0.02
Distributions to common stockholders from(B)(C)		
Net investment income	**(0.19)**	(0.21)
Return of capital	**(0.01)**	—
Total distributions	**(0.20)**	(0.21)
Capital share transactions(B)		
Net anti-dilutive effect of equity offering(D)	**0.03**	0.05
Total capital share transactions	**0.03**	0.05
Net asset value at end of period(A)	**$ 7.61**	$ 8.08
Per common share market value at beginning of period	**$ 7.41**	$ 9.75
Per common share market value at end of period	**8.86**	9.93
Total return(E)	**22.46%**	3.96%
Common stock outstanding at end of period(A)	**32,490,392**	31,050,954
Statement of Assets and Liabilities Data:		
Net assets at end of period	**$ 247,117**	$ 250,789
Average net assets(F)	**241,444**	249,312
Senior securities Data:		
Borrowings under Credit Facility, at cost	**$ 16,300**	$ 90,800
Notes Payable	**196,313**	96,313
Ratios/Supplemental Data:		
Ratio of net expenses to average net assets(G)(H)	**10.94%**	9.21%
Ratio of net investment income to average net assets(I)	**10.40%**	10.30%

(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 and 2019, 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 14.29% and 13.62% for the three months ended December 31, 2020 and 2019, 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 7.12% and 5.96% for the three months ended December 31, 2020 and 2019, respectively.

NOTE 12. UNCONSOLIDATED SIGNIFICANT SUBSIDIARIES

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

We did not have any unconsolidated subsidiaries that met any of the significance conditions under Rule 1-02(w)(2) of the SEC's Regulation S-X as of or during the three month period ended December 31, 2020. We had two unconsolidated subsidiaries, Defiance and PIC 360, LLC, which met at least one of the significance conditions under Rule 1-02(w) of the SEC's Regulation S-X as of or during the three month period ended December 31, 2019. Accordingly, summarized, comparative financial information is presented below for our unconsolidated significant subsidiaries for the three months ended December 31, 2020 and 2019.

	Three Months Ended December 31,	
Income Statement	**2020**	**2019**
Net sales	**$ 9,100**	$ 7,191
Gross profit	**1,809**	950
Net gain (loss)	**462**	(127)

NOTE 13. SUBSEQUENT EVENTS

Debt Redemption

On January 7, 2021, we voluntarily redeemed the 2023 Notes with an aggregate principal amount outstanding of $57.5 million. The net redemption amount was $58.1 million inclusive of accrued interest through the date of redemption.

Distributions and Dividends

In January 2021, our Board of Directors declared the following monthly distributions to common stockholders:

Record Date	**Payment Date**	**Distribution per Common Share**
January 22, 2021	January 29, 2021	$ 0.065
February 17, 2021	February 26, 2021	0.065
March 18, 2021	March 31, 2021	0.065
	Total for the Quarter:	**$ 0.195**

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) 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, 2020, filed with the U.S. Securities and Exchange Commission ("SEC") on November 10, 2020 and (13) 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. 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 $7 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 December 31, 2020, our investment portfolio was made up of approximately 92.0% debt investments and 8.0% 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 $25 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 toco-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 the30-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 three months ended December 31, 2020, we invested $29.0 million in two new portfolio companies and extended $0.1 million in investments to existing portfolio companies. In addition, during the three months ended December 31, 2020, we exited three portfolio companies through early payoffs. We received a total of $34.1 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 three months ended December 31, 2020. This activity resulted in a net decrease in our overall portfolio by one portfolio company (to 47) and a net decrease of $6.5 million in our portfolio at cost since September 30, 2020. From our initial public offering in August 2001 through December 31, 2020, we have made 557 different loans to, or investments in, 248 companies for a total of approximately $2.1 billion, before giving effect to principal repayments on investments and divestitures.

During the three months ended December 31, 2020, the following significant transactions occurred:

Proprietary Investments

- In December 2020, we invested $19.0 million in Effective School Solutions LLC through secured first lien debt.
- In December 2020, we invested $10.0 million in Encore Dredging Holdings, LLC through a combination of secured first lien debt and equity.

- In December 2020, our investment in Aerospace Engineering, LLC paid off at par for net proceeds of $20.2 million. In conjunction with the payoff, we received a prepayment fee of $0.2 million.

Syndicated Investments

- In December 2020, our investment in Edmentum Ultimate Holdings, LLC was sold, which resulted in a realized loss of approximately $2.4 million on our equity investment. In connection with the sale, we received net cash proceeds of approximately $4.9 million, including the repayment of our debt investment of $4.6 million at par.
- In December 2020, our investment in Vertellus Holdings LLC was sold, which resulted in a realized loss of approximately $41 thousand. In connection with the sale, we received net cash proceeds of approximately $4.1 million, including the repayment of our debt investment of $1.1 million at par.

Capital Raising

We have been able to meet our capital needs through extensions of and increases to our line of credit under the Fifth Amended and Restated Credit Agreement with KeyBank National Association ("KeyBank"), as administrative agent, lead arranger and lender (as amended, our "Credit Facility") and by accessing the capital markets in the form of public equity offerings of common and preferred stock and public debt offerings. We have successfully extended the Credit Facility's revolving period multiple times, most recently to July 2021, and currently have a total commitment amount of $205.0 million. We sold 923,542 and 705,031 common shares under our at-the-market program during the three months ended December 31, 2020 and 2019, respectively. 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 October 2019, we completed a public debt offering of $38.8 million aggregate principal amount of our 5.375% Notes due 2024 (the "2024 Notes"), inclusive of the overallotment and in November 2018, we completed a public debt offering of $57.5 million aggregate principal amount of our 6.125% Notes due 2023 (the "2023 Notes"), inclusive of the overallotment. 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 were able to access the capital markets historically and in recent years, market conditions, including the impact of COVID-19, may continue to affect the trading price of our capital stock and thus may inhibit our ability to finance new investments through the issuance of equity. 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 December 31, 2020, the closing market price of our common stock was $8.86 per share, a 16.4% premium to our December 31, 2020 NAV per share of $7.61.

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 December 31, 2020, our asset coverage on our "senior securities representing indebtedness" was 213.2%.

Table of Contents

Recent Developments

Debt Redemption

On January 7, 2021, we voluntarily redeemed the 2023 Notes with an aggregate principal amount outstanding of $57.5 million. The net redemption amount was $58.1 million inclusive of accrued interest through the date of redemption.

Distributions

In January 2021, our Board of Directors declared the following monthly distributions to common stockholders:

Record Date	Payment Date	Distribution per Common Share
January 22, 2021	January 29, 2021	$ 0.065
February 17, 2021	February 26, 2021	0.065
March 18, 2021	March 31, 2021	0.065
Total for the Quarter:		**$ 0.195**

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. LIBOR is 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. However, 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 replace LIBOR with the new standard that is established. 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 COVID-19 pandemic. The Company's investment portfolio continues to be focused on a diversified mix of industries and sectors that are generally expected 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 have taken immediate actions to effectively and efficiently respond to the challenges posed by COVID-19 and related orders imposed by state and local governments including paused or reversed reopening orders, 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.

RESULTS OF OPERATIONS

Comparison of the Three Months Ended December 31, 2020 to the Three Months Ended December 31, 2019

	Three Months Ended December 31,			
	2020	**2019**	**$ Change**	**% Change**
INVESTMENT INCOME				
Interest income	**$12,082**	$11,456	$ 626	5.5%
Other income	**800**	703	97	13.8
Total investment income	**12,882**	12,159	723	5.9
EXPENSES				
Base management fee	**2,002**	1,852	150	8.1
Loan servicing fee	**1,348**	1,403	(55)	(3.9)
Incentive fee	**1,367**	1,394	(27)	(1.9)
Administration fee	**355**	371	(16)	(4.3)
Interest expense on borrowings and notes payable	**2,568**	2,537	31	1.2
Dividend expense on mandatorily redeemable preferred stock	**—**	9	(9)	(100.0)
Amortization of deferred financing fees	**418**	361	57	15.8
Other expenses	**542**	531	11	2.1
Expenses, before credits from Adviser	**8,600**	8,458	142	1.7
Credit to base management fee – loan servicing fee	**(1,348)**	(1,403)	55	(3.9)
Credits to fees from Adviser - other	**(650)**	(1,313)	663	(50.5)
Total expenses, net of credits	**6,602**	5,742	860	15.0
NET INVESTMENT INCOME	**6,280**	6,417	(137)	(2.1)
NET REALIZED AND UNREALIZED (LOSS) GAIN				
Net realized gain (loss) on investments	**(2,144)**	(4,434)	2,290	(51.6)
Net realized gain (loss) on other	**(8)**	(1,407)	1,399	(99.4)
Net unrealized appreciation (depreciation) of investments	**8,495**	139	8,356	NM
Net unrealized appreciation of other	**(320)**	(17)	(303)	NM
Net gain (loss) from investments and other	**6,023**	(5,719)	11,742	(205.3)
NET (DECREASE) INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$12,303**	$ 698	$11,605	NM

NM = Not Meaningful

Investment Income

Interest income increased by 5.5% for the three months ended December 31, 2020, as compared to the prior year period. The increase was due primarily to an increase in the weighted average principal balance of our interest bearing portfolio, partially offset by a decrease in the weighted average yield on our interest bearing portfolio. The weighted average principal balance of our interest-bearing investment portfolio for the three months ended December 31, 2020, was $443.4 million, compared to $401.4 million for the three months ended December 31, 2019, an increase of $42.0 million, or 10.5%. The weighted average yield on our interest-bearing investments is based on the current stated interest rate on interest-bearing investments, which decreased to 10.8% for the three months ended December 31, 2020, compared to 11.3% for the three months ended December 31, 2019, inclusive of any allowances on interest receivables made during those periods. The decrease was driven mainly by a decrease in LIBOR over the two respective periods and competitive marketplace conditions.

As of December 31, 2020 and September 30, 2020, loans to one portfolio company, B+T Group Acquisition Inc. were on non-accrual status with an aggregate debt cost basis of $7.2 million, or 1.6% of the cost basis of all debt investments in our portfolio.

Other income increased by 13.8% during the three months ended December 31, 2020, as compared to the prior year period, primarily due to an increase in dividend income period over period.

As of December 31, 2020 and September 30, 2020, 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 $0.9 million, or 15.0%, for the three months ended December 31, 2020 as compared to the prior year period. This increase was primarily due to a $0.7 million decrease in fee credits granted by the Adviser.

Total interest expense on borrowings and notes payable was relatively flat during the three months ended December 31, 2020, as compared to the prior year period; however, the components of our interest expense shifted, period over period. Interest expense on our notes payable increased by $0.3 million year over year with the issuance of the 2024 Notes in October 2019 and the 2026 Notes in December 2020. Interest expense on our Credit Facility decreased by $0.2 million driven primarily by a decrease in the effective interest rate, partially offset by an increase in the weighted average balance outstanding on our Credit Facility. The effective interest rate on our Credit Facility, including unused commitment fees incurred, but excluding the impact of deferred financing costs, was 3.6% during the three months ended December 31, 2020, compared to 5.4% during the prior year period. The decrease in the effective interest rate was driven primarily by a decrease in LIBOR as compared to the prior year period. The weighted average balance outstanding on our Credit Facility was $105.1 million during the three months ended December 31, 2020, as compared to $88.2 million in the prior year period, an increase of 19.2%.

The net base management fee earned by the Adviser increased by $0.2 million, or 13.3%, during the three months ended December 31, 2020, as compared to the prior year period, resulting from an increase in average total assets subject to the base management fee and a decrease in credits from the Adviser period over period.

The income-based incentive fee decreased slightly for the three months ended December 31, 2020, as compared to the prior year period, due to the increased hurdle rate as compared to the prior year period. The hurdle rate was 2.0% for the three months ended December 31, 2020, as compared to 1.75% for the three months ended December 31, 2019. During the three months ended December 31, 2020 and 2019, our Board of Directors accepted non-contractual, unconditional and irrevocable credits from the Adviser of $0.2 million and $0.8 million, respectively, to reduce the income-based incentive fee to the extent net investment income did not cover 100.0% of our distributions to common stockholders.

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 December 31,	
	2020	**2019**
Average total assets subject to base management fee(A)	**$457,600**	$423,314
Multiplied by prorated annual base management fee of 1.75%	**0.4375%**	0.4375%
Base management fee(B)	**$ 2,002**	$ 1,852
Portfolio company fee credit	**(352)**	(352)
Syndicated loan fee credit	**(87)**	(121)
Net Base Management Fee	**$ 1,563**	$ 1,379
Loan servicing fee(B)	**1,348**	1,403
Credit to base management fee - loan servicing fee(B)	**(1,348)**	(1,403)
Net Loan Servicing Fee	**$ —**	$ —
Incentive fee(B)	**1,367**	1,394
Incentive fee credit	**(211)**	(840)
Net Incentive Fee	**$ 1,156**	$ 554
Portfolio company fee credit	**(352)**	(352)
Syndicated loan fee credit	**(87)**	(121)
Incentive fee credit	**(211)**	(840)
Credits to Fees From Adviser - other(B)	**$ (650)**	$ (1,313)

(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*.

Table of Contents

Net Realized and Unrealized Gain (Loss)

Net Realized Gain (Loss) on Investments

For the three months ended December 31, 2020, we recorded a net realized loss on investments of $2.1 million, which resulted primarily from the loss recognized on our investment in Edmentum Ultimate Holdings, LLC.

For the three months ended December 31, 2019, we recorded a net realized loss on investments of $4.4 million, which resulted primarily from the loss recognized on our investment in New Trident Holdcorp, Inc.

Net Unrealized Appreciation (Depreciation) of Investments

During the three months ended December 31, 2020, we recorded net unrealized appreciation of investments in the aggregate amount of $8.5 million. The net realized gain (loss) and unrealized appreciation (depreciation) across our investments for the three months ended December 31, 2020, were as follows:

	Three Months Ended December 31, 2020			
Portfolio Company	**Realized Gain (Loss)**	**Unrealized Appreciation (Depreciation)**	**Reversal of Unrealized (Appreciation) Depreciation**	**Net Gain (Loss)**
AG Transportation Holdings, LLC	$ —	$ 1,276	$ —	$ 1,276
Triple H Food Processors, LLC	—	602	—	602
PIC 360, LLC	—	518	—	518
Antenna Research Associates, Inc.	—	494	—	494
R2i Holdings, LLC	—	459	—	459
Edmentum Ultimate Holdings, LLC	(2,351)	—	2,770	419
Targus Cayman HoldCo, Ltd.	—	407	—	407
Café Zupas	—	324	—	324
Vertellus Holdings LLC	(41)	—	313	272
EL Academies, Inc.	—	259	—	259
Keystone Acquisition Corp.	—	258	—	258
Tailwind Smith Cooper Intermediate Corporation	—	256	—	256
DKI Ventures, LLC	—	249	—	249
Medical Solutions Holdings, Inc.	—	237	—	237
Magpul Industries Corp.	—	210	—	210
American Trailer Rental Group LLC	—	198	—	198
TNCP Intermediate HoldCo, LLC	—	192	—	192
Gray Matter Systems, LLC	—	173	—	173
Drive Chassis Holdco, LLC	—	168	—	168
LWO Acquisitions Company LLC	—	150	—	150
ENET Holdings, LLC	—	(374)	—	(374)
Imperative Holdings Corporation	—	(793)	—	(793)
Other, net (<$500)	248	149	—	397
Total:	**$ (2,144)**	**$ 5,412**	**$ 3,083**	**$ 6,351**

The primary driver of net unrealized appreciation of $8.5 million for the three months ended December 31, 2020 was the reversal of previously recorded unrealized depreciation of Edmentum Ultimate Holdings, LLC and the improvement in the financial and operational performance of AG Transportation Holdings, LLC, partially offset by the decline in the financial and operational performance of certain of our other portfolio companies, including most notably, Imperative Holdings Corporation.

During the three months ended December 31, 2019, we recorded net unrealized appreciation of investments in the aggregate amount of $0.1 million. The net realized gain (loss) and unrealized appreciation (depreciation) across our investments for the three months ended December 31, 2019, were as follows:

	Three Months Ended December 31, 2019			
Portfolio Company	**Realized Gain (Loss)**	**Unrealized Appreciation (Depreciation)**	**Reversal of Unrealized (Appreciation) Depreciation**	**Net Gain (Loss)**
The Mochi Ice Cream Company	$ —	$ 1,541	$ —	$ 1,541
NetFortris Corp.	—	704	—	704
Vacation Rental Pros Property Management, LLC	—	319	—	319
New Trident Holdcorp, Inc.	(4,409)	—	4,409	—
Drive Chassis Holdco, LLC	—	(156)	—	(156)
Precision International, LLC	—	(248)	—	(248)
B+T Group Acquisition Inc.	—	(264)	—	(264)
Sea Link International IRB, Inc.	—	(317)	—	(317)
ENET Holdings, LLC	—	(362)	—	(362)
DKI Ventures, LLC	—	(430)	—	(430)
R2i Holdings, LLC	—	(442)	—	(442)
Triple H Food Processors, LLC	—	(464)	—	(464)
FES Resources Holdings LLC	—	(635)	—	(635)
Targus Cayman HoldCo, Ltd.	—	(671)	—	(671)
Defiance Integrated Technologies, Inc.	—	(2,724)	—	(2,724)
Other, net (<$500)	(25)	(19)	(102)	(146)
Total:	**$ (4,434)**	**$ (4,168)**	**$ 4,307**	**$ (4,295)**

The primary driver of net unrealized appreciation of $0.1 million for the three months ended December 31, 2019 was the reversal of previously recorded unrealized depreciation of New Trident Holdcorp, Inc. and the improvement in the financial and operational performance of The Mochi Ice Cream Company, partially offset by the decline in the financial and operational performance of certain of our other portfolio companies, including most notably, Defiance Integrated Technologies, Inc.

Net Realized Loss on Other

We incurred a loss on extinguishment of debt of $1.4 million during the three months ended December 31, 2019, which resulted from the write-off of unamortized deferred issuance costs at the time of redemption of our Series 2024 Term Preferred Stock in October 2019. No such amounts were recorded during the three months ended December 31, 2020.

Net Unrealized (Appreciation) Depreciation of Other

During the three months ended December 31, 2020, we recorded $0.3 million of unrealized appreciation related to a change in the fair value of our Credit Facility. During the three months ended December 31, 2019, we recorded $17 thousand of unrealized appreciation related to a change in the fair value of our Credit Facility.

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 three months ended December 31, 2020 was $12.2 million, as compared to net cash used in operating activities of $24.3 million for the three months ended December 31, 2019. The change was primarily due to a decrease in purchases of investments and an increase in principal repayments, partially offset by an increase in net realized appreciation of investments period over period. Purchases of investments were $29.1 million during the three months ended December 31, 2020, compared to $42.5 million during the three months ended December 31, 2019. Repayments and net proceeds from sales were $34.1 million during the three months ended December 31, 2020, compared to $12.6 million during the three months ended December 31, 2019.

As of December 31, 2020, we had loans to, syndicated participations in or equity investments in 47 companies, with an aggregate cost basis of approximately $488.1 million. As of September 30, 2020, we had loans to, syndicated participations in or equity investments in 48 companies, with an aggregate cost basis of approximately $494.6 million.

The following table summarizes our total portfolio investment activity during the three months ended December 31, 2020 and 2019:

	Three Months Ended December 31,	
	2020	**2019**
Beginning investment portfolio, at fair value	**$450,400**	$402,875
New investments	**29,000**	38,000
Disbursements to existing portfolio companies	**98**	4,535
Scheduled principal repayments on investments	**(619)**	(1,963)
Unscheduled principal repayments on investments	**(30,012)**	(10,693)
Net proceeds from sale of investments	**(3,511)**	25
Net unrealized appreciation (depreciation) of investments	**5,412**	(4,168)
Reversal of prior period depreciation (appreciation) of investments on realization	**3,083**	4,307
Net realized gain (loss) on investments	**(2,144)**	(4,434)
Increase in investments due to PIK(A)	**654**	328
Net change in premiums, discounts and amortization	**(2)**	196
Investment Portfolio, at Fair Value	**$452,359**	$429,008

(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 December 31, 2020:

		Amount
For the remaining nine months ending September 30:	2021	$ 48,332
For the fiscal years ending September 30:	2022	88,085
	2023	48,440
	2024	44,834
	2025	132,500
	Thereafter	87,407
	Total contractual repayments	**$449,598**
	Adjustments to cost basis of debt investments	(711)
	Investments in equity securities	39,224
	Investments held as of December 31, 2020 at cost:	**$488,111**

Financing Activities

Net cash used in financing activities for the three months ended December 31, 2020 was $13.1 million, which consisted primarily of $111.7 million in net repayments on our Credit Facility, partially offset by $100.0 million in gross proceeds from the issuance of long term debt.

Net cash provided by financing activities for the three months ended December 31, 2019 was $10.4 million, which consisted primarily of $38.8 million in gross proceeds from the issuance of long term debt and $23.9 million in net borrowings on our Credit Facility, partially offset by $51.8 million used in the redemption of our Series 2024 Term Preferred Stock and $6.4 million in distributions to common stockholders.

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 and $0.07 per common share for each month for the three months ended December 31, 2020 and 2019, respectively. These distributions totaled an aggregate of $6.3 million and $6.4 million for the three months ended December 31, 2020 and 2019, respectively. In January 2021, our Board of Directors declared a monthly distribution of $0.065 per common share for each of January, February, and March 2021. 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, 2021. From inception through December 31, 2020, we have paid 215 monthly or quarterly consecutive distributions to common stockholders totaling approximately $376.6 million or $20.45 per share.

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

The characterization of the common stockholder distributions declared and paid for the fiscal year ending September 30, 2021 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 December 31, 2020, we had the ability to issue up to an additional $124.8 million in securities under the registration statement.

Common Stock

In February 2019, we entered into an equity distribution agreement with Jefferies LLC (the “Jefferies Sales Agreement”) under which we have the ability to issue and sell, from time to time, up to an aggregate offering price of $50.0 million shares of our common stock. During the three months ended December 31, 2020, we sold 923,542 shares of our common stock under the Jefferies Sales Agreement, at a weighted-average price of $8.11 per share and raised $7.5 million of gross proceeds. Net proceeds, after deducting commissions and offering costs borne by us, were approximately $7.4 million. As of December 31, 2020, we had a remaining capacity to sell up to an additional $13.6 million of our common stock under the Jefferies Sales Agreement.

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

On December 31, 2020, the closing market price of our common stock was $8.86 per share, a 16.4% premium to our December 31, 2020 NAV per share of $7.61.

Revolving Credit Facility

On December 9, 2020, we, through Business Loan, entered into Amendment No. 8 to our Credit Facility with KeyBank, which increased the commitment amount from $180 million to $205 million. All principal and interest will continue to be due and payable on April 15, 2022.

On November 2, 2020, we, through Business Loan, entered into Amendment No. 7 to our Credit Facility with KeyBank, which provided consent for relevant amendments to our credit agreements with certain of our portfolio companies.

On April 29, 2020, we, through Business Loan, entered into Amendment No. 6 to our Credit Facility with KeyBank, which extended the revolving period end date by approximately six months to July 15, 2021, included certain LIBOR transition considerations and decreased the commitment amount from $190 million to $180 million.

On July 10, 2019, we, through Business Loan, entered into Amendment No. 5 to our Credit Facility with KeyBank, which (i) modified the covenants to reduce our minimum asset coverage with respect to senior securities representing indebtedness from 200% to 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), (ii) amended the excess concentration limits definition to decrease the limit for non-first lien loans from 60% to 50% under certain circumstances and (iii) amended the distributions covenant to allow a distribution to be applied towards the redemption of our Series 2024 Term Preferred Stock.

On March 9, 2018, we, through Business Loan, entered into Amendment No. 4 to our Credit Facility with KeyBank, which increased the commitment amount from $170.0 million to $190.0 million, extended the revolving period end date by approximately two years to January 15, 2021, decreased the marginal interest rate added to 30-day LIBOR from 3.25% to 2.85% per annum, and changed the unused commitment fee from 0.50% of the total unused commitment amount to 0.50% when the average unused commitment amount for the reporting period is less than or equal to 50%, 0.75% when the average unused commitment amount for the reporting period is greater than 50% but less than or equal to 65%, and 1.00% when the average unused commitment amount for the reporting period is greater than 65%. Subject to certain terms and conditions, our Credit Facility may be expanded up to a total of $265.0 million through additional commitments of new or existing lenders. We incurred fees of approximately $1.2 million in connection with this amendment, which are being amortized through our Credit Facility's revolving period end date of July 15, 2021.

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 $205.0 million plus 50% of all equity and subordinated debt raised after May 1, 2015 less 50% of any equity and subordinated debt retired or redeemed after May 1, 2015, which equates to $323.2 million as of December 31, 2020, (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 December 31, 2020, and as defined in our Credit Facility, we had a net worth of $438.5 million, asset coverage on our “senior securities representing indebtedness” of 213.2% and an active status as a BDC and RIC. In addition, we had 32 obligors in our Credit Facility’s borrowing base as of December 31, 2020. As of December 31, 2020, 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 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. 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 $5.1 million per year) beginning July 31, 2021.

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. The 2024 Notes are traded under the ticker symbol “GLADL” on the Nasdaq Global Select Market (“Nasdaq”). The 2024 Notes will mature on November 1, 2024 and may be redeemed in whole or in part at any time or from time to time at the Company’s option on or after November 1, 2021. The 2024 Notes bear interest at a rate of 5.375% per year, payable quarterly on February 1, May 1, August 1, and November 1 of each year (which equates to approximately $2.1 million per year).

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. As of December 31, 2020, the 2023 Notes were traded under the ticker symbol GLADD on Nasdaq. On January 7, 2021, we voluntarily redeemed the 2023 Notes with an aggregate principal amount outstanding of $57.5 million. The net redemption amount was $58.1 million, inclusive of accrued interest through the date of redemption. The notes would have otherwise matured on November 1, 2023.

The indenture relating to the 2026 Notes, 2024 Notes, and 2023 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 2026 Notes, 2024 Notes and 2023 Notes, as applicable, and the trustee with audited annual consolidated financial statements and unaudited interim consolidated financial statements.

The 2026 Notes, 2024 Notes, and 2023 Notes are recorded at the principal amount, 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 December 31, 2020 and September 30, 2020, we had off-balance sheet success fee receivables on our accruing debt investments of $11.0 million and $9.9 million (or approximately $0.34 per common share and $0.31 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 December 31, 2020 and September 30, 2020 to be immaterial.

The following table shows our contractual obligations as of December 31, 2020, 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)	$ —	$ 16,300	$ —	$ —	$ 16,300
Notes Payable	—	57,500	38,813	100,000	196,313
Interest expense on debt obligations(C)	13,146	24,080	12,804	427	50,457
Total	**$ 13,146**	**$ 97,880**	**$ 51,617**	**$ 100,427**	**$263,070**

(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 $33.8 million, at cost, as of December 31, 2020.

(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, 2026 Notes, 2024 Notes, and 2023 Notes. The amount of interest expense calculated for purposes of this table was based upon rates and balances as of December 31, 2020.

Critical Accounting Policies

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 December 31, 2020 and September 30, 2020, representing approximately 93.8% and 92.7%, respectively, of the principal balance of all debt investments in our portfolio at the end of each period:

Rating	As of December 31, 2020	As of September 30, 2020
Highest	**10.0**	10.0
Average	**6.4**	6.3
Weighted Average	**6.7**	6.5
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 December 31, 2020 and September 30, 2020, representing approximately 5.5% and 5.4%, respectively, of the principal balance of all debt investments in our portfolio at the end of each period:

Rating	As of December 31, 2020	As of September 30, 2020
Highest	**5.0**	5.0
Average	**4.6**	4.7
Weighted Average	**4.6**	4.7
Lowest	**3.0**	3.0

The following table reflects the risk ratings for all syndicated loans in our portfolio that were not rated by an NRSRO as of December 31, 2020 and September 30, 2020, representing approximately 0.7% and 1.9%, respectively, of the principal balance of all debt investments in our portfolio at the end of each period:

Rating	As of December 31, 2020	As of September 30, 2020
Highest	**5.0**	6.0
Average	**5.0**	5.0
Weighted Average	**5.0**	4.6
Lowest	**5.0**	4.0

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; and interest rate fluctuations.

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

All of our variable-rate debt investments have rates generally associated with either the current LIBOR or prime rate. As of December 31, 2020, our portfolio of debt investments on a principal basis consisted of the following:

Variable rates	79.6%
Fixed rates	20.4
Total:	100.0%

There have been no material changes in the quantitative and qualitative market risk disclosures for the three months ended December 31, 2020 from that disclosed in our Annual Report.

ITEM 4. CONTROLS AND PROCEDURES

a) Evaluation of Disclosure Controls and Procedures

As of December 31, 2020 (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 December 31, 2020 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, 2020, as filed with the SEC on November 10, 2020. 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 Exhibit99.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 AppendixA thereto relating to the Term Preferred Shares, 7.125% Series 2016, incorporated by reference to Exhibit2.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 Form8-K (File No. 814-00237), filed September 21, 2017.
3.5	Articles Supplementary Establishing and Fixing the Rights and Preferences of Term Preferred Shares, including Appendix A thereto relating to the 6.00% Series 2024 Term Preferred Stock, incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K (File No. 814-00237), filed September 21, 2017.
3.6	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.
3.7	Amendment to Bylaws, incorporated by reference to Exhibit 3.3 to the Quarterly Report on Form10-Q (File No. 814-00237), filed February 17, 2004.
3.8	Second Amendment to Bylaws, incorporated by reference to Exhibit 99.1 to the Current Report on Form8-K (File No. 814-00237), filed July 10, 2007.
3.9	Third Amendment to Bylaws, incorporated by reference to Exhibit 99.1 to the Current Report on Form8-K (File No. 814-00237), filed June 10, 2011.
3.10	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 toPre-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	First Supplemental Indenture between the Registrant and U.S. Bank National Association, dated as of November 6, 2018, incorporated by reference to Exhibit 2.d.11 to Post-Effective Amendment No. 7 to the Registration Statement on Form N-2 (File No. 333-208637), filed November 6, 2018.
4.4	Second Supplemental Indenture between the Registrant and U.S. Bank National Association, dated as of October 10, 2019, incorporated by reference to Exhibit 2.d.11 to Post-Effective Amendment No. 2 to the Registration Statement on Form N-2 (File No. 333-228720), filed October 10, 2019.
4.5	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.
10.1	Amendment No. 7 to Fifth Amended and Restated Credit Agreement, dated as of November 2, 2020 by and among Gladstone Business Loan, LLC, as Borrower, Gladstone Management Corporation, as Servicer, KeyBank National Association, as administrative agent, swingline lender, managing agent and lead arranger and certain other lenders party thereto.*
10.2	Amendment No. 8 to Fifth Amended and Restated Credit Agreement, dated as of December 9, 2020 by and among Gladstone Business Loan, LLC, as Borrower, Gladstone Management Corporation, as Servicer, KeyBank National Association, as administrative agent, swingline lender, managing agent and lead arranger and certain other lenders party thereto.*
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: February 3, 2021

Exhibit 10.1

EXECUTION COPY

AMENDMENT NO. 7, CONSENT AND WAIVER

THIS AMENDMENT NO. 7, CONSENT AND WAIVER (this "Amendment and Consent") dated as of November 2, 2020, is entered into among GLADSTONE BUSINESS LOAN, LLC, as Borrower (the "Borrower"), GLADSTONE MANAGEMENT CORPORATION, as Servicer (the "Servicer"), KEYBANK NATIONAL ASSOCIATION ("KeyBank"), ING CAPITAL LLC, FIRST NATIONAL BANK OF PENNSYLVANIA (as successor in interest to Newbridge Bank), CHEMICAL BANK (as successor in interest to Talmer Bank and Trust) and STERLING BANK, as Lenders (collectively, the "Lenders") and as Managing Agents (in such capacity, collectively the "Managing Agents") and KeyBank, as Administrative Agent (in such capacity, the "Administrative Agent"). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the "Credit Agreement" referred to below.

RECITALS

WHEREAS, the Borrower, the Lenders, the Managing Agents and the Administrative Agent are party to that certain Fifth Amended and Restated Credit Agreement dated as of May 1, 2015 by and among the Borrower, the Servicer, the Lenders, the Managing Agents and the Administrative Agent (as amended, modified, supplemented or otherwise modified prior to the date hereof, the "Credit Agreement").

WHEREAS, the Borrower has requested that the Lenders and the Administrative Agent consent to certain amendments (the "Relevant Amendments") to the Loans identified on Schedule A hereto (the "Modified Loans"), as set forth herein subject to the terms and conditions set forth herein

WHEREAS, the Borrower, the Lenders, the Managing Agents and Administrative Agent, have agreed (i) to waive certain Early Termination Events arising under the Credit Agreement and (ii) to amend certain provisions of the Credit Agreement, in each case as set forth herein subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises set forth above, and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Consent to Relevant Amendments; Eligibility of Modified Loans.

(a) Consent to Relevant Amendments. Upon satisfaction of the conditions precedent set forth in Section 5 hereof, the Lenders and the Administrative Agent consent to the Relevant Amendments; provided that such consent shall not cause such Modified Loans to be Eligible Loans except as provided for in clause (b) below.

(b) Eligibility of Modified Loans.

(i) The Modified Loans identified on Part I of Schedule A hereto shall be deemed to be Eligible Loans immediately upon satisfaction of the conditions precedent set forth in Section 5 hereof.

(ii) The Modified Loans identified on Part II of Schedule A hereto shall be deemed to be Eligible Loans upon satisfaction of the additional conditions set forth in such Part II.

(iii) The Modified Loan identified on Part III of Schedule A hereto shall not be deemed an Eligible Loan notwithstanding the consent provided for under clause (a) above.

SECTION 2. Amendments to the Credit Agreement. Upon satisfaction of the conditions precedent set forth in Section 5 hereof, the definition of "Permitted Loan Amendment" set forth in Section 1.1 the Credit Agreement is hereby deleted in its entirety and the following substituted therefor:

"Permitted Loan Amendment" shall mean, as to an otherwise Eligible Loan, an amendment to the applicable Loan Documents (a) the effect of which is to extend the time for payment of principal due solely to the scheduled maturity of such Loan or (b) that changes the interest rate, provides for interest only payments, changes the principal payments or principal amortization period, and/or otherwise changes the maturity date for such Eligible Loan, in each case, other than as provided in clause (a) above (e.g., a shortening of the maturity date or an extension of the maturity date coupled with a change in the principal amortization period); provided, that any such amendment described in this clause (b) must be (A) consistent with prudent lending practices and then current market conditions, as reasonably determined by Borrower, and (B) consented to by the Administrative Agent (which consent, for avoidance of doubt, may be in the form of an electronic communication) in its reasonable discretion; provided, that, if notice of any amendment described in this clause (b) shall have been given to the Administrative Agent and each Lender (which notice, for avoidance of doubt, may be in the form of an electronic communication), and no response shall have been received from the Administrative Agent within five (5) Business Days, the Administrative Agent shall be deemed to have consented to such amendment.

SECTION 3. Waiver. Upon satisfaction of the conditions precedent set forth in Section 5 hereof, the Lenders and the Administrative Agent hereby agree to waive any Early Termination Event and any Unmatured Early Termination Event resulting from or arising out of (i) the failure by the Borrower to secure consent for the Relevant Amendments prior to the date hereof and (ii) the Borrower reporting that any Modified Loan was an Eligible Loan at any time from the respective date such Modified Loan became subject to any Relevant Amendments up to the date hereof.

SECTION 4. Representations and Warranties. The Borrower and the Servicer each hereby represents and warrants to each of the other parties hereto, that:

(a) this Amendment and Consent constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms; and

(b) on the date hereof, before and after giving effect to this Amendment and Consent, other than as waived pursuant to this Amendment and Consent, no Early Termination Event or Unmatured Termination Event has occurred and is continuing.

SECTION 5. Conditions Precedent. This Amendment and Consent shall become effective on the first Business Day (the "Effective Date") on which the Administrative Agent or its counsel has received counterpart signature pages of this Amendment and Consent, executed by each of the Borrower, the Servicer, each Lender and Managing Agent, and the Administrative Agent.

SECTION 6. Reference to and Effect on the Transaction Documents.

(a) Upon the effectiveness of this Amendment and Consent, (i) each reference in the Credit Agreement to "this Credit Agreement", "this Agreement", "hereunder", "hereof", "herein" or words of like import shall mean and be a reference to the Credit Agreement as amended or otherwise modified hereby, and (ii) each reference to the Credit Agreement in any other Transaction Document or any other document, instrument or agreement executed and/or delivered in connection therewith, shall mean and be a reference to the Credit Agreement as amended or otherwise modified hereby.

(b) Except as specifically amended, terminated or otherwise modified above, the terms and conditions of the Credit Agreement, of all other Transaction Documents and any other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment and Consent shall not operate as a waiver of any right, power or remedy of the Administrative Agent, any Managing Agent or any Lender under the Credit Agreement or any other Transaction Document or any other document, instrument or agreement executed in connection therewith, nor constitute a waiver of any provision contained therein, in each case except as specifically set forth herein.

SECTION 7. Execution in Counterparts. This Amendment and Consent may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment and Consent by facsimile or by other electronic transmission shall be effective as delivery of a manually executed counterpart of this Amendment and Consent.

SECTION 8. Governing Law. This Amendment and Consent shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 9. Headings. Section headings in this Amendment and Consent are included herein for convenience of reference only and shall not constitute a part of this Amendment and Consent for any other purpose.

SECTION 10. Fees and Expenses. The Borrower hereby confirms its agreement to pay on demand all reasonable costs and expenses of the Administrative Agent, Managing Agents or Lenders in connection with the preparation, execution and delivery of this Amendment and Consent and any of the other instruments, documents and agreements to be executed and/or delivered in connection herewith, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel to the Administrative Agent, Managing Agents or Lenders with respect thereto.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment and Consent to be duly executed by their respective officers as of the date first above written.

GLADSTONE BUSINESS LOAN, LLC

By: /s/ Robert L. Marcotte
Name: Robert L. Marcotte
Title: President

GLADSTONE MANAGEMENT CORPORATION

By: /s/ David Gladstone
Name: David Gladstone
Title: CEO

Signature Page to Consent and Waiver

KEYBANK NATIONAL ASSOCIATION, as Administrative Agent

By: /s/ Richard Andersen
Name: Richard Andersen
Title: Senior Vice President

KEYBANK NATIONAL ASSOCIATION, as a Lender and a Managing Agent

By: /s/ Richard Andersen
Name: Richard Andersen
Title: Senior Vice President

ING CAPITAL LLC, as a Lender and a Managing Agent

By: /s/ Patrick Frisch
Name: Patrick Frisch
Title: Managing Director

By: /s/ Grace Fu
Name: Grace Fu
Title: Director

Signature Page to Consent and Waiver

FIRST NATIONAL BANK OF PENNSYLVANIA, as a Lender and a Managing Agent

By: /s/ Charles W. Jones
Name: Charles W. Jones
Title: Senior Vice President

Signature Page to Consent and Waiver

TCF National Bank - as a Lender and a Managing Agent

By: /s/ Robert Rosati
Name: Robert Rosati
Title: Senior Vice President

Signature Page to Consent and Waiver

STERLING BANK, as a Lender and a Managing Agent

By: /s/ James Gelwicks
Name: James Gelwicks
Title: SR. Managing Director

Signature Page to Consent and Waiver

Exhibit 10.2

EXECUTION COPY

AMENDMENT NO. 8

THIS AMENDMENT NO. 8, (this "Amendment") dated as of December 9, 2020, is entered into among GLADSTONE BUSINESS LOAN, LLC, as Borrower (the "Borrower"), GLADSTONE MANAGEMENT CORPORATION, as Servicer (the "Servicer"), KEYBANK NATIONAL ASSOCIATION ("KeyBank"), as Swingline Lender (in such capacity, the "Swingline Lender"), KeyBank, as Administrative Agent (in such capacity, the "Administrative Agent") and CUSTOMERS BANK, as a new Managing Agent (in such capacity, the "New Managing Agent"). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the "Credit Agreement" referred to below.

RECITALS

WHEREAS, the Borrower, the Servicer, the Lenders party thereto, the Managing Agents party thereto and the Administrative Agent are party to that certain Fifth Amended and Restated Credit Agreement dated as of May 1, 2015 by and among the Borrower, the Servicer, the Lenders, the Managing Agents and the Administrative Agent (as amended, modified, supplemented or otherwise modified prior to the date hereof, the "Credit Agreement").

WHEREAS, the Borrower has requested that Customers Bank be permitted to become a "Lender", a "Lender Group" and a "Managing Agent" under and for purposes of the Credit Agreement, as set forth herein subject to the terms and conditions set forth herein

WHEREAS, pursuant to Section 12.1(i) of the Credit Agreement, the Administrative Agent, the Swingline Lender and the applicable Managing Agent may, without the consent of the Lenders in any Lender Group (other than a Lender Group to which such Lenders are being added), amend the Credit Agreement solely to add additional Persons as Lenders under the Credit Agreement.

NOW, THEREFORE, in consideration of the premises set forth above, and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Amendments to the Credit Agreement. Upon satisfaction of the conditions precedent set forth in Section 3 hereof:

(a) the definition of "Commitments" set forth in Section 1.1 the Credit Agreement is hereby deleted in its entirety and the following substituted therefor:

" "Commitment" means (a) for KeyBank, the commitment of such Lender to fund Advances to the Borrower in an amount not to exceed \$65,000,000, (b) for ING, the commitment of such Lender to fund Advances to the Borrower in an amount not to exceed \$45,000,000, (c) for Chemical Bank, the commitment of such Lender to fund Advances to the Borrower in an amount not to exceed \$25,000,000, in each case as such amount may be modified in accordance with the terms hereof; (d) for FNBP, the commitment of such Lender to fund Advances to the Borrower in an amount not to exceed $10,000,000, in each case as such amount may be modified in accordance with the terms hereof, (e) for Sterling, the commitment of such Lender to fund Advances to the Borrower in an amount not to exceed $35,000,000, in each case as such amount may be modified in accordance with the terms hereof, (f) for Customers, the commitment of such Lender to fund Advances to the Borrower in an amount not to exceed $25,000,000 and (g) with respect to any Person who becomes a Lender pursuant to an Assignment and Acceptance or a Joinder Agreement, the commitment of such Person to fund Advances to the Borrower in an amount not to exceed the amount set forth in such Assignment and Acceptance or Joinder Agreement, as such amount may be modified in accordance with the terms hereof."

(b) the defined term "Customers" is inserted in alphabetical order in Section 1.1 of the Credit Agreement as follows:

" "Customers" means Customers Bank, in its capacity either as a Lender or in its individual capacity, as applicable, and its successors or assigns."

(c) each reference to the terms "Lender", "Lender Group", "Lenders" and "Managing Agent" shall include Customers Bank, as the case may be, in its respective capacities as a Lender, as a Managing Agent and as a Lender Group.

SECTION 2. Representations and Warranties. The Borrower and the Servicer each hereby represents and warrants to each of the other parties hereto, that:

(a) this Amendment constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms; and

(b) on the date hereof, before and after giving effect to this Amendment, other than as waived pursuant to this Amendment, no Early Termination Event or Unmatured Termination Event has occurred and is continuing.

SECTION 3. Conditions Precedent. This Amendment shall become effective on the first Business Day (the "Effective Date") on which:

(a) the Administrative Agent or its counsel has received:

(i) counterpart signature pages of this Amendment, executed by each of the Borrower, the Servicer, the New Managing Agent, the Swingline Lender, and the Administrative Agent;

(ii) a Joinder Agreement, executed by each of Customers Bank as the "New Lender" named therein, the New Managing Agent, the Borrower, the Servicer and the Administrative Agent;

(iii) a new Note, executed by the Borrower in favor of Customers Bank, in an aggregate amount equal to the “Commitment” of the “New Lender” set forth in the Joinder Agreement described in clause (b) above;

(b) New Managing Agent shall have received any fees payable under and pursuant to the Fee Letter executed on even date herewith; and

(c) KeyBank shall have received payment of the fees set forth in the settlement statement provided to the Borrower in connection with this Amendment.

SECTION 4. Reference to and Effect on the Transaction Documents.

(a) Upon the effectiveness of this Amendment, (i) each reference in the Credit Agreement to “this Credit Agreement”, “this Agreement”, “hereunder”, “hereof”, “herein” or words of like import shall mean and be a reference to the Credit Agreement as amended or otherwise modified hereby, and (ii) each reference to the Credit Agreement in any other Transaction Document or any other document, instrument or agreement executed and/or delivered in connection therewith, shall mean and be a reference to the Credit Agreement as amended or otherwise modified hereby.

(b) Except as specifically amended, terminated or otherwise modified above, the terms and conditions of the Credit Agreement, of all other Transaction Documents and any other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent, any Managing Agent or any Lender under the Credit Agreement or any other Transaction Document or any other document, instrument or agreement executed in connection therewith, nor constitute a waiver of any provision contained therein, in each case except as specifically set forth herein.

SECTION 5. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by facsimile or by other electronic transmission shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 6. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 7. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

SECTION 8. Fees and Expenses. The Borrower hereby confirms its agreement to pay on demand all reasonable costs and expenses of the Administrative Agent, Managing Agents or Lenders in connection with the preparation, execution and delivery of this Amendment and any of the other instruments, documents and agreements to be executed and/or delivered in connection herewith, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel to the Administrative Agent, Managing Agents or Lenders with respect thereto.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective officers as of the date first above written.

GLADSTONE BUSINESS LOAN, LLC

By: /s/ Robert L. Marcotte
Name: Robert L. Marcotte
Title: President

GLADSTONE MANAGEMENT CORPORATION

By: /s/ David Gladstone
Name: David Gladstone
Title: CEO

Signature page to Amendment No. 8

KEYBANK NATIONAL ASSOCIATION, as Administrative Agent

By: /s/ Richard Andersen
Name: Richard Andersen
Title: Senior Vice President

KEYBANK NATIONAL ASSOCIATION, as the Swingline Lender

By: /s/ Richard Andersen
Name: Richard Andersen
Title: Senior Vice President

Signature page to Amendment No. 8

CUSTOMERS BANK, as New Managing Agent

By: /s/ Lyle P. Cunningham
Name: Lyle P. Cunningham
Title: Executive Vice President

Signature page to Amendment No. 8

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: February 3, 2021

/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: February 3, 2021

/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 December 31, 2020 (“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: February 3, 2021

/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 December 31, 2020 ("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: February 3, 2021

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