

**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 September 30, 2019

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: 814-01211

**Great Elm Capital Corp.**

(Exact name of registrant as specified in its charter)

**Maryland**

(State or other jurisdiction of incorporation or organization)

**800 South Street, Suite 230, Waltham, MA**

(Address of principal executive offices)

**81-2621577**

(I.R.S. Employer Identification No.)

**02453**

(Zip Code)

Registrant's telephone number, including area code: (617) 375-3006

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, par value \$0.01 per share	GECC	Nasdaq Global Market
6.50% Notes due 2022	GECCCL	Nasdaq Global Market
6.75% Notes due 2025	GECCM	Nasdaq Global Market
6.50% Notes due 2024	GECCN	Nasdaq Global Market

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

As of November 8, 2019, the registrant had 10,062,682 shares of common stock, \$0.01 par value per share, outstanding.

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*The following discussion should be read in conjunction with our consolidated financial statements and the notes thereto included elsewhere in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (our “Form 10-K”).*

*The information contained herein may contain “forward-looking statements” based on our current expectations, assumptions and estimates about us and our industry. These forward-looking statements involve risks and uncertainties. Words such as “anticipate,” “believe,” “expect,” “intend,” “will,” “should,” “could,” “may,” “plan” and other similar expressions identify forward-looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements that are subject to risks, uncertainties and assumptions. Our actual results could differ materially from those we express in the forward-looking statements as a result of several factors more fully described in “Risk Factors” and elsewhere in our Form 10-K and in this Quarterly Report on Form 10-Q (this “Form 10-Q”). The forward-looking statements made in this Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update publicly any forward-looking statements for any reason, whether as a result of new information, future events or otherwise, except as required by law.*

## PART I—FINANCIAL INFORMATION

Unless the context otherwise requires, all references to “GECC,” “we,” “us,” “our,” the “Company” and words of similar import are to Great Elm Capital Corp. and/or its subsidiaries. We reference materials on our website, [www.greatelmcc.com](http://www.greatelmcc.com), but nothing on our website shall be deemed incorporated by reference or otherwise contained in this report.

### Item 1. Financial Statements.

The financial statements listed in the index to consolidated financial statements immediately following the signature page to this report are incorporated herein by reference.

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

#### Overview

We are a business development company (“BDC”) that seeks to generate both current income and capital appreciation through debt and equity investments. We invest primarily in the debt instruments of middle-market companies and small businesses, generally in the form of senior secured and unsecured notes, as well as senior secured loans, junior loans and mezzanine debt. We will from time to time make equity investments as part of restructuring credits or in specialty finance businesses which offer significant earnings potential and which we deem complementary to the Company’s corporate credit portfolio.

On September 27, 2016, we and Great Elm Capital Management, Inc. (“GECM”), our external investment manager, entered into an investment management agreement (the “Investment Management Agreement”) and an administration agreement (the “Administration Agreement”), and we began to accrue obligations to GECM under those agreements. The Investment Management Agreement renews for successive annual periods, subject to requisite Board and/or stockholder approvals.

We have elected to be treated as a Regulated Investment Company (“RIC”) for U.S. federal income tax purposes. As a RIC, we will not be taxed on our income to the extent that we distribute such income each year and satisfy other applicable income tax requirements. To qualify as a RIC, we must, among other things, meet source-of-income and asset diversification requirements and annually distribute to our stockholders generally at least 90% of our investment company taxable income on a timely basis. If we qualify as a RIC, we generally will not have to pay corporate level taxes on any income that we distribute to our stockholders.

#### Investments

Our level of investment activity can and does vary substantially from period to period depending on many factors, including, among others, the amount of debt and equity capital available from other sources to middle-market companies, the level of merger and acquisition activity, pricing in the high yield and leveraged loan credit markets, our expectations of future investment opportunities, the general economic environment and the competitive environment for the types of investments we make. As a BDC, our investments and the composition of our portfolio are required to comply with regulatory requirements.

#### Revenues

We generate revenue primarily from interest on the debt investments that we hold. We may also generate revenue from dividends on the equity investments that we hold, capital gains on the disposition of investments, and lease, fee, and other income. Our investments in fixed income instruments generally have an expected maturity of three to five years, although we have no lower or upper constraint on maturity. Our debt investments generally pay interest quarterly or semi-annually. Payments of principal of our debt investments may be amortized over the stated term of the investment, deferred for several years or due entirely at maturity. In some cases, our debt investments and preferred stock investments may defer payments of cash interest or dividends or pay-in-kind (“PIK”). In addition, we may generate revenue in the form of prepayment fees, commitment, origination, due diligence fees, end-of-term or exit fees, fees for providing significant managerial assistance, consulting fees and other investment-related income.

## *Expenses*

Our primary operating expenses include the payment of a base management fee, administration fees (including the allocable portion of overhead under the Administration Agreement), and, depending on our operating results, an incentive fee. The base management fee and incentive fee remunerates GECM for work in identifying, evaluating, negotiating, closing and monitoring our investments. The Administration Agreement provides for reimbursement of costs and expenses incurred for office space rental, office equipment and utilities allocable to us under the Administration Agreement, as well as certain costs and expenses incurred relating to non-investment advisory, administrative or operating services provided by GECM or its affiliates to us. We also bear all other costs and expenses of our operations and transactions. In addition, our expenses include interest on our outstanding indebtedness.

## **Critical Accounting Policies**

### *Valuation of Portfolio Investments*

We value our portfolio investments at fair value based upon the principles and methods of valuation set forth in policies adopted by our board of directors (our "Board"). Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Market participants are buyers and sellers in the principal (or most advantageous) market for the asset that (1) are independent of us; (2) are knowledgeable, having a reasonable understanding about the asset based on all available information (including information that might be obtained through due diligence efforts that are usual and customary); (3) are able to transact for the asset; and (4) are willing to transact for the asset (that is, they are motivated but not forced or otherwise compelled to do so).

Investments for which market quotations are readily available are valued at such market quotations unless the quotations are deemed not to represent fair value. We generally obtain market quotations from recognized exchanges, market quotation systems, independent pricing services or one or more broker-dealers or market makers. However, short-term debt investments with remaining maturities within 90 days are generally valued at amortized cost, which approximates fair value.

Debt and equity securities for which market quotations are not readily available or for which market quotations are deemed not to represent fair value, are valued at fair value using a valuation process consistent with our Board-approved policy. Our Board approves in good faith the valuation of our portfolio as of the end of each quarter. Due to the inherent uncertainty and subjectivity of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ significantly from the values that would have been used had a readily available market value existed for such investments and may differ materially from the values that we may ultimately realize. In addition, changes in the market environment and other events may impact the market quotations used to value some of our investments.

The valuation process approved by our Board with respect to investments for which market quotations are not readily available or for which market quotations are deemed not to represent fair value is as follows:

- The investment professionals of GECM provide recent portfolio company financial statements and other reporting materials to an independent valuation firm (or firms) approved by our Board;
- Such firms evaluate this information along with relevant observable market data to conduct independent appraisals each quarter, and their preliminary valuation conclusions are documented and discussed with senior management of GECM;
- The fair value of investments comprising in the aggregate less than 5% of our total capitalization and individually less than 1% of our total capitalization may be determined by GECM in good faith in accordance with our valuation policy without the employment of an independent valuation firm; and
- Our audit committee recommends, and our Board determines, the fair value of the investments in our portfolio in good faith based on the input of GECM, our independent valuation firms (to the extent applicable) and the business judgment of our audit committee and our Board, respectively.

Those investments for which market quotations are not readily available or for which market quotations are deemed not to represent fair value are valued utilizing a market approach, an income approach, or both approaches, as appropriate. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business). The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that we may take into account in determining the fair value of our investments include, as relevant and among other factors: available current market data, including relevant and applicable market trading and transaction comparables; applicable market yields and multiples, security covenants, call protection provisions, information rights and the nature and realizable value of any collateral; the portfolio company's ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, and merger and acquisition comparables; and enterprise values.

We prefer the use of observable inputs and minimize the use of unobservable inputs in our valuation process. Inputs refer broadly to the assumptions that market participants would use in pricing an asset. Observable inputs are inputs that reflect the assumptions market participants would use in pricing an asset developed based on market data obtained from sources independent of us. Unobservable inputs are inputs that reflect our assumptions about the assumptions market participants would use in pricing an asset developed based on the best information available in the circumstances.

Investments are classified in accordance with accounting principles generally accepted in the United States of America ("GAAP") into three broad levels as follows:

- Level 1 Investments valued using unadjusted quoted prices in active markets for identical assets.
- Level 2 Investments valued using other unadjusted observable market inputs, e.g. quoted prices in markets that are not active or quotes for comparable instruments.
- Level 3 Investments that are valued using quotes and other observable market data to the extent available, but which also take into consideration one or more unobservable inputs that are significant to the valuation taken as a whole.

All Level 3 investments that comprise more than 5% of the investments of GECC are valued by independent third parties.

#### ***Revenue Recognition***

Interest and dividend income, including PIK income, is recorded on an accrual basis. Origination, structuring, closing, commitment and other upfront fees, including original issue discounts ("OID"), earned with respect to capital commitments are generally amortized or accreted into interest income over the life of the respective debt investment, as are end-of-term or exit fees receivable upon repayment of a debt investment if such fees are fixed in nature. Other fees, including certain amendment fees, prepayment fees and commitment fees on broken deals, and end-of-term or exit fees that have a contingency feature or are variable in nature are recognized as earned. Prepayment fees and similar income due upon the early repayment of a loan or debt security are recognized when earned and are included in interest income.

We may purchase debt investments at a discount to their face value. Discounts on the acquisition of corporate debt instruments are generally amortized using the effective-interest or constant-yield method, unless there are material questions as to collectability.

#### ***Net Realized Gains (Losses) and Net Change in Unrealized Appreciation (Depreciation)***

We measure realized gains or losses by the difference between the net proceeds from the repayment or sale of an investment and the amortized cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized. Realized gains and losses are computed using the first-in, first-out method.

Net change in unrealized appreciation or depreciation reflects the net change in portfolio investment fair values and portfolio investment cost bases during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation when gains or losses are realized.

## Portfolio and Investment Activity

The following is a summary of our investment activity since our inception in April 2016 (in thousands):

Time Period	Acquisitions <sup>(1)</sup>	Dispositions <sup>(2)</sup>	Weighted Average Interest Rate End of Period <sup>(3)</sup>
Formation Transactions	\$ 90,494	\$ -	
Merger	74,658	-	
November 4, 2016 through December 31, 2016	42,006	(41,738)	10.00%
<b>For the period ended December 31, 2016</b>	<u>207,158</u>	<u>(41,738)</u>	
Quarter ended March 31, 2017	75,852	(78,758)	9.87%
Quarter ended June 30, 2017	21,395	(37,570)	9.59%
Quarter ended September 30, 2017	49,467	(18,884)	9.62%
Quarter ended December 31, 2017	53,163	(39,772)	11.17%
<b>For the year ended December 31, 2017</b>	<u>199,877</u>	<u>(174,984)</u>	
Quarter ended March 31, 2018	63,220	(29,069)	11.05%
Quarter ended June 30, 2018	37,927	(27,729)	9.94%
Quarter ended September 30, 2018	38,969	(37,991)	10.40%
Quarter ended December 31, 2018	34,849	(40,028)	10.32%
<b>For the year ended December 31, 2018</b>	<u>174,965</u>	<u>(134,817)</u>	
Quarter ended March 31, 2019	54,846	(59,869)	11.28%
Quarter ended June 30, 2019	62,238	(37,802)	9.61%
Quarter ended September 30, 2019	45,873	(44,531)	9.09%
<b>For the nine months ended September 30, 2019</b>	<u>162,957</u>	<u>(142,202)</u>	
<b>Since inception</b>	<u>\$ 744,957</u>	<u>\$ (493,741)</u>	

- (1) Includes new investments, additional fundings (inclusive of those on revolving credit facilities), refinancings and capitalized PIK income. Investments in short-term securities, including U.S. Treasury Bills and money market mutual funds, were excluded.
- (2) Includes scheduled principal payments, prepayments, sales, and repayments (inclusive of those on revolving credit facilities). Investments in short-term securities, including U.S. Treasury Bills and money market mutual funds, were excluded.
- (3) Weighted average interest rate is based upon the stated coupon rate and par value of outstanding debt securities at the measurement date. Debt securities on non-accrual status are included in the calculation and are treated as having 0% as their applicable interest rate for purposes of this calculation, unless such debt securities are valued at zero.

### Portfolio Reconciliation

The following is a reconciliation of the investment portfolio for the nine months ended September 30, 2019 and the year ended December 31, 2018. Investments in short-term securities, including U.S. Treasury Bills and money market mutual funds, are excluded from the table below.

<i>(in thousands)</i>	<b>For the Nine Months Ended September 30, 2019</b>	<b>For the Year Ended December 31, 2018</b>
Beginning Investment Portfolio	\$ 184,186	\$ 164,870
Portfolio Investments acquired <sup>(1)</sup>	162,957	174,965
Amortization of premium and accretion of discount, net	4,210	3,485
Portfolio Investments repaid or sold <sup>(2)</sup>	(142,202)	(134,817)
Net change in unrealized appreciation (depreciation) on investments	(15,619)	(26,752)
Net realized gain (loss) on investments	1,267	2,435
Ending Investment Portfolio	<u>\$ 194,799</u>	<u>\$ 184,186</u>

(1) Includes new investments, additional fundings (inclusive of those on revolving credit facilities), refinancings, and capitalized PIK income.

(2) Includes scheduled principal payments, prepayments, sales, and repayments (inclusive of those on revolving credit facilities).

### Portfolio Classification

The following table shows the fair value of our portfolio of investments by industry as of September 30, 2019 and December 31, 2018 (in thousands):

Industry	September 30, 2019		December 31, 2018	
	Investments at Fair Value	Percentage of Fair Value	Investments at Fair Value	Percentage of Fair Value
Wireless Telecommunications Services	\$ 38,524	19.78%	\$ 35,631	19.35%
Software Services	24,702	12.68%	15,942	8.67%
Food & Staples	20,505	10.53%	8,935	4.85%
Retail	16,502	8.47%	14,227	7.72%
Internet Media	15,808	8.11%	-	-%
Restaurants	12,552	6.44%	-	-%
Gaming, Lodging & Restaurants	12,253	6.29%	9,687	5.26%
Water Transport	8,607	4.42%	11,889	6.45%
Apparel & Textile Products	8,573	4.40%	-	-%
Radio Broadcasting	8,024	4.12%	8,807	4.78%
Specialty Finance	7,671	3.94%	-	-%
Industrial	4,970	2.55%	-	-%
Real Estate Services	3,610	1.85%	4,479	2.43%
Construction Materials Manufacturing	3,344	1.72%	-	-%
Hotel Operator	3,334	1.71%	3,212	1.74%
Chemicals	2,710	1.39%	7,601	4.13%
Building Cleaning and Maintenance Services	1,761	0.90%	18,443	10.01%
Consumer Finance	1,205	0.62%	1,830	0.99%
Wireless Communications	216	0.11%	596	0.32%
Maritime Security Services	30	0.02%	34	0.02%
Consulting	(102)	(0.05)%	-	-%
Manufacturing	-	-%	15,575	8.46%
Industrial Conglomerates	-	-%	13,365	7.26%
Business Services	-	-%	9,505	5.16%
Technology Services	-	-%	4,428	2.40%
<b>Total</b>	<u>\$ 194,799</u>	<u>100.00%</u>	<u>\$ 184,186</u>	<u>100.00%</u>

## Results of Operations

### Investment Income

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2019		2018		2019		2018	
	In Thousands	Per Share <sup>(1)</sup>	In Thousands	Per Share <sup>(2)</sup>	In Thousands	Per Share <sup>(1)</sup>	In Thousands	Per Share <sup>(2)</sup>
<b>Total Investment Income</b>	<b>\$ 7,002</b>	<b>\$ 0.70</b>	<b>\$ 6,181</b>	<b>\$ 0.58</b>	<b>\$ 20,026</b>	<b>\$ 1.94</b>	<b>\$ 20,841</b>	<b>\$ 1.96</b>
Interest income	6,200	0.62	6,127	0.58	17,584	1.71	20,474	1.92
Dividend income	676	0.07	23	0.00	1,687	0.16	178	0.02
Other income	126	0.01	31	0.00	755	0.07	189	0.02

- (1) The per share amounts are based on a weighted average of 10,062,682 and 10,312,561 outstanding common shares for the three and nine months ended September 30, 2019, respectively.
- (2) The per share amounts are based on a weighted average of 10,652,401 outstanding common shares for each of the three and nine months ended September 30, 2018.

Investment income consists of interest income, including net amortization of premium and accretion of discount on loans and debt securities, dividend income and other income, which primarily consists of amendment fees, commitment fees and funding fees on loans.

The decrease in interest income for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018 is primarily due to the April 2018 restructuring of our investment in Avanti Communications Group plc's ("Avanti") third lien senior secured notes (the "Avanti third lien notes"), in which the Avanti third lien notes were converted into Avanti common equity which is currently non-income producing. The Avanti third lien notes accrued approximately \$3.5 million of interest income during the nine months ended September 30, 2018.

Interest income included non-cash PIK income of \$1.2 million and \$3.6 million for the three and nine months ended September 30, 2019, respectively, and \$1.9 million and \$6.9 million for the three and nine months ended September 30, 2018, respectively. The year-over-year decreases in non-cash PIK income for the periods presented is primarily due to the debt-for-equity conversion of the Avanti third lien notes along with a decrease in the interest rate on Avanti's second lien senior secured notes, which we still held as an investment as of September 30, 2019.

The increase in dividend income for each of the three and nine months ended September 30, 2019 as compared to the corresponding periods in the prior year is primarily attributable to the dividends earned from the Company's investment in Prestige Capital Finance, LLC, which was acquired in February 2019.

The increase in other income for each of the three and nine months ended September 30, 2019 as compared to the corresponding periods in the prior year is primarily attributable to commitment and funding fees earned on our investment in Avanti's 1.5 lien senior secured notes in the current year.



## Expenses

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2019		2018		2019		2018	
	In Thousands	Per Share <sup>(1)</sup>	In Thousands	Per Share <sup>(2)</sup>	In Thousands	Per Share <sup>(1)</sup>	In Thousands	Per Share <sup>(2)</sup>
<b>Total Expenses</b>	<b>\$ 4,383</b>	<b>\$ 0.44</b>	<b>\$ 3,496</b>	<b>\$ 0.33</b>	<b>\$ 11,628</b>	<b>\$ 1.13</b>	<b>\$ 8,212</b>	<b>\$ 0.77</b>
Management fees	759	0.08	768	0.07	2,207	\$ 0.21	2,215	0.21
Incentive fees	654	0.06	576	0.05	2,099	\$ 0.20	(607)	(0.05)
Total advisory and management fees	\$ 1,413	\$ 0.14	\$ 1,344	\$ 0.13	\$ 4,306	\$ 0.42	\$ 1,608	\$ 0.15
Administration fees	282	0.03	202	0.02	734	0.07	999	0.09
Directors' fees	51	0.01	51	0.00	150	0.01	150	0.01
Interest expense	2,308	0.23	1,457	0.14	5,333	0.52	4,188	0.39
Professional services	243	0.02	326	0.03	711	0.07	791	0.07
Custody fees	15	0.00	15	0.00	45	0.00	44	0.00
Other	71	0.01	101	0.01	349	0.03	432	0.04

(1) The per share amounts are based on a weighted average of 10,062,682 and 10,312,561 outstanding common shares for the three and nine months ended September 30, 2019, respectively.

(2) The per share amounts are based on a weighted average of 10,652,401 outstanding common shares for each of the three and nine months ended September 30, 2018.

Expenses are largely comprised of advisory fees and administration fees paid to GECM and interest expense on our outstanding notes payable. See “—Liquidity and Capital Resources.” Advisory fees include management fees and incentive fees calculated in accordance with the Investment Management Agreement, and administration fees include direct costs reimbursable to GECM under the Administration Agreement and fees paid for sub-administration services.

Incentive fees for the nine months ended September 30, 2018 included a reversal of \$2.9 million of incentive fees accrued in prior periods. This reversal was the result of the conversion of the Avanti third lien notes in April 2018 discussed above under “—Investment Income”. As a result of this debt-for-equity conversion, it was determined that the accrued incentive fees payable associated with the portion of accrued PIK interest generated by the Avanti third lien notes should not at this time be recognized as a liability. Notwithstanding this reversal, such incentive fees remain payable under the Investment Management Agreement (subject to achievement of return hurdles) and will be recognized as an expense to the extent that an exit or recovery from our Avanti investment results in gross proceeds to us in excess of our initial cost basis in the Avanti third lien notes. Excluding the impact of the reversal incentive fees would have been \$2.3 million for the nine months ended September 30, 2018.

Administration fees for the nine months ended September 30, 2019 decreased as compared to the nine months ended September 30, 2018 due to one-time costs associated with staff restructuring at GECM.

The increase in interest expense for the three and nine months ended September 30, 2019 as compared to the three and nine months ended September 30, 2018 is primarily due to the issuance of \$46.4 million in aggregate principal amount of 6.75% notes due 2025 (the “GECCM Notes”) in January and February 2018 and the issuance of \$45.0 million in aggregate principal amount of 6.50% notes due 2024 (the “GECCN Notes”) in June and July 2019, which resulted in a weighted average outstanding debt balance of \$123.9 million and \$96.2 million for the three and nine months ended September 30, 2019, respectively, as compared to \$79.0 million and \$76.0 million for the three and nine months ended September 30, 2018, respectively.

Other expenses include various administrative expenses such as shareholder services, filing, transfer agency and insurance costs. The decrease in other expenses for the three and nine months ended September 30, 2019, as compared to the three and nine months ended September 30, 2018, is primarily related to the timing of work performed by these service providers, and the resultant billing schedules.

*Realized Gains (Losses) on Investments*

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2019		2018		2019		2018	
	In Thousands	Per Share <sup>(1)</sup>	In Thousands	Per Share <sup>(2)</sup>	In Thousands	Per Share <sup>(1)</sup>	In Thousands	Per Share <sup>(2)</sup>
<b>Net Realized Gain (Loss)</b>	\$ 251	\$ 0.02	\$ 898	\$ 0.08	\$ 1,269	\$ 0.12	\$ 2,025	\$ 0.19
Gross realized gain	252	0.03	1,129	0.11	2,096	0.20	2,279	0.21
Gross realized loss	(1)	(0.00)	(231)	(0.02)	(827)	(0.08)	(254)	(0.02)

(1) The per share amounts are based on a weighted average of 10,062,682 and 10,312,561 outstanding common shares for the three and nine months ended September 30, 2019, respectively.

(2) The per share amounts are based on a weighted average of 10,652,401 outstanding common shares for each of the three and nine months ended September 30, 2018.

During the three months ended September 30, 2019, net realized gains were primarily driven by realized gains of approximately \$0.2 million on the partial repayment of our investment in PE Facility Solutions, LLC (“PEFS”) first lien secured loan B and approximately \$0.1 million on the sale of our investment in SESAC Holdco II LLC (“SESAC”) second lien secured loan.

During the nine months ended September 30, 2019, net realized gains were largely driven by the sales of our investments in International Wire Group, Inc. (“International Wire”) and Michael Baker International, LLC secured bonds which resulted in realized gains of approximately \$1.1 million and \$0.4 million, respectively. These realized gains were partially offset by gross realized losses for the nine months ended September 30, 2019 which were primarily comprised of the realized loss of approximately \$0.8 million on the sale of our investment in Sungard Availability Services Capital, Inc. secured loan.

During the three months ended September 30, 2018, net realized gains included approximately \$0.7 million in acceleration of OID in connection with the restructuring of our investment in Speedwell Holdings and \$0.2 million on the exercise of the RiceBran Technologies Corporation warrants and subsequent sale of the common stock received in that exercise. Net realized gains for the nine months ended September 30, 2018 also included realized gains in connection with the accelerated accretion of OID on loans initially acquired at a discount, realized gains on the sales of the PR Wireless, Inc. senior secured loan and NANA Development Corp. senior bonds and a partial repayment of our investment in PEFS first lien secured loan B.

*Unrealized Appreciation (Depreciation) on Investments*

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2019		2018		2019		2018	
	In Thousands	Per Share <sup>(1)</sup>	In Thousands	Per Share <sup>(2)</sup>	In Thousands	Per Share <sup>(1)</sup>	In Thousands	Per Share <sup>(2)</sup>
<b>Net increase (decrease) in unrealized appreciation/ depreciation</b>	<b>\$ (12,516)</b>	<b>\$ (1.24)</b>	<b>\$ 1,275</b>	<b>\$ 0.13</b>	<b>\$ (15,623)</b>	<b>\$ (1.51)</b>	<b>\$ (11,187)</b>	<b>\$ (1.05)</b>
Increases in unrealized appreciation/ depreciation	974	0.10	4,971	0.47	3,871	0.38	5,454	0.51
Decreases in unrealized appreciation/ depreciation	(13,490)	(1.34)	(3,696)	(0.35)	(19,494)	(1.89)	(16,641)	(1.56)

(1) The per share amounts are based on a weighted average of 10,062,682 and 10,312,561 outstanding common shares for the three and nine months ended September 30, 2019, respectively.

(2) The per share amounts are based on a weighted average of 10,652,401 outstanding common shares for each of the three and nine months ended September 30, 2018.

For each of the three and nine months ended September 30, 2019, the net unrealized depreciation was largely driven by decreases in the valuation of portfolio investments, increases in our cost basis due to accretion of discount on loans and debt securities and the exit of investments which had unrealized appreciation in prior periods.

Net unrealized depreciation for the nine months ended September 30, 2019 included unrealized depreciation of \$7.7 million, \$3.7 million and \$1.9 million on our investments in Avanti debt and equity, Commercial Barge Line Company (“Commercial Barge”) and PFS Holdings Corp. (“PFS”), respectively. For the three months ended September 30, 2019, net unrealized depreciation included unrealized depreciation of \$4.1 million, \$2.5 million and \$2.3 million on our investments in Avanti debt and equity, Tru Taj, LLC (“Tru Taj”) common equity and Commercial Barge, respectively. The unrealized depreciation on our investments in Commercial Barge and PFS include decreases in the fair value of each investment and increases in our cost basis as a result of the accretion of OID.

For the nine months ended September 30, 2019, unrealized depreciation was partially offset by unrealized appreciation of \$0.5 million and \$0.3 million on our investments in Finastra Group Holdings, Ltd. and Research Now Group, Inc. revolver, respectively, as a result of increases in fair value and unrealized appreciation of \$1.0 million and \$0.4 million on our investments in International Wire and SESAC, respectively, as a result of realization events during the period.

For the nine months ended September 30, 2018, the net unrealized depreciation was primarily driven by lower valuations of our portfolio investments. Most notably, we recognized net unrealized depreciation of \$7.7 million, \$4.5 million and 1.7 million on our investments in Avanti bonds and equity, Tru Taj, and OPS Acquisition Limited, respectively. These losses were partially offset by unrealized appreciation of \$1.6 million and \$1.1 million on our investments in Commercial Barge and Best Western Luling, respectively, during the period. For the three months ended September 30, 2018 net unrealized appreciation was primarily driven by unrealized appreciation of approximately \$1.0 million, \$0.8 million and \$0.6 million on our investments in PEFS, International Wire and Commercial Barge, respectively. The largest driver of unrealized depreciation for the three months ended September 30, 2018 was the unrealized depreciation of \$1.6 million on our investments in Tru Taj.

## Liquidity and Capital Resources

At September 30, 2019, we had approximately \$3.4 million of cash and cash equivalents, none of which was restricted in nature. At September 30, 2019, we also had \$21.4 million invested in a money market fund that is classified as an investment rather than cash and cash equivalents.

At September 30, 2019, we had investments in 29 debt instruments across 25 companies, totaling approximately \$168.3 million at fair value and seven equity investments in six companies, totaling approximately \$26.5 million at fair value.

In the normal course of business, we may enter into investment agreements under which we commit to make an investment in a portfolio company at some future date or over a specified period of time. As of September 30, 2019, we had approximately \$19.3 million in unfunded loan commitments, subject to our approval in certain instances, to provide debt financing to certain of our portfolio companies. We had sufficient cash and other liquid assets on our September 30, 2019 balance sheet to satisfy the unfunded commitments.

For the nine months ended September 30, 2019, net cash used for operating activities, consisting primarily of net purchases of investments and the items described in “—Results of Operations,” was approximately \$28.2 million, reflecting the purchases and repayments of investments offset by net investment income, including non-cash income related to accretion of discount and PIK income and proceeds from sales of investments and principal payments received. Net cash used in purchases and sales of investments was approximately \$17.7 million, reflecting additional investments of \$159.9 million, offset by principal repayments and sales of \$142.2 million. Such amounts include draws and repayments on revolving credit facilities.

For the nine months ended September 30, 2019, net cash provided by financing activities was \$27.4 million, which consisted of \$42.7 million in proceeds from the GECCN Notes offering (discussed under “—Notes Payable” below) offset by \$10.3 million in distributions to investors and \$5.0 million in repurchases of the Company’s common stock through our current stock buyback program.

### Contractual Obligations

A summary of our significant contractual payment obligations as of September 30, 2019 is as follows:

<i>(in thousands)</i>	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>More than 5 years</b>
<b>Contractual Obligations</b>					
GECCL Notes	\$ 32,631	\$ -	\$ 32,631	\$ -	\$ -
GECCM Notes	46,398	-	-	-	46,398
GECCN Notes	45,000	-	-	45,000	-
<b>Total</b>	<b>\$ 124,029</b>	<b>\$ -</b>	<b>\$ 32,631</b>	<b>\$ 45,000</b>	<b>\$ 46,398</b>

We have certain contracts under which we have material future commitments. Under the Investment Management Agreement, GECM provides investment advisory services to us. For providing these services, we pay GECM a fee, consisting of two components: (1) a base management fee based on the average value of our total assets and (2) an incentive fee based on our performance.

We are also party to the Administration Agreement with GECM. Under the Administration Agreement, GECM furnishes us with, or otherwise arranges for the provision of, office facilities, equipment, clerical, bookkeeping, finance, accounting, compliance and record keeping services at such office facilities and other such services as our administrator.

If any of the contractual obligations discussed above are terminated, our costs under any new agreements that we enter into may increase. In addition, we would likely incur significant time and expense in locating alternative parties to provide the services we expect to receive under our Investment Management Agreement and our Administration Agreement. Any new investment management agreement would also be subject to approval by our stockholders.

Both the Investment Management Agreement and the Administration Agreement may be terminated by either party without penalty upon no fewer than 60 days' written notice to the other.

#### *Off-Balance Sheet Arrangements*

There were no off-balance sheet arrangements, including any risk management of commodity pricing or other hedging practices, as of and for the three months ended September 30, 2019.

#### *Notes Payable*

On September 18, 2017, we sold \$28.4 million in aggregate principal amount of 6.50% notes due 2022 (the "GECCL Notes"). On September 29, 2017, we sold an additional \$4.3 million of the GECCL Notes upon full exercise of the underwriters' over-allotment option. As a result of the issuance of these additional GECCL Notes, the aggregate principal balance of the GECCL Notes outstanding is \$32.6 million.

The GECCL Notes are our unsecured obligations and rank equal with all of our outstanding and future unsecured unsubordinated indebtedness. The GECCL Notes are effectively subordinated, or junior in right of payment, to any future secured indebtedness that we may incur and structurally subordinated to all future indebtedness and other obligations of our subsidiaries. We pay interest on the GECCL Notes on January 31, April 30, July 31 and October 31 of each year. The GECCL Notes will mature on September 18, 2022 and can be called on, or after, September 18, 2019. Holders of the GECCL Notes do not have the option to have the GECCL Notes repaid prior to the stated maturity date. The GECCL Notes were issued in minimum denominations of \$25 and integral multiples of \$25 in excess thereof.

On January 11, 2018, we sold \$43.0 million in aggregate principal amount of the GECCM Notes. On January 19, 2018 and February 9, 2018, we sold an additional \$1.9 million and \$1.5 million, respectively, of the GECCM Notes upon partial exercise of the underwriters' over-allotment option. As a result of the issuance of these additional GECCM Notes, the aggregate principal balance of the GECCM Notes outstanding is \$46.4 million.

The GECCM Notes are our unsecured obligations and rank equal with all of our outstanding and future unsecured unsubordinated indebtedness. The GECCM Notes are effectively subordinated, or junior in right of payment, to any future secured indebtedness that we may incur and structurally subordinated to all future indebtedness and other obligations of our subsidiaries. We pay interest on the GECCM Notes on March 31, June 30, September 30 and December 31 of each year. The GECCM Notes will mature on January 31, 2025 and can be called on, or after, January 31, 2021. Holders of the GECCM Notes do not have the option to have the GECCM Notes repaid prior to the stated maturity date. The GECCM Notes were issued in minimum denominations of \$25 and integral multiples of \$25 in excess thereof.

On June 18, 2019, we sold \$42.5 million in aggregate principal amount of the GECCN Notes, which included \$2.5 million of GECCN Notes sold in connection with the partial exercise of the underwriters' over-allotment option. On July 5, 2019, we sold an additional \$2.5 million of the GECCN Notes upon another partial exercise of the underwriters' over-allotment option. As a result of the issuance of these additional GECCN Notes, the aggregate principal balance of the GECCN Notes outstanding is \$45.0 million.

The GECCN Notes are our unsecured obligations and rank equal with all of our outstanding and future unsecured unsubordinated indebtedness. The GECCN Notes are effectively subordinated, or junior in right of payment, to any future secured indebtedness that we may incur and structurally subordinated to all future indebtedness and other obligations of our subsidiaries. We pay interest on the GECCN Notes on March 31, June 30, September 30 and December 31 of each year beginning September 30, 2019. The GECCN Notes will mature on June 30, 2024 and can be called on, or after, June 30, 2021. Holders of the GECCN Notes do not have the option to have the GECCN Notes repaid prior to the stated maturity date. The GECCN Notes were issued in minimum denominations of \$25 and integral multiples of \$25 in excess thereof.

## Recent Developments

In October 2019:

- \$0.7 million of par value of PEFS secured term loan B was repaid at par.
- we bought \$2.0 million of par value of Viasat Inc. receivable at 90% of par value.
- we bought \$3.0 million of par value of ASP Chromaflo Technologies second lien term loan at approximately 97% of par value.
- We bought \$4.7 million of par value of Tensar Corp. first lien term loan at approximately 96% of par value.

In November 2019:

- All \$0.2 million of par value of PR Wireless Inc.'s first lien loan was paid down at par.
- \$0.1 million of par value of PEFS secured term loan B was repaid at par.

Our Board declared the monthly distributions for the first quarter of 2020 at an annual rate of approximately 11.0% of our September 30, 2019 net asset value, which equates to \$0.083 per month. All of the monthly distributions are from net investment income. The schedule of distribution payments will be established by GECC pursuant to authority granted by our Board.

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

We are subject to financial market risks, including changes in interest rates. As of September 30, 2019, five debt investments in our portfolio bore interest at a fixed rate, and the remaining 24 debt investments were at variable rates, representing approximately \$47.2 million and \$121.1 million in debt at fair value, respectively. The variable rates are based upon the London Interbank Offered Rate ("LIBOR").

To illustrate the potential impact of a change in the underlying interest rate on our net investment income, we have assumed a 1%, 2%, and 3% increase and 1%, 2%, and 3% decrease in the underlying LIBOR, and no other change in our portfolio as of September 30, 2019. We have also assumed that there are no outstanding floating rate borrowings by the Company. See the following table for the effect the rate changes would have on net investment income.

<b>LIBOR Increase (Decrease)</b>	<b>Increase (decrease) of Net Investment Income</b>
3.00%	\$ 4,091
2.00%	2,728
1.00%	1,364
(1.00)%	(1,364)
(2.00)%	(1,644)
(3.00)%	(1,650)

Although we believe that this analysis is indicative of our existing interest rate sensitivity at September 30, 2019, it does not adjust for changes in the credit quality, size and composition of our portfolio, and other business developments, including borrowing under a credit facility, that could affect the net increase in net assets resulting from operations. Accordingly, no assurances can be given that actual results would not differ materially from the results under this hypothetical analysis.

#### **Item 4. Controls and Procedures.**

##### **Evaluation of Disclosure Controls and Procedures**

As of September 30, 2019, we, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”). Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic filings with the Securities and Exchange Commission (“SEC”) is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating 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.

##### **Changes in Internal Controls Over Financial Reporting**

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended September 30, 2019 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 or GECM may be a party to certain legal proceedings in the ordinary course of business, including proceedings relating to the enforcement of our rights under contracts with our portfolio companies. There have been no material updates to the legal proceedings previously disclosed in our Form 10-K.

#### **Item 1A. Risk Factors.**

We have disclosed the risk factors affecting our business, financial condition and/or operating results in the section entitled “Risk Factors” in our Form 10-K. There have been no material changes from the risk factors previously disclosed.

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

In March 2019, we implemented a stock buyback program pursuant to Rule 10b5-1 and Rule 10b-18 under the Exchange Act authorizing us to repurchase our common stock in open market transactions in an aggregate amount of up to \$5.0 million through December 2019, unless extended or terminated by our Board. There were no common stock repurchases pursuant to the buyback program during the three months ended September 30, 2019.

There were no unregistered sales of our equity securities during the three months ended September 30, 2019.

#### **Item 3. Defaults Upon Senior Securities.**

Not applicable.

#### **Item 4. Mine Safety Disclosures.**

Not applicable.

#### **Item 5. Other Information.**

Not applicable.

## Item 6. Exhibits.

Unless otherwise indicated, all references are to exhibits to the applicable filing by Great Elm Capital Corp. (the “Registrant”) under File No. 814-01211 with the Securities and Exchange Commission.

<b>Exhibit Number</b>	<b>Description</b>
2.1	<a href="#">Agreement and Plan of Merger, dated as of June 23, 2016, by and between Full Circle Capital Corporation and the Registrant (incorporated by reference to the Rule 425 filing (File No. 814-00809) on June 27, 2016)</a>
2.2	<a href="#">Subscription Agreement, dated as of June 23, 2016, by and among the Registrant, Great Elm Capital Group, Inc. and the investment funds signatory thereto (incorporated by reference to the Rule 425 filing (File No. 814-00809) on June 27, 2016)</a>
3.1	<a href="#">Amended and Restated Charter of the Registrant (incorporated by reference to Exhibit 3.1 to the Form 8-K filed on November 7, 2016)</a>
3.2	<a href="#">Bylaws of the Registrant (incorporated by reference to Exhibit 2 to the Registration Statement on Form N-14 (File No. 333-212817) filed on August 1, 2016)</a>
4.1	<a href="#">Form of certificate for the Registrant’s common stock (incorporated by reference to Exhibit 5 to the Registration Statement on Form N-14 (File No. 333-212817) filed on August 1, 2016)</a>
4.2	<a href="#">Indenture, dated as of September 18, 2017, by and between the Registrant and American Stock Transfer &amp; Trust Company, LLC, as trustee (the “Trustee”) (incorporated by reference to Exhibit 4.1 to the Form 8-K/A filed on September 21, 2017)</a>
4.3	<a href="#">First Supplemental Indenture, dated as of September 18, 2017, by and between the Registrant and the Trustee (incorporated by reference to Exhibit 4.2 to the Form 8-K/A filed on September 21, 2017)</a>
4.4	<a href="#">Global Note, dated September 18, 2017 (incorporated by reference to Exhibit 4.3 to the Form 8-K filed on September 19, 2017, as amended September 21, 2017)</a>
4.5	<a href="#">Global Note, dated September 29, 2017 (incorporated by reference to Exhibit 4.3 to the Form 8-K filed on September 29, 2017)</a>
4.6	<a href="#">Second Supplemental Indenture, dated as of January 19, 2018, by and between the Registrant and the Trustee (incorporated by reference to Exhibit (d) (3) to the post-effective amendment to the Registration Statement on Form N-2 (File No. 333-221882) filed on January 19, 2018)</a>
4.7	<a href="#">Global Note, dated January 19, 2018 (incorporated by reference to Exhibit (d)(1) to the post-effective amendment to the Registration Statement on Form N-2 (File No. 333-221882) filed on January 19, 2018)</a>
4.8	<a href="#">Third Supplemental Indenture, dated as of June 18, 2019, by and between the Registrant and the Trustee (incorporated by reference to Exhibit (d)(3) to the post-effective amendment to the Registration Statement on Form N-2 (File No. 333-227605) filed on June 18, 2019)</a>
4.9	<a href="#">Global Note, dated June 18, 2019 (incorporated by reference to Exhibit (d)(1) to the post-effective amendment to the Registration Statement on Form N-2 (File No. 333-227605) filed on June 18, 2019)</a>
31.1*	<a href="#">Certification of the Registrant’s Chief Executive Officer (“CEO”)</a>
31.2*	<a href="#">Certification of the Registrant’s Chief Financial Officer (“CFO”)</a>
32.1*	<a href="#">Certification of the Registrant’s CEO and CFO</a>

\* Filed herewith



**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.

GREAT ELM CAPITAL CORP.

Date: November 14, 2019

By: /s/ Peter A. Reed  
Name: Peter A. Reed  
Title: Chief Executive Officer

Date: November 14, 2019

By: /s/ Keri A. Davis  
Name: Keri A. Davis  
Title: Chief Financial Officer

**GREAT ELM CAPITAL CORP.**  
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**GREAT ELM CAPITAL CORP.**  
**CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES (unaudited)**  
Dollar amounts in thousands (except per share amounts)

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
<b>Assets</b>		
Investments		
Non-affiliated, non-controlled investments, at fair value (amortized cost of \$162,496 and \$137,852, respectively)	\$ 145,608	\$ 128,318
Non-affiliated, non-controlled short-term investments, at fair value (amortized cost of \$96,110 and \$78,093, respectively)	96,098	78,085
Affiliated investments, at fair value (amortized cost of \$100,409 and \$89,854, respectively)	38,554	35,665
Controlled investments, at fair value (amortized cost of \$11,682 and \$20,648, respectively)	10,637	20,203
<b>Total investments</b>	<u>290,897</u>	<u>262,271</u>
Cash and cash equivalents	3,370	4,167
Receivable for investments sold	-	10,887
Interest receivable	3,131	3,255
Dividends receivable	47	9
Due from portfolio company	605	555
Due from affiliates	15	5
Prepaid expenses and other assets	129	414
<b>Total assets</b>	<u>\$ 298,194</u>	<u>\$ 281,563</u>
<b>Liabilities</b>		
Notes payable 6.50% due September 18, 2022 (including unamortized discount of \$917 and \$1,141, respectively)	\$ 31,715	\$ 31,490
Notes payable 6.75% due January 31, 2025 (including unamortized discount of \$1,386 and \$1,588, respectively)	45,012	44,811
Notes payable 6.50% due June 30, 2024 (including unamortized discount of \$2,173 and \$0, respectively)	42,827	-
Payable for investments purchased	76,844	84,102
Interest payable	362	354
Distributions payable	835	3,441
Accrued incentive fees payable	7,522	5,422
Due to affiliates	1,005	1,069
Accrued expenses and other liabilities	583	758
<b>Total liabilities</b>	<u>\$ 206,705</u>	<u>\$ 171,447</u>
<b>Commitments and contingencies (Note 6)</b>	\$ -	\$ -
<b>Net Assets</b>		
Common stock, par value \$0.01 per share (100,000,000 shares authorized, 10,062,682 shares issued and outstanding and 10,652,401 shares issued and outstanding, respectively)	\$ 101	\$ 107
Additional paid-in capital	193,253	198,247
Accumulated losses	(101,865)	(88,238)
<b>Total net assets</b>	<u>\$ 91,489</u>	<u>\$ 110,116</u>
<b>Total liabilities and net assets</b>	<u>\$ 298,194</u>	<u>\$ 281,563</u>
<b>Net asset value per share</b>	<u>\$ 9.09</u>	<u>\$ 10.34</u>

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

**GREAT ELM CAPITAL CORP.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)**  
Dollar amounts in thousands (except per share amounts)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>Investment Income:</b>				
Interest income from:				
Non-affiliated, non-controlled investments	\$ 4,477	\$ 4,326	\$ 11,999	\$ 11,363
Non-affiliated, non-controlled investments (PIK)	-	-	-	-
Affiliated investments	216	(630)	627	568
Affiliated investments (PIK)	1,124	1,671	2,939	6,238
Controlled investments	282	499	1,335	1,609
Controlled investments (PIK)	101	261	684	696
Total interest income	6,200	6,127	17,584	20,474
Dividend income from:				
Non-affiliated, non-controlled investments	196	23	407	178
Controlled investments	480	-	1,280	-
Total dividend income	676	23	1,687	178
Other income from:				
Non-affiliated, non-controlled investments	5	10	137	52
Affiliated investments	-	-	2	90
Affiliated investments (PIK)	108	-	564	-
Controlled investments	13	21	52	47
Total other income	126	31	755	189
<b>Total investment income</b>	<b>\$ 7,002</b>	<b>\$ 6,181</b>	<b>\$ 20,026</b>	<b>\$ 20,841</b>
<b>Expenses:</b>				
Management fees	\$ 759	\$ 768	\$ 2,207	\$ 2,215
Incentive fees	654	576	2,099	(607)
Administration fees	282	202	734	999
Custody fees	15	15	45	44
Directors' fees	51	51	150	150
Professional services	243	326	711	791
Interest expense	2,308	1,457	5,333	4,188
Other expenses	71	101	349	432
Total expenses	\$ 4,383	\$ 3,496	\$ 11,628	\$ 8,212
Net investment income	\$ 2,619	\$ 2,685	\$ 8,398	\$ 12,629
<b>Net realized and unrealized gains (losses) on investment transactions:</b>				
Net realized gain (loss) from:				
Non-affiliated, non-controlled investments	\$ 97	\$ 898	\$ 1,115	\$ 1,815
Affiliated investments	-	-	-	-
Controlled investments	154	-	154	210
Total net realized gain (loss)	251	898	1,269	2,025
Net change in unrealized appreciation (depreciation) from:				
Non-affiliated, non-controlled investments	(8,075)	(115)	(7,357)	(2,003)
Affiliated investments	(4,096)	620	(7,666)	(9,442)
Controlled investments	(345)	770	(600)	258
Total net change in unrealized appreciation (depreciation)	(12,516)	1,275	(15,623)	(11,187)
Net realized and unrealized gains (losses)	\$ (12,265)	\$ 2,173	\$ (14,354)	\$ (9,162)
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$ (9,646)</b>	<b>\$ 4,858</b>	<b>\$ (5,956)</b>	<b>\$ 3,467</b>
Net investment income per share (basic and diluted):	\$ 0.26	\$ 0.25	\$ 0.81	\$ 1.19
Earnings per share (basic and diluted):	\$ (0.96)	\$ 0.46	\$ (0.58)	\$ 0.33
Weighted average shares outstanding (basic and diluted):	10,062,682	10,652,401	10,312,561	10,652,401

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

**GREAT ELM CAPITAL CORP.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (unaudited)**  
Dollar amounts in thousands

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>Increase (decrease) in net assets resulting from operations:</b>				
Net investment income	\$ 2,619	\$ 2,685	\$ 8,398	\$ 12,629
Net realized gain (loss) on investments	251	898	1,269	2,025
Net change in unrealized appreciation (depreciation) on investments	(12,516)	1,275	(15,623)	(11,187)
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>(9,646)</b>	<b>4,858</b>	<b>(5,956)</b>	<b>3,467</b>
<b>Distributions to stockholders:</b>				
Distributions <sup>(1)</sup>	(2,505)	(2,652)	(7,671)	(7,957)
<b>Total distributions to stockholders</b>	<b>(2,505)</b>	<b>(2,652)</b>	<b>(7,671)</b>	<b>(7,957)</b>
<b>Capital transactions:</b>				
Purchases of common stock	-	-	(5,000)	-
<b>Net increase (decrease) in net assets resulting from capital transactions</b>	<b>-</b>	<b>-</b>	<b>(5,000)</b>	<b>-</b>
Total increase (decrease) in net assets	(12,151)	2,206	(18,627)	(4,490)
<b>Net assets at beginning of period</b>	<b>\$ 103,640</b>	<b>\$ 125,591</b>	<b>\$ 110,116</b>	<b>\$ 132,287</b>
<b>Net assets at end of period</b>	<b>\$ 91,489</b>	<b>\$ 127,797</b>	<b>\$ 91,489</b>	<b>\$ 127,797</b>
<b>Capital share activity</b>				
<b>Shares outstanding at the beginning of the period</b>	<b>10,062,682</b>	<b>10,652,401</b>	<b>10,652,401</b>	<b>10,652,401</b>
Shares purchased	-	-	(589,719)	-
<b>Shares outstanding at the end of the period</b>	<b>10,062,682</b>	<b>10,652,401</b>	<b>10,062,682</b>	<b>10,652,401</b>

(1) Distributions were from net investment income for each of the periods presented.

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

**GREAT ELM CAPITAL CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)**  
Dollar amounts in thousands

	For the Nine Months Ended September 30,	
	2019	2018
<b>Cash flows from operating activities</b>		
Net increase (decrease) in net assets resulting from operations	\$ (5,956)	\$ 3,467
<b>Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used for) operating activities:</b>		
Purchases of investments	(167,138)	(121,016)
Net change in short-term investments	(18,015)	(9,988)
Capitalized payment-in-kind interest	(3,077)	(8,292)
Proceeds from sales of investments	100,229	80,857
Proceeds from principal payments	52,860	13,554
Net realized (gain) loss on investments	(1,269)	(2,025)
Net change in unrealized (appreciation) depreciation on investments	15,623	11,187
Amortization of premium and accretion of discount, net	(4,210)	(2,206)
Amortization of discount (premium) on long term debt	557	414
<b>Increase (decrease) in operating assets and liabilities:</b>		
(Increase) decrease in interest receivable	124	1,407
(Increase) decrease in dividends receivable	(38)	-
(Increase) decrease in due from portfolio company	(50)	(244)
(Increase) decrease in due from affiliates	(10)	18
(Increase) decrease in prepaid expenses and other assets	285	130
Increase (decrease) in due to affiliates	2,049	(609)
Increase (decrease) in interest payable	8	-
Increase (decrease) in accrued expenses and other liabilities	(188)	130
Net cash provided by (used for) operating activities	<u>(28,216)</u>	<u>(33,216)</u>
<b>Cash flows from financing activities</b>		
Purchases of common stock	(5,000)	-
Issuance of Notes payable	42,696	44,448
Distributions paid	(10,277)	(10,088)
Net cash provided by (used for) financing activities	<u>27,419</u>	<u>34,360</u>
Net increase (decrease) in cash	(797)	1,144
Cash, beginning of period	4,167	2,916
Cash, end of period	<u>\$ 3,370</u>	<u>\$ 4,060</u>
<b>Supplemental disclosure of non-cash financing activities:</b>		
Distributions declared, not yet paid	\$ 835	\$ 884
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for excise tax	\$ 171	\$ 120
Cash paid for interest	4,768	3,774

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

**GREAT ELM CAPITAL CORP.**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS (unaudited)**  
**September 30, 2019**  
*Dollar amounts in thousands*

Portfolio Company	Industry	Security <sup>(1)</sup>	Notes	Interest Rate <sup>(2)</sup>	Initial Acquisition Date	Maturity	Par Amount / Quantity	Cost	Fair Value
<b>Investments at Fair Value</b>									
APTIM Corp.	Industrial	1st Lien, Secured Bond	11	7.75%	03/28/2019	06/15/2025	7,000	5,586	4,970
ASP Chromaflo Technologies Corp.	Chemicals	2nd Lien Secured Loan		1M L + 8.00%, 9.00% Floor (10.04%)	08/12/2019	11/18/124	2,794	2,740	2,710
Avanti Communications Group PLC	Wireless Telecommunications Services	1.5 Lien, Secured Bond	4, 5, 6, 10, 11, 12	12.50%	05/24/2019	05/24/2021	8,178	8,178	8,178
Avanti Communications Group PLC	Wireless Telecommunications Services	2nd Lien, Secured Bond	4, 5, 6, 10, 11	9.00%	11/03/2016	10/01/2022	40,638	37,331	28,052
Avanti Communications Group PLC	Wireless Telecommunications Services	Common Equity	4, 7, 10	n/a	11/03/2016	n/a	196,086,410	50,660	2,294
Best Western Luling (fka Luling Lodging, LLC)	Hotel Operator	1st Lien, Secured Loan	5, 8, 9	1M L + 12.00%, 12.25% Floor (0.00%)	11/03/2016	12/18/2017	2,715	1,300	3,334
Boardriders, Inc.	Apparel & Textile Products	1st Lien, Secured Loan		3M L + 6.50%, 7.50% Floor (8.62%)	03/28/2019	04/23/2024	8,985	8,834	8,573
California Pizza Kitchen, Inc.	Restaurants	1st Lien, Secured Loan		6M L + 6.00%, 7.00% Floor (8.53%)	03/26/2019	08/23/2022	9,949	9,675	8,811
California Pizza Kitchen, Inc.	Restaurants	2nd Lien Secured Loan		6M L + 10.00%, 11.00% Floor (12.53%)	07/17/2019	08/23/2023	4,300	4,068	3,741
Commercial Barge Line Company	Water Transport	1st Lien, Secured Loan		1M L + 8.75%, 9.75% Floor (10.79%)	05/17/2017	11/12/2020	15,883	13,896	8,607
Cooke Omega Investments, Inc.	Food & Staples	Bond		8.50%	09/19/2019	12/15/2022	3,000	2,922	2,917
Davidzon Radio, Inc.	Radio Broadcasting	1st Lien, Secured Loan	5, 9	1M L + 10.00%, 11.00% Floor (15.09%)	11/03/2016	03/31/2020	8,990	8,869	8,024
Duff & Phelps Corporation	Consulting	1st Lien Revolver	5	1M L + 3.25%, 4.25% Floor (5.29%)	09/09/2019	02/13/2022	335	(103)	306
Duff & Phelps Corporation	Consulting	1st Lien Revolver - Unfunded	5	1M L + 3.25%, 3.25% Floor (5.29%)	09/09/2019	02/13/2022	4,665	-	(408)
The Finance Company	Consumer Finance	1st Lien, Secured Revolver	3, 5	1M L + 11.00%, 11.50% Floor (13.09%)	11/03/2016	07/02/2020	941	941	941
The Finance Company	Consumer Finance	1st Lien, Secured Revolver - Unfunded	3, 5	1M L + 11.00%, 11.50% Floor (13.09%)	11/03/2016	07/02/2020	59	-	-
The Finance Company	Consumer Finance	1st Lien Secured Term Loan B	3, 5	1M L + 11.00%, 11.50% Floor (13.09%)	06/08/2018	07/02/2020	1,491	1,491	264
The Finance Company	Consumer Finance	Common Equity	3, 5, 7	n/a	06/08/2018	n/a	288,000	-	-
Finastra Group Holdings, Ltd. (fka Almonde, Inc.)	Software Services	2nd Lien, Secured Loan	10	6M L + 7.25%, 8.25% Floor (9.45%)	12/14/2017	06/13/2025	14,000	13,331	13,344
Full House Resorts, Inc.	Gaming, Lodging & Restaurants	1st Lien, Secured Note	5, 11	3M L + 7.00%, 8.00% Floor (9.10%)	02/02/2018	02/02/2024	9,825	9,673	9,761
Mitchell International, Inc.	Software Services	2nd Lien Secured Loan	5	1M L + 7.25%, 8.00% Floor (9.29%)	08/02/2019	11/30/2025	12,000	11,280	11,358
OPS Acquisitions Limited and Ocean Protection Services Limited	Maritime Security Services	1st Lien, Secured Loan	4, 5, 8, 10	1M L + 12.00%, 12.50% Floor (0.00%)	11/03/2016	06/01/2018	4,903	4,240	30
OPS Acquisitions Limited and Ocean Protection Services Limited	Maritime Security Services	Common Equity	4, 5, 7, 10	n/a	11/03/2016	n/a	19	-	-

PE Facility Solutions, LLC	Building Cleaning and Maintenance Services	1st Lien, Secured Loan B	3, 5, 6, 8	1M L + 14.00%, (0.00%)	02/28/2017	02/27/2022	1,784	1,784	1,761
PE Facility Solutions, LLC	Building Cleaning and Maintenance Services	Common Equity	3, 5, 7	n/a	02/28/2017	n/a	1	-	-
PEAKS Trust 2009-1	Consumer Finance	1st Lien, Secured Note	5, 8, 10	1M L + 5.50%, 7.50% Floor (0.00%)	11/03/2016	01/27/2020	940	849	-
Peninsula Pacific Entertainment, LLC	Gaming, Lodging & Restaurants	1st Lien, Secured Loan	5	3M L + 7.25%, 7.25% Floor (9.35%)	06/27/2019	11/13/2024	2,500	2,506	2,492
PFS Holdings Corp.	Food & Staples Wireless	1st Lien, Secured Loan	5	1M L + 3.50%, 4.50% Floor (5.54%)	07/09/2018	01/31/2021	14,861	11,141	8,656
PR Wireless, Inc.	Communications	1st Lien, Secured Loan	5	3M L + 5.25%, (7.55%)	11/15/2017	06/29/2020	218	218	216
Prestige Capital Finance, LLC (fka Prestige Capital Corporation)	Specialty Finance	Common Equity	3, 5, 10	n/a	02/08/2019	n/a	-	7,466	7,671
Research Now Group, Inc.	Internet Media	1st Lien, Secured Revolver	5	3M L + 4.50%, 5.50% Floor (6.75%)	01/29/2019	12/20/2022	4,316	3,648	4,316
Research Now Group, Inc.	Internet Media	1st Lien, Secured Revolver - Unfunded	5	3M L + 4.50%, (6.75%)	01/29/2019	12/20/2022	5,684	-	(318)
Research Now Group, Inc.	Internet Media	2nd Lien, Secured Loan		3M L + 9.50%, 10.50% Floor (11.75%)	05/20/2019	12/20/2025	12,000	11,950	11,810
Shearer's Foods, LLC	Food & Staples	2nd Lien, Secured Loan		1M L + 6.75%, 7.75% Floor (8.79%)	06/17/2019	06/30/2022	9,000	8,951	8,932
Tallage Davis, LLC	Real Estate Services	1st Lien, Secured Loan	5	11.00%	03/20/2018	01/26/2023	3,115	3,115	3,115
Tallage Davis, LLC	Real Estate Services	1st Lien, Secured Loan - Unfunded	5	11.00%	03/20/2018	01/26/2023	8,910	-	-
Tallage Lincoln, LLC	Real Estate Services	1st Lien, Secured Loan	5	3M L + 11.00%, 11.00% Floor (13.10%)	11/03/2016	12/31/2019	495	495	495
Tensar Corp.	Construction Materials Manufacturing	1st Lien, Secured Loan	5	3M L + 4.75%, 5.75% Floor (6.85%)	06/27/2019	07/10/2021	3,500	3,345	3,344
TRU (UK) Asia Limited	Retail	Common Equity	5, 7	n/a	07/21/2017	n/a	776,954	22,132	14,676
TRU (UK) Asia Limited Liquidating Trust	Retail	Common Equity	5, 7	n/a	07/21/2017	n/a	16,000	2,075	1,826
<b>Total Investments excluding Short-Term Investments (212.92% of Net Assets)</b>								<b>274,587</b>	<b>194,799</b>
<b>Short-Term Investments</b>									
State Street Institutional Treasury Money Market Fund		Premier Class		n/a		n/a	21,418,393	21,418	21,418
United States Treasury		Treasury Bill		0%		09/26/2019	75,000	74,692	74,680
<b>Total Short-Term Investments (105.04% of Net Assets)</b>								<b>96,110</b>	<b>96,098</b>
<b>TOTAL INVESTMENTS(13) (317.96% of Net Assets)</b>								<b>\$ 370,697</b>	<b>\$ 290,897</b>
<b>Other Liabilities in Excess of Assets (217.96% of Net Assets)</b>									\$ (199,408)
<b>NET ASSETS</b>									<b>\$ 91,489</b>

- The Company's investments are generally acquired in private transactions exempt from registration under the Securities Act of 1933 and, therefore, are generally subject to limitations on resale, and may be deemed to be "restricted securities" under the Securities Act of 1933.
- A majority of the Company's variable rate debt investments bear interest at a rate that is determined by reference to London Interbank Offered Rate ("LIBOR" or "L") and which is reset daily, monthly, quarterly or semiannually. For each debt investment, the Company has provided the interest rate in effect as of period end. If no reference to LIBOR is made, the rate is fixed. A floor is the minimum rate that will be applied in calculating an interest rate. A cap is the maximum rate that will be applied in calculating an interest rate. The one month ("1M") LIBOR as of period end was 2.02%. The three month ("3M") LIBOR as of period end was 2.09%. The six month ("6M") LIBOR as of period end was 2.06%.



- (3) "Controlled Investments" are investments in those companies that are "Controlled Investments" of the Company, as defined in the Investment Company Act. A company is deemed to be a "Controlled Investment" of the Company if the Company owns more than 25% of the voting securities of such company.
- (4) "Affiliate Investments" are investments in those companies that are "Affiliated Companies" of the Company, as defined in the Investment Company Act, which are not "Controlled Investments." A company is deemed to be an "Affiliate" of the Company if the Company owns 5% or more, but less than 25%, of the voting securities of such company.
- (5) Investments classified as Level 3 whereby fair value was determined by the Company's board of directors.
- (6) Security pays, or has the option to pay, all of its interest in kind.
- (7) Non-income producing security.
- (8) Investment was on non-accrual status as of period end.
- (9) The interest rate on these loans includes a default interest rate.
- (10) Indicates assets that the Company believes do not represent "qualifying assets" under Section 55(a) of the Investment Company Act. Qualifying assets must represent at least 70% of the Company's total assets at the time of acquisition of any additional non-qualifying assets. Of the Company's total assets, 20.0% were non-qualifying assets as of period end.
- (11) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933. Such security may be sold in certain transactions (normally to qualified institutional buyers) and remain exempt from registration.
- (12) Under the terms of the credit agreement, this investment has an exit fee which requires the borrower to pay, in connection with each prepayment or other repayment a fee equal to 2.50% of the amount being repaid.
- (13) As of period end, the aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was \$2,595; the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$83,405; the net unrealized depreciation was \$80,810; the aggregate cost of securities for Federal income tax purposes was \$371,707.

As of September 30, 2019, the Company's investments consisted of the following:

Investment Type	Investments at Fair Value	Percentage of Net Assets
Debt	\$ 168,332	183.99%
Equity/Other	26,467	28.93%
Short-Term Investments	96,098	105.04%
<b>Total</b>	<b>\$ 290,897</b>	<b>317.96%</b>

As of September 30, 2019, the industry composition of the Company's portfolio, excluding short-term investments, at fair value was as follows:

<b>Industry</b>	<b>Investments at Fair Value</b>	<b>Percentage of Net Assets</b>
Wireless Telecommunications Services	\$ 38,524	42.11%
Software Services	24,702	27.00%
Food & Staples	20,505	22.41%
Retail	16,502	18.04%
Internet Media	15,808	17.28%
Restaurants	12,552	13.72%
Gaming, Lodging & Restaurants	12,253	13.39%
Water Transport	8,607	9.41%
Apparel & Textile Products	8,573	9.37%
Radio Broadcasting	8,024	8.77%
Specialty Finance	7,671	8.38%
Industrial	4,970	5.43%
Real Estate Services	3,610	3.95%
Construction Materials Manufacturing	3,344	3.66%
Hotel Operator	3,334	3.64%
Chemicals	2,710	2.96%
Building Cleaning and Maintenance Services	1,761	1.92%
Consumer Finance	1,205	1.32%
Wireless Communications	216	0.24%
Maritime Security Services	30	0.03%
Consulting	(102)	(0.11)%
Short-Term Investments	96,098	105.04%
<b>Total</b>	<b>\$ 290,897</b>	<b>317.96%</b>

As of September 30, 2019, the geographic composition of the Company's portfolio at fair value was as follows:

<b>Geography</b>	<b>Investments at Fair Value</b>	<b>Percentage of Net Assets</b>
United States	\$ 260,521	284.76%
United Kingdom	30,376	33.20%
<b>Total</b>	<b>\$ 290,897</b>	<b>317.96%</b>

**GREAT ELM CAPITAL CORP.**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS**  
**December 31, 2018**

*Dollar amounts in thousands*

Portfolio Company	Industry	Security <sup>(1)</sup>	Notes	Interest Rate <sup>(2)</sup>	Initial Acquisition Date	Maturity	Par Amount / Quantity	Cost	Fair Value	% of Net Assets
<b>Investments at Fair Value</b>										
Aptean Holdings, Inc.	Software Services	2nd Lien, Secured Loan	5	3M L + 9.50%, 10.50% Floor (12.31%)	03/27/2018	12/20/2023	4,010	4,052	4,010	3.64%
Avanti Communications Group PLC	Wireless Telecommunications Services	2nd Lien, Secured Bond	4, 5, 10, 11	9.00%	11/03/2016	10/01/2022	38,888	34,954	29,400	26.70%
Avanti Communications Group PLC	Wireless Telecommunications Services	Common Equity	4, 7, 10	n/a	11/03/2016	n/a	196,086,410	50,660	6,231	5.66%
Best Western Luling (fka Luling Lodging, LLC)	Hotel Operator	1st Lien, Secured Loan	5, 8, 9	1M L + 12.00%, 12.25% Floor (0.00%)	11/03/2016	12/18/2017	2,715	1,300	3,212	2.92%
Commercial Barge Line Company	Water Transport	1st Lien, Secured Loan		1M L + 8.75%, 9.75% Floor (11.27%)	05/17/2017	11/12/2020	16,605	13,496	11,889	10.80%
Davidzon Radio, Inc.	Radio Broadcasting	1st Lien, Secured Loan	5, 9	1M L + 10.00%, 11.00% Floor (15.35%)	11/03/2016	03/31/2020	9,270	8,967	8,807	8.00%
The Finance Company	Consumer Finance	1st Lien, Secured Revolver	3, 5	1M L + 11.00%, 11.50% Floor (13.35%)	11/03/2016	07/02/2020	959	959	959	0.87%
The Finance Company	Consumer Finance	1st Lien, Secured Revolver - Unfunded	3, 5	1M L + 11.00%, 11.50% Floor (13.35%)	11/03/2016	07/02/2020	41	-	-	-%
The Finance Company	Consumer Finance	1st Lien Secured Term Loan B	3, 5	1M L + 11.00%, 11.50% Floor (13.35%)	06/08/2018	07/02/2020	1,491	1,491	801	0.73%
The Finance Company	Consumer Finance	Equity	3, 5, 7	n/a	06/08/2018	n/a	288,000	-	-	-%
Finastra Group Holdings, Ltd. (fka Almonde, Inc.)	Software Services	2nd Lien, Secured Loan	10	3M L + 7.25%, 8.25% floor (10.05%)	12/14/2017	06/13/2025	13,000	12,373	11,932	10.84%
Full House Resorts, Inc.	Gaming, Lodging & Restaurants	1st Lien Secured Note	5	3M L + 7.00%, 8.00% Floor (9.80%)	02/02/2018	02/02/2024	9,900	9,726	9,687	8.80%
Geo Specialty Chemicals, Inc.	Chemicals	1st Lien, Secured Revolver	5	3M L + 4.75%, 5.75% Floor (7.13%)	09/28/2017	04/30/2019	3,792	3,739	3,761	3.42%
Geo Specialty Chemicals, Inc.	Chemicals	1st Lien, Secured Revolver - Unfunded	5	3M L + 4.75%, 5.75% Floor (7.13%)	09/28/2017	04/30/2019	583	-	(5)	-%
Geo Specialty Chemicals, Inc.	Chemicals	1st Lien, Secured Loan	5	3M L + 4.75%, 5.75% Floor (7.46%)	09/28/2017	04/30/2019	3,875	3,828	3,845	3.49%
International Wire Group, Inc.	Manufacturing	2nd Lien, Secured Bond	11	10.75%	09/19/2017	08/01/2021	17,500	16,616	15,575	14.14%
Michael Baker International, LLC	Industrial Conglomerates	2nd Lien, Secured Bond	11	8.75%	12/31/2017	03/01/2023	13,500	13,105	13,365	12.14%
OPS Acquisitions Limited and Ocean Protection Services Limited	Maritime Security Services	1st Lien, Secured Loan	4, 5, 8, 10	1M L + 12.00%, 12.50% Floor (0.00%)	11/03/2016	06/01/2018	4,903	4,240	34	0.03%
OPS Acquisitions Limited and Ocean Protection Services Limited	Maritime Security Services	Common Equity	4, 5, 7, 10	n/a	11/03/2016	n/a	19	-	-	-%
PE Facility Solutions, LLC	Building Cleaning and Maintenance Services	1st Lien, Secured Revolver	3, 5	1M L + 9.00% (11.35%)	02/28/2017	02/27/2022	1,948	\$ 1,948	\$ 1,948	1.77%
PE Facility Solutions, LLC	Building Cleaning and Maintenance Services	1st Lien, Secured Revolver - Unfunded	3, 5	1M L + 9.00% (11.35%)	02/28/2017	02/27/2022	4,052	-	-	-%
PE Facility Solutions, LLC	Building Cleaning and Maintenance Services	1st Lien, Secured Loan A	3, 5	1M L + 11.00% (13.35%)	02/28/2017	02/27/2022	9,800	9,800	9,800	8.90%

PE Facility Solutions, LLC	Building Cleaning and Maintenance Services	1st Lien, Secured Loan B	3, 5, 6	1M L + 14.00% (16.35%)	02/28/2017	02/27/2022	6,695	6,450	6,695	6.08%
PE Facility Solutions, LLC	Building Cleaning and Maintenance Services	Common Equity	3, 5, 7	n/a	02/28/2017	n/a	1	-	-	-%
PEAKS Trust 2009-1	Consumer Finance	1st Lien, Secured Note	5, 10	1M L + 5.50%, 7.50% Floor (8.01%)	11/03/2016	01/27/2020	1,122	929	70	0.06%
PFS Holdings Corp.	Food & Staples	1st Lien, Secured Loan	5	1M L + 3.50%, 4.50% Floor (5.88%)	07/09/2018	01/31/2021	14,979	9,554	8,935	8.11%
PR Wireless, Inc.	Wireless Communications	1st Lien, Secured Loan	5	3M L + 5.25% (8.05%)	11/15/2017	06/29/2020	602	602	600	0.54%
PR Wireless, Inc.	Wireless Communications	1st Lien, Secured Delayed Draw Loan - Unfunded	5	3M L + 5.25% (8.05%)	11/15/2017	06/29/2020	768	-	(4)	-%
SESAC Holdco II LLC	Business Services	2nd Lien, Secured Loan	5	1M L + 7.25%, 8.25% Floor (9.76%)	12/13/2017	02/24/2025	9,942	9,875	9,505	8.63%
Sungard Availability Services Capital, Inc.	Technology Services	1st Lien, Secured Loan	5	1M L + 7.00%, 8.00% Floor (9.57%)	01/24/2018	9/30/2021	4,808	4,524	4,428	4.02%
Tallage Davis, LLC	Real Estate Services	1st Lien, Secured Loan	5	11.00%	03/20/2018	01/26/2023	2,415	2,415	2,375	2.16%
Tallage Davis, LLC	Real Estate Services	1st Lien, Secured Loan - Unfunded	5	11.00%	03/20/2018	01/26/2023	10,660	-	(176)	(0.16)%
Tallage Lincoln, LLC	Real Estate Services	1st Lien, Secured Loan	5	3M L + 10.00%, 11.00% Floor (12.81%)	11/03/2016	12/31/2019	2,298	2,298	2,280	2.07%
Tru Taj, LLC	Retail	1st Lien, Secured Bond	11	12.00%	07/21/2017	08/15/2021	16,000	15,433	9,160	8.32%
Tru Taj, LLC	Retail	1st Lien, Debtor in Possession Note	5	11.00%	03/26/2018	01/22/2019	4,992	5,020	5,067	4.60%
<b>Total Investments excluding Short-Term Investments (167.27% of Net Assets)</b>							<b>248,354</b>	<b>184,186</b>	<b>167.27%</b>	
<b>Short-Term Investments</b>										
State Street Institutional Treasury Money Market Fund		Premier Class		n/a		n/a	3,550,161	3,550	3,550	3.22%
United States Treasury		Treasury Bill		0%		04/04/2019	75,000	74,543	74,535	67.69%
<b>Total Short-Term Investments (70.91% of Net Assets)</b>							<b>78,093</b>	<b>78,085</b>	<b>70.91%</b>	
<b>TOTAL INVESTMENTS(12) (238.18% of Net Assets)</b>							<b>\$ 326,447</b>	<b>\$ 262,271</b>	<b>238.18%</b>	
<b>Other Liabilities in Excess of Assets (138.17% of Net Assets)</b>								<b>\$ (152,155)</b>	<b>(138.17)%</b>	
<b>NET ASSETS</b>								<b>\$ 110,116</b>	<b>100.00%</b>	

- The Company's investments are generally acquired in private transactions exempt from registration under the Securities Act of 1933 and, therefore, are generally subject to limitations on resale, and may be deemed to be "restricted securities" under the Securities Act of 1933.
- A majority of the Company's variable rate debt investments bear interest at a rate that is determined by reference to London Interbank Offered Rate ("LIBOR" or "L") and which is reset daily, monthly, quarterly or semiannually. For each debt investment, the Company has provided the interest rate in effect as of period end. If no reference to LIBOR is made, the rate is fixed. A floor is the minimum rate that will be applied in calculating an interest rate. A cap is the maximum rate that will be applied in calculating an interest rate. The one month ("1M") LIBOR as of period end was 2.50%. The three month ("3M") LIBOR as of period end was 2.81%.
- "Controlled Investments" are investments in those companies that are "Controlled Investments" of the Company, as defined in the Investment Company Act. A company is deemed to be a "Controlled Investment" of the Company if the Company owns more than 25% of the voting securities of such company.
- "Affiliate Investments" are investments in those companies that are "Affiliated Companies" of the Company, as defined in the Investment Company Act, which are not "Controlled Investments." A company is deemed to be an "Affiliate" of the Company if the Company owns 5% or more, but less than 25%, of the voting securities of such company.
- Investments classified as Level 3 whereby fair value was determined by the Company's board of directors.
- Security pays, or has the option to pay, all of its interest in kind.
- Non-income producing security.

- (8) Investment was on non-accrual status as of period end.
- (9) The interest rate on these loans includes a default interest rate.
- (10) Indicates assets that the Company believes do not represent “qualifying assets” under Section 55(a) of the Investment Company Act. Qualifying assets must represent at least 70% of the Company’s total assets at the time of acquisition of any additional non-qualifying assets. Of the Company’s total assets, 25.9% were non-qualifying assets as of period end.
- (11) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933. Such security may be sold in certain transactions (normally to qualified institutional buyers) and remain exempt from registration.
- (12) As of period end, the aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was \$1,694; the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$49,881; the net unrealized depreciation was \$(48,187); the aggregate cost of securities for Federal income tax purposes was \$310,459.

As of December 31, 2018 the Company’s investments consisted of the following:

<b>Investment Type</b>	<b>Investments at Fair Value</b>	<b>Percentage of Net Assets</b>
Debt	\$ 177,955	161.61%
Equity/Other	6,231	5.66%
Short-Term Investments	78,085	70.91%
<b>Total</b>	<b>\$ 262,271</b>	<b>238.18%</b>

As of December 31, 2018 the industry composition of the Company’s portfolio at fair value was as follows:

<b>Industry</b>	<b>Investments at Fair Value</b>	<b>Percentage of Net Assets</b>
Wireless Telecommunications Services	\$ 35,631	32.36%
Building Cleaning and Maintenance Services	18,443	16.75%
Software Services	15,942	14.48%
Manufacturing	15,575	14.14%
Retail	14,227	12.92%
Industrial Conglomerates	13,365	12.14%
Water Transport	11,889	10.80%
Gaming, Lodging & Restaurants	9,687	8.80%
Business Services	9,505	8.63%
Food & Staples	8,935	8.11%
Radio Broadcasting	8,807	8.00%
Chemicals	7,601	6.90%
Real Estate Services	4,479	4.07%
Technology Services	4,428	4.02%
Hotel Operator	3,212	2.92%
Consumer Finance	1,830	1.66%
Wireless Communications	596	0.54%
Maritime Security Services	34	0.03%
Short-Term Investments	78,085	70.91%
<b>Total</b>	<b>\$ 262,271</b>	<b>238.18%</b>

As of December 31, 2018 the geographic composition of the Company's portfolio at fair value was as follows:

<b>Geography</b>	<b>Investments at Fair Value</b>	<b>Percentage of Net Assets</b>
United States	\$ 226,606	205.79%
United Kingdom	35,665	32.39%
<b>Total</b>	<b>\$ 262,271</b>	<b>238.18%</b>

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

**GREAT ELM CAPITAL CORP.**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
Dollar amounts in thousands, except share and per share amounts

**1. ORGANIZATION**

Great Elm Capital Corp. (the “Company”) was formed on April 22, 2016 as a Maryland corporation. The Company is structured as an externally managed, non-diversified closed-end management investment company. The Company elected to be regulated as a business development company (a “BDC”) under the Investment Company Act of 1940, as amended (the “Investment Company Act”). The Company is managed by Great Elm Capital Management, Inc., a Delaware corporation (“GECM”), a subsidiary of Great Elm Capital Group, Inc., a Delaware corporation (“Great Elm Capital Group”).

The Company seeks to generate current income and capital appreciation through debt and equity investments. The Company invests primarily in secured and senior unsecured debt instruments that it purchases in the secondary markets.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation.** The Company’s functional currency is U.S. dollars and these consolidated financial statements have been prepared in that currency. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and pursuant to Regulation S-X and Regulation S-K. These financial statements reflect all adjustments (consisting of normal recurring items or items discussed herein) that management believes are necessary to fairly state results for the interim periods presented. Results of operations for interim periods are not necessarily indicative of annual results of operations. The Company is an investment company following accounting and reporting guidance in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 946, *Financial Services – Investment Companies*.

Amounts related to dividend receivable were previously reported within prepaid expenses and other assets on the consolidated statements of assets and liabilities on our Form 10-K for the year ended December 31, 2018. These have been reclassified to dividends receivable in the consolidated statements of assets and liabilities to conform to current period presentation.

**Basis of Consolidation.** Under the Investment Company Act, Article 6 of Regulation S-X and GAAP, the Company is generally precluded from consolidating any entity other than another investment company or an operating company which provides substantially all of its services and benefits to the Company. The accompanying consolidated financial statements include the Company’s accounts and the accounts of the Company’s wholly-owned subsidiary, TFC-SC Holdings, LLC. All intercompany balances and transactions have been eliminated in consolidation.

**Use of Estimates.** The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ materially.

**Revenue Recognition.** Interest and dividend income, including income paid in kind, is recorded on an accrual basis. Origination, structuring, closing, commitment and other upfront fees, including original issue discounts, earned with respect to capital commitments, are generally amortized or accreted into interest income over the life of the respective debt investment, as are end-of-term or exit fees receivable upon repayment of a debt investment if such fees are fixed in nature. Other fees, including certain amendment fees, prepayment fees and commitment fees on broken deals, and end-of-term or exit fees that have a contingency feature or are variable in nature are recognized as earned. Prepayment fees and similar income due upon the early repayment of a loan or debt security are generally included in interest income.

Interest income received as paid-in-kind (“PIK”) is reported separately in the Statements of Operations. Income is included as PIK if the instrument solely provides for settlement in kind. In the event that the borrower can settle in kind or via cash payment, the income is not included as PIK until the borrower elects to pay in kind and the payment is received by the Company. In the event there is a lesser cash rate in a PIK toggle instrument, income is accrued at the lesser cash rate until the coupon is paid in kind and such larger payment is received by the Company.

Certain of the Company's debt investments were purchased at a discount to par as a result of the underlying credit risks and financial results of the issuer, as well as general market factors that influence the financial markets as a whole. Discounts on the acquisition of corporate debt instruments are generally amortized using the effective-interest or constant-yield method assuming there are no material questions as to collectability.

**Net Realized Gains (Losses) and Net Change in Unrealized Appreciation (Depreciation)** The Company measures realized gains or losses by the difference between the net proceeds from the repayment or sale of an investment and the amortized cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized. Realized gains and losses are computed using the first-in, first-out method. Net change in unrealized appreciation or depreciation reflects the net change in portfolio investment values and portfolio investment cost bases during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation when gains or losses are realized.

**Cash and Cash Equivalents.** Cash and cash equivalents typically consist of bank demand deposits.

**Valuation of Portfolio Investments.** The Company carries its investments in accordance with ASC Topic 820, Fair Value Measurements and Disclosures ("ASC 820"), which defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. Fair value is generally based on quoted market prices provided by independent pricing services, broker or dealer quotations or alternative price sources. In the absence of quoted market prices, broker or dealer quotations or alternative price sources, investments are measured at fair value as determined by the Company's board of directors (the "Board of Directors").

Due to the inherent uncertainties of valuation, certain estimated fair values may differ significantly from the values that would have been realized had a ready market for these investments existed, and these differences could be material. See Note 4.

The Company values its portfolio investments at fair value based upon the principles and methods of valuation set forth in policies adopted by our Board. Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Market participants are buyers and sellers in the principal (or most advantageous) market for the asset that (1) are independent of the Company, (2) are knowledgeable, having a reasonable understanding about the asset based on all available information (including information that might be obtained through due diligence efforts that are usual and customary), (3) are able to transact for the asset, and (4) are willing to transact for the asset (that is, they are motivated but not forced or otherwise compelled to do so).

Investments for which market quotations are readily available are valued at such market quotations unless the quotations are deemed not to represent fair value. The Company generally obtains market quotations from recognized exchanges, market quotation systems, independent pricing services or one or more broker-dealers or market makers. Short term debt investments with remaining maturities within ninety days are generally valued at amortized cost, which approximates fair value. Debt and equity securities for which market quotations are not readily available, which is the case for many of the Company's investments, or for which market quotations are deemed not to represent fair value, are valued at fair value using a consistently applied valuation process in accordance with the Company's documented valuation policy that has been reviewed and approved by our Board, who also approve in good faith the valuation of such securities as of the end of each quarter. Due to the inherent uncertainty and subjectivity of determining the fair value of investments that do not have a readily available market value, the fair value of the Company's investments may differ significantly from the values that would have been used had a readily available market value existed for such investments and may differ materially from the values that the Company may ultimately realize. In addition, changes in the market environment and other events may have differing impacts on the market quotations used to value some of the Company's investments than on the fair values of our investments for which market quotations are not readily available. Market quotations may be deemed not to represent fair value in certain circumstances where the Company believes that facts and circumstances applicable to an issuer, a seller or purchaser, or the market for a particular security cause current market quotations to not reflect the fair value of the security.



The valuation process approved by our Board with respect to investments for which market quotations are not readily available or for which market quotations are deemed not to represent fair value is as follows:

- The investment professionals of GECM provide recent portfolio company financial statements and other reporting materials to an independent valuation firm (or firms) approved by our Board;
- Such firms evaluate this information along with relevant observable market data to conduct independent appraisals each quarter, and their preliminary valuation conclusions are documented, discussed, and iterated with senior management of GECM;
- The fair value of investments comprising in the aggregate less than 5% of the Company's total capitalization and individually less than 1% of the Company's total capitalization may be determined by GECM in good faith in accordance with the Company's valuation policy without the employment of an independent valuation firm.

The Company's audit committee recommends, and our Board approves, the fair value of the investments in the Company's portfolio in good faith based on the input of GECM, the respective independent valuation firms (to the extent applicable) and the inputs of each of our Board and the audit committee of our Board.

Those investments for which market quotations are not readily available or for which market quotations are deemed not to represent fair value are valued utilizing a market approach, an income approach, or both approaches, as appropriate. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business). The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that the Company may take into account in determining the fair value of its investments include, as relevant and among other factors: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, information rights, the nature and realizable value of any collateral, the portfolio company's ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, merger and acquisition comparables, and enterprise values.

**Foreign Currency Translation.** Amounts denominated in foreign currencies are translated into U.S. dollars on the following basis: (1) investments and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based upon currency exchange rates effective on the date of valuation; and (2) purchases and sales of investments and income and expense items denominated in foreign currencies are translated into U.S. dollars based upon currency exchange rates prevailing on the transaction dates. The portion of gains and losses on foreign investments resulting from fluctuations in foreign currencies is included in net realized and unrealized gain or loss from investments.

**U.S. Federal Income Taxes.** From inception to September 30, 2016, the Company was a taxable association under Internal Revenue Code of 1986, as amended (the "Code"). The Company has elected to be taxed as a regulated investment company ("RIC") under subchapter M of the Code. The Company intends to operate in a manner so as to qualify for the tax treatment applicable to RICs in that taxable year and all future taxable years. In order to qualify as a RIC, among other things, the Company will be required to timely distribute to its stockholders at least 90% of investment company taxable income ("ICTI") including PIK interest, as defined by the Code, for each taxable year in order to be eligible for tax treatment under subchapter M of the Code. Depending on the level of ICTI earned in a tax year, the Company may choose to carry forward ICTI in excess of current year dividend distributions into the next tax year. Any such carryover ICTI must be distributed prior to the 15th day of the ninth month after the tax year-end. So long as the Company maintains its status as a RIC, it generally will not be subject to corporate-level U.S. federal income taxes on any ordinary income or capital gains that it distributes at least annually to its stockholders as distributions. Rather, any tax liability related to income earned by the Company represents obligations of the Company's stockholders and will not be reflected in the consolidated financial statements of the Company.

If the Company does not distribute (or is not deemed to have distributed) each calendar year the sum of (1) 98% of its net ordinary income for each calendar year, (2) 98.2% of its capital gain net income for the one-year period ending October 31 in that calendar year and (3) any income recognized, but not distributed, in preceding years (the "Minimum Distribution Amount"), the Company will generally be required to pay an excise tax equal to 4% of the amount by which Minimum Distribution Amount exceeds the distributions for the year. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions from such taxable income, the Company accrues excise taxes, if any, on estimated excess taxable income as taxable income is earned using an annual effective excise tax rate. The annual effective excise tax rate is determined by dividing the estimated annual excise tax by the estimated annual taxable income.

The Company has not accrued any excise tax expense for the three and nine months ended September 30, 2019. The Company accrued \$180 of excise tax expense for the year ended December 31, 2018.

At December 31, 2018, the Company, for federal income tax purposes, had capital loss carryforwards of \$46,161 which will reduce its taxable income arising from future net realized gains on investment transactions, if any, to the extent permitted by the Internal Revenue Code, and thus will reduce the amount of distributions to shareholders, which would otherwise be necessary to relieve the Company of any liability for federal income tax. On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the “Modernization Act”) was signed by the President. The Modernization Act changed the capital loss carryforward rules as they relate to regulated investment companies. Capital losses generated in tax years beginning after the date of enactment may now be carried forward indefinitely, and retain the character of the original loss. Of the capital loss carryforwards at December 31, 2018, \$46,161 are limited losses and available for use subject to annual limitation under Section 382. Of the capital losses at December 31, 2018, \$16,815 are short-term and \$29,346 are long term.

ASC 740 *Accounting for Uncertainty in Income Taxes* (“ASC 740”) provides guidance on the accounting for and disclosure of uncertainty in tax position. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Tax positions deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the current year. Based on its analysis of its tax position for all open tax years (the current and prior years, as applicable), the Company has concluded that it does not have any uncertain tax positions that met the recognition or measurement criteria of ASC 740. Such open tax years remain subject to examination and adjustment by tax authorities.

### Recent Accounting Developments

In March 2017, FASB issued ASU No. 2017-08; *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20) Premium Amortization on Purchased Callable Debt Securities* (“ASU 2017-08”). The amendments in this Update shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. On January 1, 2019, the Company adopted ASU 2017-08 on a modified retrospective basis, however, there was no impact on the accompanying consolidated financial statements and related disclosures.

**Fair Value Measurements** In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, resulting in various disclosures related to fair value measurements being eliminated, modified or supplemented. ASU 2018-13 is effective for interim and annual periods beginning after December 15, 2019, with an option to early adopt any eliminated or modified disclosures, and to delay adoption of the additional disclosures, until the effective date. On September 1, 2018, the Company early adopted the eliminated and modified disclosures of ASU 2018-13 and, as a result, updated its financial statement disclosures accordingly. A modified narrative description of measurement uncertainty for level 3 fair value measurements was applied prospectively, with all other amendments applied retrospectively.

### 3. SIGNIFICANT AGREEMENTS AND RELATED PARTIES

**Investment Management Agreement.** The Company has an investment management agreement (the “Investment Management Agreement”) with GECM. Beginning on November 4, 2016, the Company began accruing for GECM's fees for its services under the Investment Management Agreement. This fee consists of two components: a base management fee and an incentive fee.

The Company's Chief Executive Officer is also the chief investment officer of GECM, and the chief executive officer and a member of the board of directors of GEC. The Company's Chief Compliance Officer is also the chief operating officer, chief compliance officer and general counsel of GECM, and the president and chief operating officer of GEC. The Company's Chief Financial Officer is also the chief financial officer of GECM.

**Management Fee** The base management fee is calculated at an annual rate of 1.50% of the Company's average adjusted gross assets, including assets purchased with borrowed funds. The base management fee is payable quarterly in arrears. The base management fee is calculated based on the average value of the Company's gross assets, excluding cash and cash equivalents, at the end of the two most recently completed calendar quarters, and appropriately adjusted for any share issuances or repurchases during the then current calendar quarter. Base management fees for any partial quarter are prorated.

For the three and nine months ended September 30, 2019 management fees amounted to \$759 and \$2,207, respectively. For the three and nine months ended September 30, 2018 management fees amounted to \$768 and \$2,215, respectively. As of September 30, 2019 and December 31, 2018, \$758 and \$740 remained payable, respectively.

**Incentive Fee** The incentive fee consists of two components that are independent of each other with the result that one component may be payable even if the other is not. One component of the incentive fee is based on income (the “Income Incentive Fee”) and the other component is based on capital gains (the “Capital Gains Incentive Fee”).

The Income Incentive Fee is calculated on a quarterly basis as 20% of the amount by which the Company’s pre-incentive fee net investment income (the “Pre-Incentive Fee Net Investment Income”) for the quarter exceeds a hurdle rate of 1.75% (7.0% annualized) of the Company’s net assets at the end of the immediately preceding calendar quarter, subject to a “catch-up” provision pursuant to which GECM receives all of such income in excess of the 1.75% level but less than 2.1875% (8.75% annualized) and subject to a total return requirement (described below). The effect of the “catch-up” provision is that, subject to the total return provision, if pre-incentive fee net investment income exceeds 2.1875% of the Company’s net assets at the end of the immediately preceding calendar quarter, in any calendar quarter, GECM will receive 20.0% of the Company’s pre-incentive fee net investment income as if the 1.75% hurdle rate did not apply. These calculations will be appropriately prorated for any period of less than three months and adjusted for any share issuances or repurchases during the then current quarter.

Pre-Incentive Fee Net Investment Income includes any accretion of original issue discount, market discount, payment-in-kind interest, payment-in-kind dividends or other types of deferred or accrued income, including in connection with zero coupon securities, that the Company and its consolidated subsidiaries have recognized in accordance with GAAP, but have not yet received in cash (collectively, “Accrued Unpaid Income”). Pre-Incentive Fee Net Investment Income does not include any realized capital gains or losses or unrealized capital appreciation or depreciation. Accrued Unpaid Income as of September 30, 2019 was \$22,082. Accrued Unpaid Income includes \$3,077 of PIK income capitalized during the nine months ended September 30, 2019. Accrued Unpaid Income as of December 31, 2018 was \$14,571, which included PIK income of \$10,321 capitalized during the year ended December 31, 2018.

Any Income Incentive Fee otherwise payable with respect to Accrued Unpaid Income (collectively, the “Accrued Unpaid Income Incentive Fees”) is deferred, on a security by security basis, and becomes payable only if, as, when and to the extent cash is received by the Company or its consolidated subsidiaries in respect thereof. Any Accrued Unpaid Income that is subsequently reversed in connection with a write-down, write-off, impairment or similar treatment of the investment giving rise to such Accrued Unpaid Income will, in the applicable period of reversal, (1) reduce Pre-Incentive Fee Net Investment Income and (2) reduce the amount of Accrued Unpaid Income Incentive Fees previously deferred.

We will defer cash payment of any Income Incentive Fee otherwise payable to the investment adviser in any quarter (excluding Accrued Unpaid Income Incentive Fees with respect to such quarter) that exceeds (1) 20% of the Cumulative Pre-Incentive Fee Net Return (as defined below) during the most recent twelve full calendar quarter period ending on or prior to the date such payment is to be made (the “Trailing Twelve Quarters”) less (2) the aggregate incentive fees that were previously paid to the investment adviser during such Trailing Twelve Quarters (excluding Accrued Unpaid Income Incentive Fees during such Trailing Twelve Quarters and not subsequently paid). “Cumulative Pre-Incentive Fee Net Return” during the relevant Trailing Twelve Quarters means the sum of (a) pre-incentive fee net investment income in respect of such Trailing Twelve Quarters less (b) net realized capital losses and net unrealized capital depreciation, if any, in each case calculated in accordance with GAAP, in respect of such Trailing Twelve Quarters.

Under the Capital Gains Incentive Fee, the Company is obligated to pay GECM at the end of each calendar year 20% of the aggregate cumulative realized capital gains from November 4, 2016 through the end of that year, computed net of aggregate cumulative realized capital losses and aggregate cumulative unrealized depreciation through the end of such year, less the aggregate amount of any previously paid capital gains incentive fees.

For the nine months ended September 30, 2019 and 2018, the Company incurred Income Incentive Fees of \$2,099 and \$(607), respectively. As of September 30, 2019 and December 31, 2018, \$7,522 and \$5,422 of Income Incentive Fees, respectively, remained payable and none was immediately payable after calculating the total return requirement. These payable amounts may include both Accrued Unpaid Income Incentive Fees and amounts deferred under the total return requirement and will become due upon meeting the criteria described above. For the nine months ended September 30, 2019 and the year ended December 31, 2018, the Company did not have any Capital Gains Incentive Fees accrual.

GECC's largest investment, Avanti Communications Group plc (Avanti), has generated significant non-cash income in the form of payment-in-kind (PIK) interest. In connection with the recent restructuring of Avanti completed on April 26, 2018, GECC's investment in Avanti's third lien notes was converted into Avanti common equity. As a result of this debt-for-equity conversion, we have determined that the accrued incentives fees payable associated with the portion of such PIK interest generated by the third lien notes should not at this time be recognized as a liability and as such we have reversed for prior periods.

The Investment Management Agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, GECM and its officers, managers, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from the Company for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of GECM's services under the Investment Management Agreement or otherwise as an investment adviser of the Company.

**Administration Fees.** The Company has an administration agreement (the "Administration Agreement") with GECM to provide administrative services, including, among other things, furnishing the Company with office facilities, equipment, clerical, bookkeeping and record keeping services. The Company will reimburse GECM for its allocable portion of overhead and other expenses of GECM in performing its obligations under the Administration Agreement.

GECM agreed that the aggregate amount of expenses accrued for reimbursement pursuant to the Administration Agreement that pertain to direct compensation costs of financial, compliance and accounting personnel that perform services for the Company, inclusive of the fees charged by any sub-administrator to provide such financial, compliance and/or accounting personnel to the Company (the "Compensation Expenses"), during the year ending November 4, 2017, when taken together with Compensation Expenses reimbursed or accrued for reimbursement by the Company pursuant to the Investment Management Agreement during such period, shall not exceed 0.50% of the Company's average net asset value during such period.

The Administration Agreement provides that, absent willful misfeasance, bad faith or negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, GECM and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from the Company for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of GECM's services under the Administration Agreement or otherwise as administrator for the Company.

For the nine months ended September 30, 2019 and 2018, the Company incurred expenses under the Administration Agreement of \$734 and \$999, respectively. As of September 30, 2019 and December 31, 2018, \$210 and \$329 remained payable, respectively.

#### 4. FAIR VALUE MEASUREMENT

The fair value of a financial instrument is the amount that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price).

The fair value hierarchy under ASC 820 prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The levels used for classifying investments are not necessarily an indication of the risk associated with investing in these securities. The three levels of the fair value hierarchy are as follows:

##### Basis of Fair Value Measurement

- Level 1 Investments valued using unadjusted quoted prices in active markets for identical assets.
- Level 2 Investments valued using other unadjusted observable market inputs, e.g. quoted prices in markets that are not active or quotes for comparable instruments.
- Level 3 Investments that are valued using quotes and other observable market data to the extent available, but which also take into consideration one or more unobservable inputs that are significant to the valuation taken as a whole.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Note 2 should be read in conjunction with the information outlined below.

The table below presents the valuation techniques and the nature of significant inputs generally used in determining the fair value of Level 2 and Level 3 Instruments.

#### Level 2 Instruments Valuation Techniques and Significant Inputs

**Equity, Bank Loans, Corporate Debt, and Other Debt Obligations** The types of instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency may include commercial paper, most government agency obligations, certain corporate debt securities, certain mortgage-backed securities, certain bank loans, less liquid publicly-listed equities, certain state and municipal obligations, certain money market instruments and certain loan commitments.

Valuations of Level 2 debt and equity instruments can be verified to quoted prices, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. Consideration is given to the nature of the quotations (e.g. indicative or firm) and the relationship of recent market activity to the prices provided from alternative pricing sources.

#### Level 3 Instruments Valuation Techniques and Significant Inputs

**Bank Loans, Corporate Debt, and Other Debt Obligations** Valuations are generally based on discounted cash flow techniques, for which the significant inputs are the amount and timing of expected future cash flows, market yields and recovery assumptions. The significant inputs are generally determined based on an analysis of market comparables, transactions in similar instruments and/or recovery and liquidation analyses.

**Equity** Recent third-party investments or pending transactions are considered to be the best evidence for any change in fair value. When these are not available, the following valuation methodologies are used, as appropriate and available:

- Transactions in similar instruments;
- Discounted cash flow techniques;
- Third party appraisals; and
- Industry multiples and public comparables.

Evidence includes recent or pending reorganizations (for example, merger proposals, tender offers and debt restructurings) and significant changes in financial metrics, including:

- Current financial performance as compared to projected performance;
- Capitalization rates and multiples; and
- Market yields implied by transactions of similar or related assets.

As noted above, the income and market approaches were used in the determination of fair value of certain Level 3 assets as of September 30, 2019 and December 31, 2018. The significant unobservable inputs used in the income approach are the discount rate or market yield used to discount the estimated future cash flows expected to be received from the underlying investment, which include both future principal and interest payments. An increase in the discount rate or market yield would result in a decrease in the fair value. Included in the consideration and selection of discount rates is risk of default, rating of the investment (if any), call provisions and comparable company valuations. The significant unobservable inputs used in the market approach are based on market comparable transactions and market multiples of publicly traded comparable companies. Increases or decreases in market multiples would result in an increase or decrease, respectively, in the fair value.

The following is a summary of the Company's investment assets categorized within the fair value hierarchy as of September 30, 2019:

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Debt	\$ -	\$ 74,415	\$ 93,917	\$ 168,332
Equity/Other	-	-	26,467	26,467
Short Term Investments	96,098	-	-	96,098
<b>Total investment assets</b>	<b>\$ 96,098</b>	<b>\$ 74,415</b>	<b>\$ 120,384</b>	<b>\$ 290,897</b>

The following is a summary of the Company's investment assets categorized within the fair value hierarchy as of December 31, 2018:

Assets	Level 1	Level 2	Level 3	Total
Debt	\$ -	\$ 61,921	\$ 116,034	\$ 177,955
Equity/Other	6,231	-	-	6,231
Short Term Investments	78,085	-	-	78,085
<b>Total investment assets</b>	<b>\$ 84,316</b>	<b>\$ 61,921</b>	<b>\$ 116,034</b>	<b>\$ 262,271</b>

The following is a reconciliation of Level 3 assets for the nine months ended September 30, 2019:

Level 3	Beginning Balance as of January 1, 2019	Net Transfers In/Out	Purchases <sup>(1)</sup>	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation) <sup>(2)</sup>	Sales and Settlements <sup>(1)</sup>	Net Amortization of Premium/Discount	Ending Balance as of September 30, 2019
Debt	\$ 116,034	\$ -	\$ 84,890	\$ (366)	\$ (5,747)	\$ (103,630)	\$ 2,736	\$ 93,917
Equity/Other	-	6,231	32,936	-	(11,437)	(1,263)	-	26,467
<b>Total investment assets</b>	<b>\$ 116,034</b>	<b>\$ 6,231</b>	<b>\$ 117,826</b>	<b>\$ (366)</b>	<b>\$ (17,184)</b>	<b>\$ (104,893)</b>	<b>\$ 2,736</b>	<b>\$ 120,384</b>

The following is a reconciliation of Level 3 assets for the year ended December 31, 2018:

Level 3	Beginning Balance as of January 1, 2018	Net Transfers In/Out	Purchases <sup>(1)</sup>	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation) <sup>(2)</sup>	Sales and Settlements <sup>(1)</sup>	Net Amortization of Premium/Discount	Ending Balance as of December 31, 2018
Debt	\$ 83,789	\$ 12,570	\$ 126,639	\$ 2,081	\$ (7,290)	\$ (103,890)	\$ 2,135	\$ 116,034
Equity/Other	136	-	-	335	9	(480)	-	-
<b>Total investment assets</b>	<b>\$ 83,925</b>	<b>\$ 12,570</b>	<b>\$ 126,639</b>	<b>\$ 2,416</b>	<b>\$ (7,281)</b>	<b>\$ (104,370)</b>	<b>\$ 2,135</b>	<b>\$ 116,034</b>

- (1) Purchases may include new deals, additional fundings (inclusive of those on revolving credit facilities), refinancings, capitalized PIK income, and securities received in corporate actions and restructurings. Sales and Settlements may include scheduled principal payments, prepayments, sales and repayments (inclusive of those on revolving credit facilities), and securities delivered in corporate actions and restructuring of investments.
- (2) The net change in unrealized depreciation relating to Level 3 assets still held at September 30, 2019 totaled \$(17,184) consisting of the following: \$(5,747) related to debt investments and \$(11,437) related to equity/other. The net change in unrealized depreciation relating to Level 3 assets still held at December 31, 2018 totaled \$(6,833) consisting of the following: \$(6,833) related to debt investments and \$0 relating to equity/other.

One security with a fair value of \$2,294 was transferred from Level 1 to Level 3 during the nine months ended September 30, 2019 as a result of the shares being delisted from their primary exchange. One security with a fair value of \$28,807 was transferred into the Level 3 hierarchy and three securities with a fair value of \$16,237 were transferred from Level 3 to Level 2 during the year ended December 31, 2018. All transfers during the year ended December 31, 2018 were the result of changes in pricing transparency.

The following tables present the ranges of significant unobservable inputs used to value the Company's Level 3 assets as of September 30, 2019 and December 31, 2018, respectively. These ranges represent the significant unobservable inputs that were used in the valuation of each type of instrument, but they do not represent a range of values for any one instrument. For example, the lowest yield in 1st Lien Debt is appropriate for valuing that specific debt investment, but may not be appropriate for valuing any other debt investments in this asset class. Accordingly, the ranges of inputs presented below do not represent uncertainty in, or possible ranges of, fair value measurements of the Company's Level 3 assets.

**As of September 30, 2019**

Investment Type	Fair value	Valuation Technique <sup>(1)</sup>	Unobservable Input <sup>(1)</sup>	Range (Weighted Average) <sup>(2)</sup>
Debt	\$ 8,656	Market Approach	EBITDA Multiple	5.50
	711		Comparable Price <sup>(3)</sup>	99.25-100 (99.77)
	3,998		Implied Yield	4.36%
	79,419	Income Approach	Discount Rate	3.30% - 32.50% (14.40%)
	(102)	Recent Transaction	Transaction Price	91.25
	1,235	Asset Recovery / Liquidation <sup>(4)</sup>	Discount Rate	15.00%
<b>Total Debt</b>	<b>\$ 93,917</b>			
Equity/Other	\$ 7,671	Market Approach	Earnings Multiple	3.66
		Income Approach	Dividend Discount Rate	38.50%
	2,294	Market Approach	Revenue Multiple	4.25
		Income Approach	Discount Rate	12.5%
	14,676	Recent Transaction	Transaction Price	18.89
	1,826	Asset Recovery / Liquidation <sup>(4)</sup>	Discount Rate	15.00%
<b>Total Equity/Other</b>	<b>\$ 26,467</b>			

**As of December 31, 2018**

Investment Type	Fair value	Valuation Technique <sup>(1)</sup>	Unobservable Input <sup>(1)</sup>	Range (Weighted Average) <sup>(2)</sup>
Debt	\$ 27,378	Market Approach	Gross Profit Multiple	2.08
			EBITDA Multiple	5.05
	86,792	Income Approach	Discount Rate	8.10% - 40.00% (15.38%)
	1,864	Asset Recovery / Liquidation <sup>(4)</sup>	Discount Rate	15.00%
<b>Total Debt</b>	<b>\$ 116,034</b>			
Equity/Other	\$ -	Asset Recovery / Liquidation <sup>(4)</sup>	Multiple	2.08
			Discount Rate	15.00%

(1) The fair value of any one instrument may be determined using multiple valuation techniques or unobservable inputs.

(2) Weighted average for an asset category consisting of multiple investments is calculated by weighting the significant unobservable input by the relative fair value of the investment. The range and weighted average for an asset category consisting of a single investment represents the significant unobservable input used in the fair value of the investment.

(3) Comparable price may include broker quotes for the exact security or similar securities.

(4) Investments valued using the asset recovery or liquidation technique include investments for which valuation is based on current financial data without a discount rate applied.

## 5. DEBT

On November 3, 2016, the Company assumed \$33,646 of Full Circle 8.25% Senior Notes due 2020 (the "2020 Notes") in connection with the Merger by executing the second supplemental indenture dated November 3, 2016. The 2020 Notes had a maturity date of June 30, 2020 and on October 20, 2017 we redeemed them completely at their par value plus accrued and unpaid interest.

On September 13, 2017, we offered \$28,375 in aggregate principal amount of 6.50% notes due 2022 (the "GECCL Notes"). On September 29, 2017, we sold to several underwriters an additional \$4,256 of the GECCL Notes upon full exercise of the underwriters' over-allotment option.

The GECCL Notes are our unsecured obligations and rank equal with all of our outstanding and future unsecured unsubordinated indebtedness. The GECCL Notes are effectively subordinated, or junior in right of payment, to any future secured indebtedness that we may incur and structurally subordinated to all future indebtedness and other obligations of our subsidiaries. We pay interest on the GECCL Notes on January 31, April 30, July 31 and October 31 of each year. The GECCL Notes will mature on September 18, 2022 and can be called on, or after, September 18, 2019. Holders of the GECCL Notes do not have the option to have the GECCL Notes repaid prior to the stated maturity date. The GECCL Notes were issued in minimum denominations of \$25 and integral multiples of \$25 in excess thereof.

On January 11, 2018, we offered \$43,000 in aggregate principal amount of 6.75% notes due 2025 (the "GECCM Notes"). On January 19, 2018 and February 9, 2018, we sold an additional \$1,898 and \$1,500 of the GECCM Notes upon partial exercise of the underwriters' over-allotment option.

The GECCM Notes are our unsecured obligations and rank equal with all of our outstanding and future unsecured unsubordinated indebtedness. The GECCM Notes are effectively subordinated, or junior in right of payment, to any future secured indebtedness that we may incur and structurally subordinated to all future indebtedness and other obligations of our subsidiaries. We pay interest on the GECCM Notes on March 31, June 30, September 30 and December 31 of each year. The GECCM Notes will mature on January 31, 2025 and can be called on, or after, January 31, 2021. Holders of the GECCM Notes do not have the option to have the GECCM Notes repaid prior to the stated maturity date. The GECCM Notes were issued in minimum denominations of \$25 and integral multiples of \$25 in excess thereof.

On June 18, 2019, we offered \$42,500 in aggregate principal amount of 6.50% notes due 2024 (the "GECCN Notes"), which included \$2,500 of the GECCN Notes sold in connection with the partial exercise of the underwriters' over-allotment option. On July 5, 2019, we sold an additional \$2.5 million of the GECCN Notes upon another partial exercise of the underwriters' over-allotment option. As a result of the issuance of these additional GECCN Notes, the aggregate principal balance of the GECCN Notes outstanding is \$45.0 million.

The GECCN Notes are our unsecured obligations and rank equal with all of our outstanding and future unsecured unsubordinated indebtedness. The GECCN Notes are effectively subordinated, or junior in right of payment, to any future secured indebtedness that we may incur and structurally subordinated to all future indebtedness and other obligations of our subsidiaries. We pay interest on the GECCN Notes on March 31, June 30, September 30 and December 31 of each year beginning September 30, 2019. The GECCN Notes will mature on June 30, 2024 and can be called on, or after, June 30, 2021. Holders of the GECCN Notes do not have the option to have the GECCN Notes repaid prior to the stated maturity date. The GECCN Notes were issued in minimum denominations of \$25 and integral multiples of \$25 in excess thereof.

As part of the offerings, the Company incurred fees and costs, which are treated as a reduction of the carrying amount of the debt on our Statements of Assets and Liabilities. These deferred financing costs presented as a reduction to the Notes payable balance are being amortized into interest expense over the term of the Notes.

The Investment Company Act limits, with certain exceptions, the Company's borrowing such that its asset coverage ratio, as defined in the Investment Company Act, is at least 1.5 to 1 after such borrowing.



Information about the Company's senior securities (including debt securities and other indebtedness) is shown in the following table:

As of	Total Amount Outstanding <sup>(1)</sup>	Asset Coverage Ratio Per Unit <sup>(2)</sup>	Involuntary Liquidation Preference Per Unit <sup>(3)</sup>	Average Market Value Per Unit <sup>(4)</sup>
<b>December 31, 2016</b>				
2020 Notes	\$ 33,646	\$ 6,168	N/A	\$ 1.02
<b>December 31, 2017</b>				
GECCL Notes	\$ 32,631	\$ 5,010	N/A	\$ 1.02
<b>December 31, 2018</b>				
GECCL Notes	\$ 32,631	\$ 2,393	N/A	\$ 1.01
GECCM Notes	46,398	2,393	N/A	0.98
<b>September 30, 2019</b>				
GECCL Notes	\$ 32,631	\$ 1,738	N/A	\$ 1.01
GECCM Notes	46,398	1,738	N/A	1.01
GECCN Notes	45,000	1,738	N/A	1.00

- (1) Total amount of each class of senior securities outstanding at the end of the period presented.
- (2) Asset coverage per unit is the ratio of the carrying value of Great Elm's total consolidated assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness. Asset coverage per unit is expressed in terms of dollar amounts per \$1,000 of indebtedness.
- (3) The amount to which such class of senior security would be entitled upon the voluntary liquidation of the issuer in preference to any security junior to it.
- (4) The average market value per unit for the Notes, as applicable, is based on the average daily prices of such notes and is expressed per \$1.00 of indebtedness.

The indenture's covenants, include compliance with (regardless of whether the Company is subject to) the asset coverage requirements set forth in Section 18(a)(1)(A) as modified by Section 61(a)(1) of the Investment Company Act, as well as covenants requiring the Company to provide financial information to the holders of the Notes and the Trustee if the Company ceases to be subject to the reporting requirements of the Securities Exchange Act of 1934. These covenants are subject to limitations and exceptions that are described in the Indenture. The Company may repurchase the Notes in accordance with the Investment Company Act and the rules promulgated thereunder. As of September 30, 2019, the Company had not repurchased any of the Notes. As of September 30, 2019 and December 31, 2018 the Company was in compliance with all covenants under the indentures.

For the three and nine months ended September 30, 2019 and 2018, the components of interest expense were as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
Borrowing interest expense	\$ 2,049	\$ 1,313	\$ 4,776	\$ 3,775
Amortization of acquisition premium	259	144	557	413
Total	\$ 2,308	\$ 1,457	\$ 5,333	\$ 4,188
Weighted average interest rate <sup>(1)</sup>	7.45%	7.37%	7.39%	7.35%
Average outstanding balance	\$ 123,920	\$ 79,029	\$ 96,181	\$ 75,959

- (1) Annualized.

The fair value of the Company's Notes are determined in accordance with ASC 820, which defines fair value in terms of the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value of the Company's Notes is determined by utilizing market quotations at the measurement date as they are Level 1 securities.

<b>September 30, 2019</b>			
<b>Facility</b>	<b>Commitments</b>	<b>Borrowings Outstanding</b>	<b>Fair Value</b>
Unsecured Debt - GECCL Notes	\$ 32,631	\$ 32,631	\$ 32,931
Unsecured Debt - GECCM Notes	46,398	46,398	46,528
Unsecured Debt - GECCN Notes	45,000	45,000	44,910
<b>Total</b>	<b>\$ 124,029</b>	<b>\$ 124,029</b>	<b>\$ 124,369</b>

  

<b>December 31, 2018</b>			
<b>Facility</b>	<b>Commitments</b>	<b>Borrowings Outstanding</b>	<b>Fair Value</b>
Unsecured Debt - GECCL Notes	\$ 32,631	\$ 32,631	\$ 32,174
Unsecured Debt - GECCM Notes	46,398	46,398	45,044
<b>Total</b>	<b>\$ 79,029</b>	<b>\$ 79,029</b>	<b>\$ 77,218</b>

## 6. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company may enter into investment agreements under which it commits to make an investment in a portfolio company at some future date or over a specified period of time. As of September 30, 2019, the Company had approximately \$19,320 in unfunded loan commitments, subject to the Company's approval in certain instances, to provide debt financing to certain of its portfolio companies. To the degree applicable, unrealized gains or losses on these commitments as of September 30, 2019 are included in the Company's Statement of Assets and Liabilities and the corresponding Schedule of Investments. The Company believes that it had sufficient cash and other liquid assets on its balance sheet to satisfy the unfunded commitments.

From time to time, we, our investment adviser or administrator may be a party to certain legal proceedings in the ordinary course of business, including proceedings relating to the enforcement of our rights under contracts with our portfolio companies.

We are named as a defendant in a lawsuit filed on March 5, 2016, and captioned Intrepid Investments, LLC v. London Bay Capital, which is pending in the Delaware Court of Chancery. The plaintiff immediately agreed to stay the action in light of an ongoing mediation among parties other than us. This lawsuit was brought by a member of Speedwell Holdings (formerly known as The Selling Source, LLC), one of our portfolio investments, against various members of and lenders to Speedwell Holdings. The plaintiff asserts claims of aiding and abetting, breaches of fiduciary duty, and tortious interference against us. In June 2018, Intrepid Investments, LLC ("Intrepid") sent notice to the court and defendants effectively lifting the stay and triggering defendants' obligation to respond to the Intrepid complaint. In September 2018, we joined the other defendants in a motion to dismiss on various grounds. In February 2019, Intrepid filed a second amended complaint to which defendants filed a renewed motion to dismiss in March 2019. We intend to continue to monitor the matter and will assess the need to defend the matter further as necessary.

In July 2016, Full Circle filed suit in the District Court of Caldwell County, Texas against, among others, Willis Pumphrey for breach of a guaranty agreement arising from a loan transaction with Full Circle. Dr. Pumphrey, a personal guarantor of the loan made by Full Circle, our predecessor in interest, brought counterclaims in (i) the District Court of Caldwell County, Texas and (ii) the District Court of Harris County, Texas (the "District Court") against, among others, Justin Bonner, an employee of GECM, in each case, alleging breach of a confidentiality agreement and tortious interference with Dr. Pumphrey's attempted sale of a business in which he owned an interest. In August 2017, Dr. Pumphrey voluntarily withdrew his complaint against Mr. Bonner and Full Circle in the District Court of Harris County, Texas. In November 2017, Dr. Pumphrey voluntarily withdrew his complaint without prejudice against Full Circle in the District Court of Caldwell County, Texas. On November 29, 2017, Dr. Pumphrey refiled his claims in the District Court of Harris County, Texas naming Full Circle, MAST Capital, GECC and GECM as defendants. Dr. Pumphrey is seeking between \$2 million and \$6 million in damages. GECC believes Dr. Pumphrey's claims to be frivolous and intends to vigorously defend them. Furthermore, we continue to pursue our initial claims against Dr. Pumphrey in the District Court of Caldwell County, Texas. In September 2019, we received a judgment in our favor from the District Court of Caldwell County, Texas.

In September 2018, we (as successor by merger to Full Circle), the other lenders, and the lender trustee under PEAKS Trust 2009-11 (“PEAKS Trust”), were named as defendants in a claim brought by the Chapter 7 trustee in the ITT Educational Services bankruptcy. Full Circle purchased via assignment a portion of the PEAKS Trust senior secured facility from Deutsche Bank Trust Company Americas in December 2016. The PEAKS Trust senior secured facility was supported by an underlying portfolio of student loans and guaranteed by ITT Educational Services, Inc. (“ITT”). In September 2016, ITT and its affiliates filed for relief under Chapter 7 of the Bankruptcy Code. Following the Chapter 7 filing, a trustee was appointed who initiated a proceeding against certain Deutsche Bank entities and the investors in the PEAKS Trust, including GECC. On November 2, 2018, the trustee filed a motion seeking to stay the litigation in order to facilitate settlement. We are continuing to monitor these proceedings.

#### 7. INDEMNIFICATION

Under the Company’s organizational documents, its officers and directors are indemnified against certain liabilities arising out of the performance of their duties to the Company. In addition, in the normal course of business the Company expects to enter into contracts that contain a variety of representations which provide general indemnifications. The Company’s maximum exposure under these agreements cannot be known; however, the Company expects any risk of loss to be remote.

#### 8. CAPITAL TRANSACTIONS

In March 2019, the Company implemented a stock buyback program pursuant to Rule 10b5-1 and Rule 10b-18 under the Exchange Act (the “buyback program”) authorizing us to repurchase our common stock in open market transactions in an aggregate amount of up to \$5,000 through December 31, 2019, unless extended or terminated by our Board. During the nine months ended September 30, 2019, the Company purchased 589,719 shares under the buyback program at a weighted average price of \$8.45 per share.

Month	Total Number of Shares Purchased	Average Price Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (in thousands)
January 2019	-	\$ -	-	\$ -
February 2019	-	-	-	-
March 2019	192,000	8.27	192,000	3,406
April 2019	116,883	8.26	308,883	2,437
May 2019	277,044	8.65	585,927	33
June 2019	3,792	8.71	589,719	-
July 2019	-	-	-	-
August 2019	-	-	-	-
September 2019	-	-	-	-
<b>Total</b>	<b>589,719</b>	<b>\$ 8.45</b>	<b>589,719</b>	<b>\$ -</b>

## 9. FINANCIAL HIGHLIGHTS

Below is the schedule of financial highlights of the Company:

	For the Nine Months Ended	
	September 30,	
	2019	2018
<b>Per Share Data:(1)</b>		
Net asset value, beginning of period	\$ 10.34	\$ 12.42
Net investment income	0.81	1.19
Net realized gains	0.12	0.19
Net change in unrealized appreciation (depreciation)	(1.53)	(1.05)
Net increase (decrease) in net assets resulting from operations	(0.60)	0.33
Accretion from share buybacks	0.10	-
Distributions declared from net investment income(2)	(0.75)	(0.75)
Net decrease resulting from distributions to common stockholders	(0.75)	(0.75)
Net asset value, end of period	\$ 9.09	\$ 12.00
Per share market value, end of period	\$ 8.20	\$ 9.70
Shares outstanding, end of period	10,062,682	10,652,401
Total return based on net asset value(3)	(5.08)%	2.85%
Total return based on market value(3)	14.12%	6.63%
<b>Ratio/Supplemental Data:</b>		
Net assets, end of period	\$ 91,489	\$ 127,797
Ratio of total expenses to average net assets (4),(5)	15.29%	8.56%
Ratio of incentive fees to average net assets(4)	2.76%	(0.63)%
Ratio of net investment income to average net assets(4),(5)	11.04%	13.17%
Portfolio turnover	72%	48%

- (1) The per share data was derived by using the weighted average shares outstanding during the period, except where such calculations deviate from those specified under the instructions to Form N-2.
- (2) The per share data for distributions declared reflects the actual amount of distributions of record per share for the period.
- (3) Total return based on net asset value is calculated as the change in net asset value per share, assuming the Company's distributions were reinvested through its dividend reinvestment plan. Total return based on market value is calculated as the change in market value per share, assuming the Company's distributions were reinvested through its dividend reinvestment plan. Total return does not include any estimate of a sales load or commission paid to acquire shares.
- (4) Average net assets used in ratio calculations is calculated using monthly ending net assets for the period presented. For the nine months ended September 30, 2019 and 2018 average net assets were \$101,665 and \$128,219, respectively.
- (5) Annualized for periods less than one year.

## 10. AFFILIATED AND CONTROLLED INVESTMENTS

Affiliated investments are defined by the Investment Company Act, whereby the Company owns between 5% and 25% of the portfolio company's outstanding voting securities and the investments are not classified as controlled investments. The aggregate fair value of non-controlled, affiliated investments at September 30, 2019 represented 42% of the Company's net assets.

Controlled investments are defined by the Investment Company Act, whereby the Company owns more than 25% of the portfolio company's outstanding voting securities or maintains the ability to nominate greater than 50% of the board representation. The aggregate fair value of controlled investments at September 30, 2019 represented 12% of the Company's net assets.

Fair value as of September 30, 2019 along with transactions during the nine months ended September 30, 2019 in these affiliated investments and controlled investments was as follows:

For the Nine Months Ended September 30, 2019										
Issue <sup>(1)</sup>	Fair value at December 31, 2018	Gross Additions <sup>(2)</sup>	Gross Reductions <sup>(3)</sup>	Net Realized Gain (Loss)	Change in Unrealized Appreciation (Depreciation)	Fair value at September 30, 2019	Interest Income <sup>(4)</sup>	Fee Income <sup>(4)</sup>	Dividend Income	
<b>Non-Controlled, Affiliated Investments</b>										
Avanti Communications Group PLC										
1.5 Lien, Secured Bond	\$ -	\$ 8,178	\$ -	\$ -	\$ -	\$ 8,178	\$ 236	\$ 564	\$ -	
1.5 Lien, Secured Bond - Unfunded	-	-	-	-	-	-	-	-	-	
2nd Lien, Secured Bond	29,400	2,377	-	-	(3,725)	28,052	3,330	2	-	
Equity (9% of class)	6,231	-	-	-	(3,937)	2,294	-	-	-	
	<u>35,631</u>	<u>10,555</u>	<u>-</u>	<u>-</u>	<u>(7,662)</u>	<u>38,524</u>	<u>3,566</u>	<u>566</u>	<u>-</u>	
OPS Acquisitions Limited and Ocean Protection Services Limited										
1st Lien, Secured Loan	34	-	-	-	(4)	30	-	-	-	
Equity (19% of class)	-	-	-	-	-	-	-	-	-	
	<u>34</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4)</u>	<u>30</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>Totals</b>	<b><u>\$ 35,665</u></b>	<b><u>\$ 10,555</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (7,666)</u></b>	<b><u>\$ 38,554</u></b>	<b><u>\$ 3,566</u></b>	<b><u>\$ 566</u></b>	<b><u>\$ -</u></b>	
<b>Controlled Investments</b>										
The Finance Company										
1st Lien, Secured Revolver	\$ 959	\$ 4,953	\$ 4,971	\$ -	\$ -	\$ 941	\$ 91	\$ 27	\$ -	
1st Lien, Secured Revolver - Unfunded	-	-	-	-	-	-	-	-	-	
1st Lien, Secured Term Loan B	801	-	-	-	(537)	264	151	-	-	
Equity (72% of class)	-	-	-	-	-	-	-	-	-	
	<u>1,760</u>	<u>4,953</u>	<u>4,971</u>	<u>-</u>	<u>(537)</u>	<u>1,205</u>	<u>242</u>	<u>27</u>	<u>-</u>	
PE Facility Solutions, LLC										
1st Lien, Secured Revolver	1,948	38,676	40,624	-	-	-	228	25	-	
1st Lien, Secured Revolver - Unfunded	-	-	-	-	-	-	-	-	-	
1st Lien, Secured Term Loan A	9,800	-	9,800	-	-	-	774	-	-	
1st Lien, Secured Term Loan B	6,695	768	5,588	154	(268)	1,761	775	-	-	
Equity (87% of class)	-	-	-	-	-	-	-	-	-	
	<u>18,443</u>	<u>39,444</u>	<u>56,012</u>	<u>154</u>	<u>(268)</u>	<u>1,761</u>	<u>1,777</u>	<u>25</u>	<u>-</u>	
Prestige Capital Finance, LLC										
Equity (80% of class)	-	7,466	-	-	205	7,671	-	-	1,280	
<b>Totals</b>	<b><u>\$ 20,203</u></b>	<b><u>\$ 51,863</u></b>	<b><u>\$ 60,983</u></b>	<b><u>\$ 154</u></b>	<b><u>\$ (600)</u></b>	<b><u>\$ 10,637</u></b>	<b><u>\$ 2,019</u></b>	<b><u>\$ 52</u></b>	<b><u>\$ 1,280</u></b>	

(1) Non-unitized equity investments are disclosed with percentage ownership in lieu of quantity.

(2) Gross additions include increases resulting from new or additional portfolio investments, capitalized PIK income, accretion of discounts and the exchange of one or more existing securities for one or more new securities.

(3) Gross reductions include decreases resulting from principal collections related to investment repayments or sales and the exchange of one or more existing securities for one or more new securities.

(4) Income amounts include accrued PIK income.

In accordance with SEC Regulation S-X (“S-X”) Rules 3-09 and 4-08(g), the Company must determine which of its unconsolidated controlled portfolio companies, if any, are considered to be “significant subsidiaries.” After performing this analysis, the Company determined that one portfolio company, PE Facility Solutions, LLC (“PEFS”), is a significant subsidiary for the nine months ended September 30, 2019 under at least one of the significance conditions of S-X Rule 1-02(w). Accordingly, unaudited financial information as of and for the nine months ended September 30, 2019 has been included as follows (in thousands):

<b>Balance Sheet</b>	<b>As of September 30, 2019</b>	
Current assets	\$	3,859
Noncurrent assets		-
<b>Total Assets</b>		<b>3,859</b>
Current liabilities		(2,906)
Noncurrent liabilities		-
<b>Total Liabilities</b>		<b>(2,906)</b>
<b>Net Equity</b>	<b>\$</b>	<b>6,765</b>

  

<b>Statement of Operations</b>	<b>For the nine months ended September 30, 2019</b>	
Gross revenues	\$	34,951
Cost of sales		(28,293)
Other income (expense)		(9,011)
Gain on sale of assets		10,704
<b>Net gain from operations</b>	<b>\$</b>	<b>8,351</b>

On July 31, 2019, we completed the sale of PE Facility Solutions, LLC (“PEFS”), a majority-owned subsidiary of the Company, to Kellermeyer Bergensons Services for \$23,750.

## 11. SUBSEQUENT EVENTS

In October 2019:

- \$697 of par value of PEFS secured term loan B was repaid at par.
- we bought \$2,000 of par value of Viasat Inc. receivable at 90% of par value.
- we bought \$3,000 of par value of ASP Chromaflo Technologies second lien term loan at approximately 97% of par value.
- We bought \$4,700 of par value of Tensar Corp. first lien term loan at approximately 96% of par value.

In November 2019:

- All \$218 of par value of PR Wireless Inc.’s first lien loan was paid down at par.
- \$143 of par value of PEFS secured term loan B was repaid at par.

Our Board declared the monthly distributions for the first quarter of 2020 at an annual rate of approximately 11.0% of our September 30, 2019 NAV, which equates to \$0.083 per month. All of the monthly distributions are from net investment income. The schedule of distribution payments will be established by GECC pursuant to authority granted by the Board.

## Certification of Chief Executive Officer

I, Peter A. Reed, Chief Executive Officer of Great Elm Capital Corp., a Maryland corporation (the "Registrant") certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Registrant;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: November 14, 2019

/s/ Peter A. Reed  
Peter A. Reed  
Chief Executive Officer  
(Principal Executive Officer)

**Certification of Chief Financial Officer**

I, Keri A. Davis, Chief Financial Officer of Great Elm Capital Corp., a Maryland corporation (the “Registrant”) certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Registrant;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Dated: November 14, 2019

/s/ Keri A. Davis

Keri A. Davis

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)



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

In connection with this Quarterly Report on Form 10-Q of Great Elm Capital Corp., a Maryland corporation (the “Registrant”), for the three months ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Peter A. Reed, as Chief Executive Officer of the Registrant, and Keri A. Davis, as Chief Financial Officer of the Registrant, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of each of the undersigned’s knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: November 14, 2019

/s/ Peter A. Reed

Peter A. Reed  
Chief Executive Officer  
(Principal Executive Officer)

/s/ Keri A. Davis

Keri A. Davis  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)