

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2021

or

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

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

As of May 3, 2021, the registrant had 23,508,232 shares of common stock, \$0.01 par value per share, outstanding.

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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, but nothing on our website shall be deemed incorporated by reference or otherwise contained in this report.

Cautionary Note Regarding Forward-Looking Information

Some of the statements in this report (including in the following discussion) constitute forward-looking statements, which relate to future events or our future performance or financial conditions. The forward-looking statements contained in this report involve a number of risks and uncertainties, including statements concerning:

- our, or our portfolio companies’, future business, operations, operating results or prospects;
- the return or impact of current and future investments;
- the impact of a protracted decline in the liquidity of credit markets on our business;
- the impact of fluctuations in interest rates on our business;
- the impact of changes in laws or regulations governing our operations or the operations of our portfolio companies;
- our contractual arrangements and relationships with third parties;
- our current and future management structure;
- the general economy and its impact on the industries in which we invest;
- the financial condition of and ability of our current and prospective portfolio companies to achieve their objectives;
- serious disruptions and catastrophic events, including the impact of the COVID-19 pandemic on the global economy;
- our expected financings and investments;
- the adequacy of our financing resources and working capital;
- the ability of our investment adviser to locate suitable investments for us and to monitor and administer our investments;
- the timing of cash flows, if any, from the operations of our portfolio companies;
- the timing, form and amount of any dividend distributions;
- the valuation of any investments in portfolio companies, particularly those having no liquid trading market; and
- our ability to maintain our qualification as a regulated investment company (“RIC”) and as a business development company (“BDC”).

We use words such as “anticipate,” “believe,” “expect,” “intend,” “will,” “should,” “could,” “may,” “plan” and similar words to identify forward-looking statements. The forward-looking statements contained in this report involve risks and uncertainties. Our actual results could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth under “Item 1A. Risk Factors,” herein and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (our “Form 10-K”).

We have based the forward-looking statements included in this report on information available to us on the date of this report, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we have filed or in the future may file with the Securities and Exchange Commission (the “SEC”).

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 BDC that seeks to generate both current income and capital appreciation through debt and income generating equity investments. We invest in the debt of middle-market companies in the form of senior secured and unsecured notes as well as senior secured loans, junior loans and mezzanine debt. We also make investments in preferred equity, investments in debt and equity securities of specialty finance businesses and other equity investments.

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, opportunities in the specialty finance sector, our expectations of future investment opportunities, the general economic environment as well as 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, 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 payment-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. 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.

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.

Both observable and unobservable inputs are subject to some level of uncertainty and assumptions used bear the risk of change in the future. We utilize the best information available to us, including the factors listed above, in preparing the fair valuations. In determining the fair value of any individual investment, we may use multiple inputs or utilize more than one approach to calculate the fair value to assess the sensitivity to change and determine a reasonable range of fair value. In addition, our valuation procedures include an assessment of the current valuation as compared to the previous valuation for each investment and where differences are material understanding the primary drivers of those changes, incorporating updates to our current valuation inputs and approaches as appropriate.

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.

We assess the outstanding accrued income receivables for collectability at least quarterly, or more frequently if there is an event that indicates the underlying portfolio company may not be able to make the expected payments. If it is determined that amounts are not likely to be paid we may establish a reserve against or reverse the income and put the investment on non-accrual status.

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 specific identification 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 for the year ended December 31, 2020 and the three months ended March 31, 2021:

<i>(in thousands)</i>	Acquisitions ⁽¹⁾	Dispositions ⁽²⁾	Weighted Average Yield End of Period ⁽³⁾
Quarter ended March 31, 2020	\$ 31,882	\$ (29,420)	10.00%
Quarter ended June 30, 2020	15,913	(37,497)	10.18%
Quarter ended September 30, 2020	34,495	(18,037)	10.07%
Quarter ended December 31, 2020	19,070	(27,039)	11.72%
For the year ended December 31, 2020	101,360	(111,993)	
Quarter ended March 31, 2021	58,429	(28,268)	10.91%
For the three months ended March 31, 2021	\$ 58,429	\$ (28,268)	

- (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 yield is based upon the stated coupon rate and fair 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 three months ended March 31, 2021 and the year ended December 31, 2020. 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>	For the Three Months Ended March 31, 2021	For the Year Ended December 31, 2020
Beginning Investment Portfolio, at fair value	\$ 151,648	\$ 197,615
Portfolio Investments acquired ⁽¹⁾	58,429	101,360
Amortization of premium and accretion of discount, net	773	4,999
Portfolio Investments repaid or sold ⁽²⁾	(28,268)	(111,993)
Net change in unrealized appreciation (depreciation) on investments	14,324	(29,356)
Net realized gain (loss) on investments	(3,275)	(10,977)
Ending Investment Portfolio, at fair value	<u>\$ 193,631</u>	<u>\$ 151,648</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 March 31, 2021 and December 31, 2020 (in thousands):

Industry	March 31, 2021		December 31, 2020	
	Investments at Fair Value	Percentage of Fair Value	Investments at Fair Value	Percentage of Fair Value
Wireless Telecommunications Services	\$ 38,178	19.72%	\$ 29,270	19.30%
Oil & Gas	25,084	12.95%	20,290	13.38%
Restaurants	18,906	9.76%	10,470	6.91%
Internet Media	18,727	9.67%	18,736	12.35%
Specialty Finance	12,250	6.33%	15,760	10.39%
Special Purpose Acquisition Company	10,014	5.17%	-	-%
Construction Materials Manufacturing	9,699	5.01%	9,676	6.38%
Retail	8,204	4.24%	6,145	4.05%
Metals & Mining	7,094	3.66%	3,996	2.65%
Food & Staples	6,441	3.33%	8,694	5.73%
Media & Entertainment	6,311	3.26%	-	-%
Transportation Equipment Manufacturing	5,880	3.04%	2,948	1.95%
Software Services	4,995	2.58%	4,896	3.23%
Casinos & Gaming	4,762	2.46%	2,820	1.86%
Radio Broadcasting	4,125	2.13%	3,763	2.48%
Motor Vehicle Parts and Accessories	2,865	1.48%	-	-%
Wholesale-Apparel, Piece Goods & Notions	2,801	1.45%	2,762	1.82%
Industrial	2,557	1.32%	4,642	3.06%
Consumer Services	2,393	1.23%	-	-%
Chemicals	1,469	0.76%	-	-%
Hotel Operator	437	0.22%	1,203	0.79%
Technology	413	0.21%	202	0.13%
Maritime Security Services	32	0.02%	19	0.01%
Telecommunications Services	(6)	-%	(160)	(0.11)%
Apparel & Textile Products	-	-%	5,154	3.40%
Real Estate Services	-	-%	200	0.13%
Building Cleaning and Maintenance Services	-	-%	162	0.11%
Total	\$ 193,631	100.00%	\$ 151,648	100.00%

Results of Operations

This “—Results of Operations” discussion should be read in conjunction with the discussion of (“COVID-19”) under “—Recent Developments—COVID 19”.

Investment Income

	For the Three Months Ended March 31,			
	2021		2020	
	In Thousands	Per Share(1)	In Thousands	Per Share(2)
Total Investment Income	\$ 5,295	\$ 0.23	\$ 6,429	\$ 0.64
Interest income	4,179	0.19	5,987	0.59
Dividend income	801	0.03	403	0.04
Other income	315	0.01	39	0.00

(1) The per share amounts are based on a weighted average of 23,401,837 outstanding common shares for the three months ended March 31, 2021.

(2) The per share amounts are based on a weighted average of 10,062,682 outstanding common shares for the three months ended March 31, 2020.

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. For the three months ended March 31, 2021 and 2020, interest income includes non-cash PIK income of \$1.5 million and \$1.2 million, respectively.

Interest income decreased for the three months ended March 31, 2021 as compared to the corresponding period in the prior year due to exits from certain high yielding positions, including Commercial Barge Line Company (“Commercial Barge”) 1st lien secured loan and the restructuring of our investment in PFS Holdings Corp. (“PFS”) 1st lien secured loan due 2021, for which we recognized \$0.4 million and \$0.6 million, respectively, in accretion income during the three months ended March 31, 2020. In addition, interest rates on our floating rate investments have decreased over the past year as the LIBOR base rates have experienced declines. These decreases have been partially offset by increases in the total outstanding principal of our debt investments as of March 31, 2021 as compared to March 31, 2020.

Dividend income for the three months ended March 31, 2021 increased as compared to the corresponding period in the prior year due to investments made in dividend-yielding preferred equities during the 2020 fiscal year, resulting in an additional \$0.5 million in dividend income for the three months ended March 31, 2021.

The increase in other income for the three months ended March 31, 2021 as compared to the corresponding period in the prior year is primarily attributable to PIK commitment and funding fees earned on our February 2021 investment in Avanti Communications Group, plc (“Avanti”) 1.125 lien senior secured notes.

As discussed under “—Recent Developments”, the full impact of COVID-19 on each of our portfolio companies is not known at this time. Depending on the duration and extent of the disruption to the operations of our portfolio companies, we expect that certain portfolio companies may experience financial distress and may be unable to make future interest payments or dividend distributions resulting in decreased income to the Company. If interest rates stay depressed or continue to decrease further and we are otherwise unable to offset these reductions by investing in other debt instruments with higher interest rates, we will see further decrease in our investment income.

Expenses

	For the Three Months Ended March 31,			
	2021		2020	
	In Thousands	Per Share ⁽¹⁾	In Thousands	Per Share ⁽²⁾
Total Expenses	\$ 3,791	\$ 0.16	\$ 3,777	\$ 0.38
Management fees	660	0.03	698	0.07
Incentive fees	108	-	100	0.01
Total advisory and management fees	\$ 768	\$ 0.03	\$ 798	\$ 0.08
Administration fees	156	0.01	204	0.02
Directors' fees	55	-	51	0.01
Interest expense	2,198	0.09	2,305	0.23
Professional services	425	0.02	257	0.03
Custody fees	13	-	20	0.00
Other	176	0.01	142	0.01

(1) The per share amounts are based on a weighted average of 23,401,837 outstanding common shares for the three months ended March 31, 2021.

(2) The per share amounts are based on a weighted average of 10,062,682 outstanding common shares for the three months ended March 31, 2020.

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.

Total expenses for the three months ended March 31, 2021 were generally consistent with total expenses the three months ended March 31, 2020. Administration fees decreased in the current period as compared to the corresponding period in the prior year as a result of changes in certain service providers and ongoing efficiency efforts at the management company. Fees for professional services increased in the current period as compared to the corresponding period in the prior year due to certain one-time costs, including approximately \$0.2 million in legal fees for compliance matters and claims related to certain investments, that are not expected to recur in future periods.

The decrease in interest expense for the three months ended March 31, 2021 as compared to the three months ended March 31, 2020 is due to the bond repurchases during the 2020 fiscal year, which resulted in a weighted average outstanding debt balance of \$118.7 million for the three months ended March 31, 2021, as compared to \$124.0 million for the three months ended March 31, 2020.

Realized Gains (Losses)

	For the Three Months Ended March 31,			
	2021		2020	
	In Thousands	Per Share ⁽¹⁾	In Thousands	Per Share ⁽²⁾
Net Realized Gain (Loss)	\$ (3,275)	\$ (0.14)	\$ (11,313)	\$ (1.12)
Gross realized gain	919	0.04	402	0.04
Gross realized loss	(4,194)	(0.18)	(11,715)	(1.16)

- (1) The per share amounts are based on a weighted average of 23,401,837 outstanding common shares for the three months ended March 31, 2021.
- (2) The per share amounts are based on a weighted average of 10,062,682 outstanding common shares for the three months ended March 31, 2020.

During the three months ended March 31, 2021, net realized losses were primarily driven by the sale of our investment in Boardriders, Inc. (“Boardriders”) 1st lien secured loan for which we recognized a realized loss of \$3.0 million. This realized loss was partially offset by realized gains of \$0.3 million on proceeds received from our former investment in PR Wireless, Inc., \$0.2 million on the early paydown of our investments in First Brands, Inc. 1st lien secured loan, \$0.1 million in proceeds received from our investment in PE Facility Solutions, LLC common equity.

During the three months ended March 31, 2020, net realized losses on investments were primarily driven by the sales of Commercial Barge and Full House Resorts, Inc. (“Full House”) during the quarter, for which we recognized realized losses of \$9.8 million and \$1.3 million, respectively. Realized gains for the three months ended March 31, 2020 includes approximately \$0.1 in realized gain on repurchases of debt below par.

Unrealized Appreciation (Depreciation) on Investments

	For the Three Months Ended March 31,			
	2021		2020	
	In Thousands	Per Share ⁽¹⁾	In Thousands	Per Share ⁽²⁾
Net unrealized appreciation/ (depreciation)	\$ 14,317	\$ 0.61	\$ (24,877)	\$ (2.47)
Unrealized appreciation	18,032	0.77	6,979	0.69
Unrealized depreciation	(3,715)	(0.16)	(31,856)	(3.16)

- (1) The per share amounts are based on a weighted average of 23,401,837 outstanding common shares for the three months ended March 31, 2021.
- (2) The per share amounts are based on a weighted average of 10,062,682 outstanding common shares for the three months ended March 31, 2020.

During the three months ended March 31, 2021, net unrealized appreciation was largely driven by increases in the fair value of our investments in Avanti’s 2nd lien secured bond and Tru Taj (UK) Asia Limited (“Tru Taj”) common equity and Crestwood Equity Partners LP preferred equity which had net unrealized appreciation of \$4.3 million, \$2.8 million and \$2.4 million respectively. In addition, the sale of our investment in Boardriders 1st lien secured loan resulted in the reversal approximately \$3.5 million of unrealized depreciation previously recognized in prior periods.

Unrealized depreciation for the three months ended March 31, 2021 was primarily due to a decrease in the fair value of our investment in PFS Holdings Corp. common equity for which we recognized \$2.2 million in unrealized depreciation.

During the three months ended March 31, 2020, net unrealized depreciation was largely driven by decreases in portfolio company valuations as compared to the prior year end. Most notably, we recognized unrealized depreciation of approximately \$4.0 million on our investment in Avanti’s 2nd lien secured bond, approximately \$3.6 million on our investment in Tru Taj common equity and approximately \$3.4 million and \$2.6 million on our investment in California Pizza Kitchen, Inc. (“CPK”) 1st lien loan and 2nd lien loan, respectively. The Avanti, Tru Taj and CPK investments are all level 3 investments for which the valuations include unobservable inputs such as discount rates and comparable company multiples which have experienced decreases as of March 31, 2020 as compared to December 31, 2019 due to general market volatility, including the impact of the COVID-19 pandemic during the three months ended March 31, 2020. Additionally, we recognized unrealized losses of \$2.3 million and \$2.7 million on our investments in Finastra Group Holdings, Ltd. and ASP Chromaflo Technologies Corp., both of which were valued at March 31, 2020 based on active market prices.

Unrealized appreciation for the three months ended March 31, 2020 was primarily due to the sale of Commercial Barge in February 2020, for which we realized approximately \$6.3 million of previously unrealized losses. In the table above, the presentation of gross unrealized appreciation and depreciation amounts for the three months ended March 31, 2020 has been updated consistent with the current year presentation which groups the funded and unfunded portion of revolvers together.

As discussed under “—Recent Developments”, we cannot predict the duration of the COVID-19 pandemic and the resulting impact to our individual portfolio companies or the broader market. It is likely that any recovery may be slow and/or volatile. The current unrealized depreciation on our portfolio may not be reversed in the short-term or at all and we may see further declines in fair value before the pandemic is over.

Liquidity and Capital Resources

This “—Liquidity and Capital Resources” discussion should be read in conjunction with the discussion of COVID-19 under “—Recent Developments—COVID 19”.

At March 31, 2021, we had approximately \$26.6 million of cash and cash equivalents. At March 31, 2021, we had investments in 33 debt instruments across 29 companies, totaling approximately \$135.5 million at fair value and 135 equity investments in 116 companies, totaling approximately \$58.1 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 March 31, 2021, we had approximately \$31.4 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 March 31, 2021 balance sheet to satisfy the unfunded commitments.

For the three months ended March 31, 2021, net cash used for operating activities was approximately \$24.1 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 by purchases and proceeds from sales of investments was approximately \$23.2 million, reflecting payments for additional investments of \$45.4 million, offset by proceeds from principal repayments and sales of \$22.2 million. Such amounts include draws and repayments on revolving credit facilities.

For the three months ended March 31, 2021, net cash used for financing activities was \$2.5 million related to distributions to investors.

Contractual Obligations

A summary of our significant contractual payment obligations as of March 31, 2021 is as follows:

<i>(in thousands)</i>	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual Obligations					
GECCL Notes	\$ 30,293	\$ -	\$ 30,293	\$ -	\$ -
GECCM Notes	45,610	-	-	45,610	-
GECCN Notes	42,823	-	-	42,823	-
Total	\$ 118,726	\$ -	\$ 30,293	\$ 88,433	\$ -

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 March 31, 2021.

Notes Payable

On September 13, 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. The aggregate principal balance of the GECCL Notes outstanding as of March 31, 2021 is \$30.3 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 6.75% notes due 2025 (the "GECCM Notes" and, together with the GECCL Notes and GECCM Notes, the "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. The aggregate principal balance of the GECCM Notes outstanding as of March 31, 2021 is \$45.6 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. The aggregate principal balance of the GECCN Notes outstanding as of March 31, 2021 is \$42.8 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.

We may repurchase the Notes in accordance with the Investment Company Act of 1940 and the rules promulgated thereunder.

As of March 31, 2021, our asset coverage ratio was approximately 177.1%. We are subject to a minimum asset coverage ratio of 150%.

Recent Developments

Our Board authorized the distribution for the quarter ending September 30, 2021 at \$0.10 per share, with the record and payment dates to be set by the officers of GECC pursuant to authority granted by our Board.

On May 5, 2021, the Company entered into a Loan, Guarantee and Security Agreement (the “Loan Agreement”) with City National Bank (“CNB”). The Loan Agreement provides for a senior secured revolving line of credit of up to \$25 million (subject to a borrowing base as defined in the Loan Agreement). The Company may request to increase the revolving line in an aggregate amount not to exceed \$25 million, which increase is subject to the sole discretion of CNB. The maturity date of the revolving line is the earlier of (i) May 5, 2024 and (ii) May 15, 2022 if the Company’s 6.50% notes due 2022 are not refinanced on or prior to such date. Borrowings under the revolving line bear interest at a rate equal to (i) the London Inter-bank Offered Rate plus 3.50%, (ii) a base rate plus 2.00% or (iii) a combination thereof, as determined by the Company.

Borrowings under the revolving line are secured by a first priority security interest in substantially all of the Company’s assets, subject to certain specified exceptions. The Company has made customary representations and warranties and is required to comply with various affirmative and negative covenants, reporting requirements and other customary requirements for similar loan agreements. In addition, the Loan Agreement contains financial covenants requiring (i) net assets of not less than \$65 million, (ii) asset coverage equal to or greater than 160% and (iii) bank asset coverage equal to or greater than 300%, in each case tested as of the last day of each fiscal quarter of the Company. Borrowings are also subject to the leverage restrictions contained in the Investment Company Act of 1940, as amended.

In April 2021:

- we purchased \$3.0 million in par value of Viasat, Inc. receivable at 90% of par value.
- we sold \$3.0 million in par value of PetroChoice Holdings, Inc. first lien secured loan at approximately 97% of par value.
- we sold 99,506 shares of Crestwood Equity Partners, LP class A preferred equity units for approximately \$0.9 million.
- we sold 100,000 shares of TRU (UK) Asia Limited common equity for approximately \$1.0 million.
- we sold 25,716 share of California Pizza Kitchen, Inc. common equity for approximately \$0.8 million.
- our \$10.0 million Subcom, LLC 1st lien secured revolver commitment was retired.
- we sold approximately \$0.3 million of SPAC positions across 20 companies.

In May 2021:

- we purchased \$3.0 million in par value of W&T Offshore, Inc. second lien secured bond at approximately 89% of par value.
- we purchased \$1.0 million in par value of Cleaver-Brooks, Inc. secured bond at 100% of par value.
- we sold approximately \$0.04 million of SPAC positions across five companies.

COVID-19

The global outbreak of the COVID-19 pandemic has disrupted economic markets and the economic impact, duration and spread of the COVID-19 virus is uncertain at this time. The operational and financial performance of some of the portfolio companies in which we make investments has been and may further be significantly impacted by COVID-19, which may in turn impact the valuation of our investments, results of our operations and cash flows.

Our investment manager prioritizes the health and safety of employees and in early March 2020, GECM moved to a remote-working model for all employees. In addition, the officers of GECC have maintained regular communications with key service providers, including the fund administration, legal and accounting professionals, noting that those firms have similarly moved to remote-working models to the extent possible. Our employees and key service providers have been able to effectively transition to working remotely while maintaining a consistent level of capabilities and service, however, we will continue to monitor and make adjustments as necessary.

While we have been carefully monitoring the COVID-19 pandemic and its impact on our business and the business of our portfolio companies, we have continued to fund our existing debt commitments. In addition, we have continued to make, and expect to continue to make, new investments.

We cannot predict the full impact of the COVID-19 pandemic, including its duration in the United States and worldwide and the magnitude of the economic impact of the outbreak, including with respect to the travel restrictions, business closures and other quarantine measures imposed on service providers and other individuals by various local, state, and federal governmental authorities, as well as non-U.S. governmental authorities. As such, we are unable to predict the duration of any business and supply-chain disruptions, the extent to which the COVID-19 pandemic will negatively affect our portfolio companies' operating results or the impact that such disruptions may have on our results of operations and financial condition. Our portfolio is diversified across multiple industries and the direct and indirect impacts of the COVID-19 pandemic will be dependent on the specific circumstances for each portfolio company. For example, companies that derive revenues through in-person interactions with customers, such as restaurants and retail stores, have been and may be subject to reduced capacity or shutdowns based on local government advisories and regulations. For example, CPK filed for bankruptcy in July 2020. Other companies may be better able to adapt to the changing environment by moving their workforce to a remote-working model and leveraging technology solutions to interact with customers.

Depending on the duration and extent of the disruption to the operations of our portfolio companies, we expect that certain portfolio companies may experience financial distress and possibly default on their financial obligations to us and their other capital providers. We also expect that some of our portfolio companies may significantly curtail business operations, furlough or lay off employees and terminate service providers, and defer capital expenditures if subjected to prolonged and severe financial distress, which would likely impair their business on a permanent basis. These developments would likely result in a decrease in the value of our investment in any such portfolio company.

The COVID-19 pandemic and the related disruption and financial distress experienced by our portfolio companies may have material adverse effects on our investment income, particularly our interest income, received from our investments. In connection with the adverse effects of the COVID-19 pandemic, we may need to restructure our investments in some of our portfolio companies, which could result in reduced interest payments, an increase in the amount of PIK interest we receive, or result in permanent write-downs on our investments.

We will continue to monitor the rapidly evolving situation relating to the COVID-19 pandemic and guidance from U.S. and international authorities, including federal, state and local public health authorities and may take additional actions based on their recommendations. In these circumstances, there may be developments outside our control requiring us to adjust our plan of operation. As such, given the dynamic nature of this situation, we cannot reasonably estimate the impacts of COVID-19 on our financial condition, results of operations or cash flows in the future. To the extent our portfolio companies are adversely impacted by the effects of the COVID-19 pandemic, it may have a material adverse impact on our future net investment income, the fair value of our portfolio investments, their financial condition and the results of operations and financial condition of our portfolio companies.

We are also subject to financial risks, including changes in market interest rates. As of March 31, 2021, approximately \$107.8 million in principal amount of our debt investments bore interest at variable rates, which are generally based on LIBOR, and many of which are subject to certain floors. In connection with the COVID-19 pandemic, the U.S. Federal Reserve and other central banks have reduced certain interest rates and LIBOR has decreased. A prolonged reduction in interest rates will reduce our gross investment income and could result in a decrease in our net investment income if such decreases in LIBOR are not offset by a corresponding increase in the spread over LIBOR that we earn on any portfolio investments or a decrease in our operating expenses. See “Item 3. Quantitative and Qualitative Disclosures About Market Risk” for an analysis of the impact of hypothetical base rate changes in interest rates.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are subject to financial market risks, including changes in interest rates. As of March 31, 2021, 14 debt investments in our portfolio bore interest at a fixed rate, and the remaining 19 debt investments were at variable rates, representing approximately \$98.4 million and \$107.8 million in principal debt, respectively. As of December 31, 2020, 10 debt investments in our portfolio bore interest at a fixed rate, and the remaining 20 debt investments were at variable rates, representing approximately \$85.6 million and \$105.0 million in principal debt, respectively. The variable rates are based upon the 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 March 31, 2021. We have also assumed 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.

LIBOR Increase (Decrease)	Increase (decrease) of Net Investment Income (in thousands)⁽¹⁾
3.00%	\$ 2,001
2.00%	1,334
1.00%	667
(1.00)%	(22)
(2.00)%	(22)
(3.00)%	(22)

- (1) Several of our debt investments with variable rates contain a LIBOR floor. The actual increase (decrease) of net investment income reflected in the table above takes into account such LIBOR floors to the extent applicable.

Although we believe that this analysis is indicative of our existing interest rate sensitivity at March 31, 2021, 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 (decrease) 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.

We may in the future hedge against interest rate fluctuations by using standard hedging instruments such as futures, options and forward contracts. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in the benefits of lower interest rates with respect to the investments in our portfolio with fixed interest rates.

Item 4. Controls and Procedures.**Evaluation of Disclosure Controls and Procedures**

As of March 31, 2021, 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 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 March 31, 2021 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, 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. A description of our legal proceedings is included in Note 6 of the unaudited consolidated financial statements attached to this report.

Item 1A. Risk Factors.

There have been no material changes in risk factors in the period covered by this report. See discussion of risk factors in Part I, Item 1A “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2020.

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

Not applicable.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

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.

Exhibit Number	Description
3.1	Amended and Restated Charter of the Registrant (incorporated by reference to Exhibit 3.1 to the Form 8-K filed on November 7, 2016)
3.2	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)
31.1*	Certification of the Registrant’s Chief Executive Officer (“CEO”)
31.2*	Certification of the Registrant’s Chief Financial Officer (“CFO”)
32.1*	Certification of the Registrant’s CEO and CFO

* 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: May 7, 2021

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

Date: May 7, 2021

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>March 31, 2021</u>	<u>December 31, 2020</u>
Assets		
Investments		
Non-affiliated, non-controlled investments, at fair value (amortized cost of \$169,052 and \$147,494, respectively)	\$ 143,171	\$ 112,116
Non-affiliated, non-controlled short-term investments, at fair value (amortized cost of \$139,997 and \$74,997, respectively)	139,991	74,998
Affiliated investments, at fair value (amortized cost of \$114,478 and \$109,840, respectively)	38,210	29,289
Controlled investments, at fair value (amortized cost of \$9,093 and \$7,630, respectively)	12,250	10,243
Total investments	<u>333,622</u>	<u>226,646</u>
Cash and cash equivalents	26,572	52,582
Restricted cash	-	600
Receivable for investments sold	6,111	-
Interest receivable	4,118	2,423
Due from portfolio company	895	837
Prepaid expenses and other assets	44	240
Total assets	<u>\$ 371,362</u>	<u>\$ 283,328</u>
Liabilities		
Notes payable 6.50% due September 18, 2022 (including unamortized discount of \$425 and \$494, respectively)	\$ 29,868	\$ 29,799
Notes payable 6.75% due January 31, 2025 (including unamortized discount of \$980 and \$1,042, respectively)	44,630	44,568
Notes payable 6.50% due June 30, 2024 (including unamortized discount of \$1,421 and \$1,529, respectively)	41,402	41,294
Payable for investments purchased	152,953	75,511
Interest payable	328	328
Distributions payable	-	1,911
Accrued incentive fees payable	9,284	9,176
Due to affiliates	776	764
Accrued expenses and other liabilities	590	362
Total liabilities	<u>\$ 279,831</u>	<u>\$ 203,713</u>
Commitments and contingencies (Note 6)	\$ -	\$ -
Net Assets		
Common stock, par value \$0.01 per share (100,000,000 shares authorized, 23,508,232 shares issued and outstanding and 23,029,453 shares issued and outstanding, respectively)	\$ 235	\$ 230
Additional paid-in capital	232,219	230,504
Accumulated losses	(140,923)	(151,119)
Total net assets	<u>\$ 91,531</u>	<u>\$ 79,615</u>
Total liabilities and net assets	<u>\$ 371,362</u>	<u>\$ 283,328</u>
Net asset value per share	<u>\$ 3.89</u>	<u>\$ 3.46</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 March 31,	
	2021	2020
Investment Income:		
Interest income from:		
Non-affiliated, non-controlled investments	\$ 2,442	\$ 4,466
Non-affiliated, non-controlled investments (PIK)	30	-
Affiliated investments	260	227
Affiliated investments (PIK)	1,439	1,224
Controlled investments	8	70
Total interest income	<u>4,179</u>	<u>5,987</u>
Dividend income from:		
Non-affiliated, non-controlled investments	481	3
Controlled investments	320	400
Total dividend income	<u>801</u>	<u>403</u>
Other income from:		
Non-affiliated, non-controlled investments	33	30
Affiliated investments (PIK)	282	-
Controlled investments	-	9
Total other income	<u>315</u>	<u>39</u>
Total investment income	\$ 5,295	\$ 6,429
Expenses:		
Management fees	\$ 660	\$ 698
Incentive fees	108	100
Administration fees	156	204
Custody fees	13	20
Directors' fees	55	51
Professional services	425	257
Interest expense	2,198	2,305
Other expenses	176	142
Total expenses	<u>\$ 3,791</u>	<u>\$ 3,777</u>
Net investment income	<u>\$ 1,504</u>	<u>\$ 2,652</u>
Net realized and unrealized gains (losses):		
Net realized gain (loss) on investment transactions from:		
Non-affiliated, non-controlled investments	\$ (3,415)	\$ (11,456)
Controlled investments	140	-
Realized gain on repurchase of debt	-	143
Total net realized gain (loss)	<u>(3,275)</u>	<u>(11,313)</u>
Net change in unrealized appreciation (depreciation) on investment transactions from:		
Non-affiliated, non-controlled investments	9,490	(19,715)
Affiliated investments	4,283	(5,085)
Controlled investments	544	(77)
Total net change in unrealized appreciation (depreciation)	<u>14,317</u>	<u>(24,877)</u>
Net realized and unrealized gains (losses)	<u>\$ 11,042</u>	<u>\$ (36,190)</u>
Net increase (decrease) in net assets resulting from operations	\$ 12,546	\$ (33,538)
Net investment income per share (basic and diluted):	\$ 0.06	\$ 0.26
Earnings per share (basic and diluted):	\$ 0.53	\$ (3.33)
Weighted average shares outstanding (basic and diluted):	23,401,837	10,062,682

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 March 31,	
	2021	2020
Increase (decrease) in net assets resulting from operations:		
Net investment income	\$ 1,504	\$ 2,652
Net realized gain (loss)	(3,275)	(11,313)
Net change in unrealized appreciation (depreciation) on investments	14,317	(24,877)
Net increase (decrease) in net assets resulting from operations	12,546	(33,538)
Distributions to stockholders:		
Distributions ⁽¹⁾	(2,350)	(2,506)
Total distributions to stockholders	(2,350)	(2,506)
Capital transactions:		
Common stock distributed	1,720	-
Net increase (decrease) in net assets resulting from capital transactions	1,720	-
Total increase (decrease) in net assets	11,916	(36,044)
Net assets at beginning of period	\$ 79,615	\$ 86,889
Net assets at end of period	\$ 91,531	\$ 50,845
Capital share activity		
Shares outstanding at the beginning of the period	23,029,453	10,062,682
Common stock distributed	478,779	-
Shares outstanding at the end of the period	23,508,232	10,062,682

(1) Distributions were from distributable earnings 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 Three Months Ended March 31,	
	2021	2020
Cash flows from operating activities		
Net increase (decrease) in net assets resulting from operations	\$ 12,546	\$ (33,538)
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used for) operating activities:		
Purchases of investments	19,632	(12,145)
Net change in short-term investments	(65,000)	10,739
Capitalized payment-in-kind interest	(619)	(265)
Proceeds from sales of investments	10,846	22,740
Proceeds from principal payments	11,311	1,041
Net realized (gain) loss on investments	3,275	11,459
Net change in unrealized (appreciation) depreciation on investments	(14,317)	24,877
Amortization of premium and accretion of discount, net	(773)	(1,754)
Net realized gain on repurchase of debt	-	(143)
Amortization of discount (premium) on long term debt	239	253
Increase (decrease) in operating assets and liabilities:		
(Increase) decrease in interest receivable	(1,695)	(1,169)
(Increase) decrease in dividends receivable	-	(386)
(Increase) decrease in due from portfolio company	(58)	(43)
(Increase) decrease in prepaid expenses and other assets	196	40
Increase (decrease) in due to affiliates	120	(42)
Increase (decrease) in interest payable	-	5
Increase (decrease) in accrued expenses and other liabilities	228	(297)
Net cash provided by (used for) operating activities	<u>(24,069)</u>	<u>21,372</u>
Cash flows from financing activities		
Purchase of debt	-	(132)
Distributions paid	(2,541)	(3,009)
Net cash provided by (used for) financing activities	<u>(2,541)</u>	<u>(3,141)</u>
Net increase (decrease) in cash	(26,610)	18,231
Cash and cash equivalents and restricted cash, beginning of period	53,182	4,606
Cash and cash equivalents and restricted cash, end of period	<u>\$ 26,572</u>	<u>\$ 22,837</u>
Supplemental disclosure of non-cash financing activities:		
Distributions declared, not yet paid	\$ -	\$ 835
Common stock distributed	\$ 1,720	\$ -
Supplemental disclosure of cash flow information:		
Cash paid for excise tax	\$ -	\$ 233
Cash paid for interest	\$ 1,958	\$ 2,044

The following tables provide a reconciliation of cash and cash equivalents and restricted cash reported on the Consolidated Statements of Assets and Liabilities that sum to the total of the same such amounts on the Consolidated Statements of Cash Flows:

	March 31, 2021	December 31, 2020
Cash and cash equivalents	\$ 26,572	\$ 52,582
Restricted cash	-	600
Total cash and cash equivalents and restricted cash shown on the Consolidated Statements of Cash Flows	<u>\$ 26,572</u>	<u>\$ 53,182</u>
	March 31, 2020	December 31, 2019
Cash and cash equivalents	\$ 22,837	\$ 4,606
Restricted cash	-	-
Total cash and cash equivalents and restricted cash shown on the Consolidated Statements of Cash Flows	<u>\$ 22,837</u>	<u>\$ 4,606</u>

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

GREAT ELM CAPITAL CORP.
CONSOLIDATED SCHEDULE OF INVESTMENTS (unaudited)
March 31, 2021
Dollar amounts in thousands

Portfolio Company	Industry	Security(1)	Notes	Interest Rate(2)	Initial Acquisition Date	Maturity	Par Amount / Quantity	Cost	Fair Value
Investments at Fair Value									
ABB/Con-Cise Optical Group LLC	Wholesale-Apparel, Piece Goods & Notions	1st Lien, Secured Loan	5	3M L + 5.00%, 6.00% Floor (6.00%)	12/01/2020	06/15/2023	\$ 2,984	\$ 2,772	\$ 2,801
AgroFresh Inc.	Chemicals	1st Lien, Secured Loan		3M L + 6.25%, 7.25% Floor (7.25%)	03/31/2021	12/31/2024	1,473	1,473	1,469
APTIM Corp.	Industrial	1st Lien, Secured Bond	11	7.75%	03/28/2019	06/15/2025	3,000	2,536	2,557
Avanti Communications Group PLC	Wireless Telecommunications Services	1.125 Lien, Secured Loan	4, 5, 6, 10, 11, 12	12.50%	02/16/2021	07/31/2022	4,046	4,046	4,046
Avanti Communications Group PLC	Wireless Telecommunications Services	1.25 Lien, Secured Loan	4, 5, 6, 10, 11, 12	12.50%	04/28/2020	07/31/2022	1,184	1,184	1,184
Avanti Communications Group PLC	Wireless Telecommunications Services	1.5 Lien, Secured Loan	4, 5, 6, 10, 11, 12	12.50%	05/24/2019	07/31/2022	9,808	9,808	9,808
Avanti Communications Group PLC	Wireless Telecommunications Services	2nd Lien, Secured Bond	4, 5, 6, 10, 11	9.00%	11/03/2016	10/01/2022	46,375	44,540	23,140
Avanti Communications Group PLC	Wireless Telecommunications Services	Common Equity	4, 5, 7, 10	n/a	11/03/2016	n/a	196,086,410	50,660	-
Best Western Luling	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	437
Blueknight Energy Partners L.P.	Oil & Gas	Series A Preferred Units		n/a	10/07/2020	n/a	173,993	1,038	1,350
California Pizza Kitchen, Inc.	Restaurants	1st Lien, Secured Loan	5	3M L + 10.00%, 11.50% Floor (11.50%)	11/23/2020	11/23/2024	9,839	9,383	9,839
California Pizza Kitchen, Inc.	Restaurants	Common Equity	5, 7	n/a	11/23/2020	n/a	150,716	12,514	4,076
Crestwood Equity Partners LP	Oil & Gas	Class A Preferred Equity Units	10	n/a	06/19/2020	n/a	2,099,506	12,551	18,140
Davidzon Radio, Inc.	Radio Broadcasting	1st Lien, Secured Loan	5, 8, 9	1M L + 10.00%, 11.00% Floor (0.00%)	11/03/2016	03/31/2020	8,962	8,962	4,125
ECL Entertainment, LLC	Media & Entertainment	1st Lien, Secured Loan	5	3M L + 7.50%, 8.25% Floor (8.25%)	03/31/2021	04/30/2028	2,500	2,475	2,475
Finastra Group Holdings, Ltd.	Software Services	2nd Lien, Secured Loan	10	6M L + 7.25%, 8.25% Floor (8.25%)	12/14/2017	06/13/2025	2,000	1,949	2,007
First Brands, Inc.	Transportation Equipment Manufacturing	2nd Lien, Secured Loan	5	3M L + 8.50%, 9.50% Floor (9.50%)	03/24/2021	03/24/2028	6,000	5,880	5,880
Gateway Casinos & Entertainment Limited	Casinos & Gaming	2nd Lien, Secured Note	10	8.25%	11/17/2020	03/01/2024	5,000	4,580	4,762
The GEO Group, Inc.	Consumer Services	Secured Bond		5.88%	03/09/2021	10/15/2024	3,000	2,382	2,393
Greenway Health, LLC	Technology	1st Lien, Revolver	5	3M L + 3.75%, 3.75% Floor (3.94%)	01/27/2020	02/17/2022	-	(489)	-

Greenway Health, LLC	Technology	1st Lien, Revolver - Unfunded	5	0.50%	01/27/2020	02/17/2022	8,026	-	(272)	
Martin Midstream Partners LP	Oil & Gas	2nd Lien, Secured Note		11.50%	12/09/2020	02/28/2025	110	106	111	
Mitchell International, Inc.	Software Services	2nd Lien, Secured Loan		1M L + 7.25%, 7.25% Floor (7.36%)	08/02/2019	12/01/2025	3,000	2,831	2,988	
National CineMedia, Inc.	Media & Entertainment	Secured Bond		5.88%	01/26/2021	04/15/2028	2,000	1,789	1,860	
Natural Resource Partners LP	Metals & Mining	Unsecured Notes		9.13%	06/12/2020	06/30/2025	7,462	6,807	7,094	
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	32	
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	-	-	
Par Petroleum, LLC	Oil & Gas	1st Lien, Secured Note	10	7.75%	10/30/2020	12/15/2025	3,000	2,561	3,038	
Perforce Software, Inc.	Technology	1st Lien, Secured Revolver	5	3M L + 4.25%, 4.25% Floor (4.44%)	01/24/2020	07/01/2024	875	514	837	
Perforce Software, Inc.	Technology	1st Lien, Secured Revolver - Unfunded	5	0.50%	01/24/2020	07/01/2024	3,500	-	(152)	
PetroChoice Holdings Inc.	Motor Vehicle Parts and Accessories	1st Lien, Secured Loan		3M L + 5.00%, 6.00% Floor (6.00%)	02/17/2021	08/19/2022	2,992	2,910	2,865	
PFS Holdings Corp.	Food & Staples	1st Lien, Secured Loan	5	3M L + 7.00%, 8.00% Floor (8.00%)	11/13/2020	11/13/2024	1,073	1,073	1,073	
PFS Holdings Corp.	Food & Staples	Common Equity	5, 7	n/a	11/13/2020	n/a	5,222	12,378	5,368	
Prestige Capital Finance, LLC	Specialty Finance	Receivable	3, 5	11.00%	03/15/2021	03/15/2022	1,627	1,627	1,627	
Prestige Capital Finance, LLC	Specialty Finance	Receivable - Unfunded	3, 5	11.00%	03/15/2021	03/15/2022	6,773	-	-	
Prestige Capital Finance, LLC	Specialty Finance	Common Equity	3, 5, 10	n/a	02/08/2019	n/a	100	7,466	10,623	
Quad/Graphics, Inc.	Media & Entertainment	Unsecured Bond		7.00%	03/31/2021	05/01/2022	2,000	1,990	1,976	
Research Now Group, Inc.	Internet Media	1st Lien, Secured Revolver	5	6M L + 4.50%, 4.50% Floor (4.74%)	01/29/2019	12/20/2022	6,947	6,576	6,894	
Research Now Group, Inc.	Internet Media	1st Lien, Secured Revolver - Unfunded	5	0.50%	01/29/2019	12/20/2022	3,053	-	(124)	
Research Now Group, Inc.	Internet Media	2nd Lien, Secured Loan	5	6M L + 9.50%, 10.50% Floor (10.50%)	05/20/2019	12/20/2025	12,000	11,962	11,957	
Ruby Tuesday Operations LLC	Restaurants	Secured Loan	5, 6	1M L + 12.00%, 13.25% Floor (13.25%), (7.25% Cash + 6.00% PIK)	02/24/2021	02/24/2025	5,004	5,004	4,674	
Ruby Tuesday Operations LLC	Restaurants	Warrants	5, 7	n/a	02/24/2021	n/a	311,697	-	317	
Subcom, LLC	Telecommunications Services	1st Lien, Secured Revolver	5	3M L + 5.00%, 5.00% Floor (5.19%)	11/21/2019	11/02/2023	-	(1,258)	-	
Subcom, LLC	Telecommunications Services	1st Lien, Secured Revolver - Unfunded	5	0.50%	11/21/2019	11/02/2023	10,000	-	(6)	
Summit Midstream Holdings, LLC	Oil & Gas	Secured Bond	7	5.75%	03/23/2021	04/15/2025	3,000	2,470	2,445	
Tensar Corporation	Construction Materials	2nd Lien, Secured Loan	5	3M L + 12.00%, 13.00% Floor (13.00%)	11/20/2020	02/20/2026	10,000	9,673	9,699	
TRU (UK) Asia Limited	Retail	Common Equity	5, 7, 10	n/a	07/21/2017	n/a	726,954	21,435	7,411	
TRU (UK) Asia Limited Liquidating Trust	Retail	Common Equity	5, 7	n/a	07/21/2017	n/a	16,000	900	793	
Investments in Special Purpose Acquisition Companies										
Accelerate Acquisition Corp.	Special Purpose Acquisition Company	Investment Units	7, 10	n/a	03/18/2021	n/a	30,000	300	298	
Ares Acquisition Corporation	Special Purpose Acquisition Company	Common Equity	7, 10	n/a	02/02/2021	n/a	100,000	982	990	

Ares Acquisition Corporation	Special Purpose Acquisition Company	Warrants	7, 10	n/a	02/02/2021	n/a	20,000	18	18
Austerlitz Acquisition Corporation I	Special Purpose Acquisition Company	Investment Units	7, 10	n/a	02/26/2021	n/a	50,000	500	502
Austerlitz Acquisition Corporation II	Special Purpose Acquisition Company	Investment Units	7, 10	n/a	02/26/2021	n/a	50,000	500	502
GigCapital4, Inc.	Special Purpose Acquisition Company	Investment Units	7, 10	n/a	02/09/2021	n/a	25,000	250	247
Jaws Mustang Acquisition Corporation	Special Purpose Acquisition Company	Common Equity	7, 10	n/a	02/02/2021	n/a	25,000	243	247
Oyster Enterprises Acquisition Corp.	Special Purpose Acquisition Company	Common Equity	7, 10	n/a	01/20/2021	n/a	25,000	243	241
Soaring Eagle Acquisition Corp.	Special Purpose Acquisition Company	Investment Units	7, 10	n/a	02/24/2021	n/a	25,000	250	253
Spartan Acquisition Corp. III	Special Purpose Acquisition Company	Investment Units	7, 10	n/a	02/09/2021	n/a	40,000	400	401
Virgin Group Acquisition Corp. II	Special Purpose Acquisition Company	Investment Units	7, 10	n/a	03/23/2021	n/a	25,000	250	248
VPC Impact Acquisition Holdings II	Special Purpose Acquisition Company	Investment Units	7, 10	n/a	03/05/2021	n/a	40,000	400	394
VPC Impact Acquisition Holdings III	Special Purpose Acquisition Company	Investment Units	7, 10	n/a	03/05/2021	n/a	40,000	400	395
Miscellaneous	Special Purpose Acquisition Company	Equity	14	n/a	n/a	n/a	n/a	5,289	5,278
Total Investments in Special Purpose Acquisition Companies								10,025	10,014
Total Investments excluding Short-Term Investments (211.55% of Net Assets)								292,623	193,631
Short-Term Investments									
United States Treasury	Short Term	Treasury Bill		0.00%	03/30/2021	07/01/2021	140,000	139,997	139,991
Total Short-Term Investments (152.94% of Net Assets)								139,997	139,991
TOTAL INVESTMENTS (364.49% of Net Assets)								\$ 432,620	\$ 333,622
Other Liabilities in Excess of Assets (264.49% of Net Assets)									\$ (242,091)
NET ASSETS									\$ 91,531

- (1) Great Elm Capital Corp.'s (the "Company") 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.
- (2) 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 0.11%. The two month ("2M") LIBOR as of period end was 0.13%. The three month ("3M") LIBOR as of period end was 0.19%. The six month ("6M") LIBOR as of period end was 0.21%.
- (3) "Controlled Investments" are investments in those companies that are "Controlled Investments" of the Company, as defined in the Investment Company Act of 1940, as amended (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 (the “Board”).
- (6) Security pays, or has the option to pay, some or all of its interest in kind. As of March 31, 2021, each of the Avanti Communications Group, plc secured debt pay in kind (“PIK”) and the rates above reflect the PIK interest rates. As of March 31, 2021, the Ruby Tuesday Operations, LLC secured loan pays a portion of its interest in kind as described above.
- (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, 25.4% 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 \$12,349; the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$119,058; the net unrealized depreciation was \$(106,709); the aggregate cost of securities for Federal income tax purposes was \$440,290.
- (14) Represents previously undisclosed unrestricted securities, which the Company has held for less than one year.

As of March 31, 2021, the Company’s investments consisted of the following:

Investment Type	Investments at Fair Value	Percentage of Net Assets
Debt	\$ 135,539	148.08%
Equity/Other	58,092	63.47%
Short-Term Investments	139,991	152.94%
Total	\$ 333,622	364.49%

As of March 31, 2021, the industry composition of the Company's portfolio at fair value was as follows:

Industry	Investments at Fair Value	Percentage of Net Assets
Wireless Telecommunications Services	\$ 38,178	41.72%
Oil & Gas	25,084	27.40%
Restaurants	18,906	20.66%
Internet Media	18,727	20.47%
Specialty Finance	12,250	13.38%
Special Purpose Acquisition Company	10,014	10.94%
Construction Materials Manufacturing	9,699	10.60%
Retail	8,204	8.96%
Metals & Mining	7,094	7.75%
Food & Staples	6,441	7.04%
Media & Entertainment	6,311	6.89%
Transportation Equipment Manufacturing	5,880	6.42%
Software Services	4,995	5.47%
Casinos & Gaming	4,762	5.20%
Radio Broadcasting	4,125	4.51%
Motor Vehicle Parts and Accessories	2,865	3.13%
Wholesale-Apparel, Piece Goods & Notions	2,801	3.06%
Industrial	2,557	2.79%
Consumer Services	2,393	2.61%
Chemicals	1,469	1.60%
Hotel Operator	437	0.48%
Technology	413	0.45%
Maritime Security Services	32	0.03%
Telecommunications Services	(6)	-0.01%
Short-Term Investments	139,991	152.94%
Total	\$ 333,622	364.49%

As of March 31, 2021, the geographic composition of the Company's portfolio at fair value was as follows:

Geography	Investments at Fair Value	Percentage of Net Assets
United States	\$ 281,232	307.26%
United Kingdom	47,628	52.03%
Canada	4,762	5.20%
Total	\$ 333,622	364.49%

GREAT ELM CAPITAL CORP.
CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2020
Dollar amounts in thousands

Portfolio Company	Industry	Security(1)	Notes	Interest Rate(2)	Initial Acquisition Date	Maturity	Par Amount / Quantity	Cost	Fair Value
Investments at Fair Value									
ABB/Con-Cise Optical Group LLC	Wholesale-Apparel, Piece Goods & Notions	1st Lien, Secured Loan	5	6M L + 5.00%, 6.00% Floor (6.00%)	12/01/2020	06/15/2023	\$ 2,992	\$ 2,758	\$ 2,762
APTIM Corp.	Industrial	1st Lien, Secured Bond	11	7.75%	03/28/2019	06/15/2025	6,000	4,994	4,642
Avanti Communications Group PLC	Wireless Telecommunications Services	1.25 Lien, Secured Bond	4, 5, 6, 10, 11, 12	12.50%	04/28/2020	05/24/2021	1,148	1,148	1,148
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	9,512	9,512	9,512
Avanti Communications Group PLC	Wireless Telecommunications Services	2nd Lien, Secured Bond	4, 5, 6, 10, 11	9.00%	11/03/2016	10/01/2022	46,375	44,280	18,610
Avanti Communications Group PLC	Wireless Telecommunications Services	Common Equity	4, 5, 7, 10	n/a	11/03/2016	n/a	196,086,410	50,660	-
Best Western Luling	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	1,203
Blueknight Energy Partners L.P.	Oil & Gas	Series A Preferred Units		n/a	10/07/2020	n/a	173,993	1,039	1,185
Boardriders, Inc.	Apparel & Textile Products	1st Lien, Secured Loan	5	3M L + 6.50%, 7.50% Floor (7.50%)	03/28/2019	04/06/2024	8,810	8,697	5,154
California Pizza Kitchen, Inc.	Restaurants	1st Lien, Secured Loan	5, 6	3M L + 10.00%, 11.50% Floor (11.50%)	11/23/2020	11/23/2024	6,250	5,836	6,250
California Pizza Kitchen, Inc.	Restaurants	2nd Lien, Secured Loan	5, 6	3M L + 13.50%, 15.00% Floor (15.00%)	11/23/2020	05/23/2025	1,873	1,873	1,873
California Pizza Kitchen, Inc.	Restaurants	Common Equity	5, 7	n/a	11/23/2020	n/a	150,716	12,514	2,347
Crestwood Equity Partners LP	Oil & Gas	Class A Preferred Equity Units	10	n/a	06/19/2020	n/a	2,157,906	12,912	16,120
Davidzon Radio, Inc.	Radio Broadcasting	1st Lien, Secured Loan	5, 8, 9	1M L + 10.00%, 11.00% Floor (0.00%)	11/03/2016	03/31/2020	8,962	8,962	3,763
Endurance International Group Holdings Inc	Technology	1st Lien, Secured Revolver	5, 10	3M L+ 4.00%, 4.00% Floor (4.23%)	02/19/2020	02/09/2021	-	(15)	-
Endurance International Group Holdings Inc	Technology	1st Lien, Secured Revolver - Unfunded	5, 10	0.38%	02/19/2020	02/09/2021	4,000	-	(9)
Finastra Group Holdings, Ltd.	Software Services	2nd Lien, Secured Loan	10	6M L + 7.25%, 8.25% Floor (8.25%)	12/14/2017	06/13/2025	2,000	1,946	2,001
First Brands, Inc.	Transportation Equipment Manufacturing	1st Lien, Secured Loan		2M L + 7.50%, 8.50% Floor (8.50%)	07/23/2020	02/02/2024	2,962	2,800	2,948
Gateway Casinos & Entertainment Limited	Casinos & Gaming	2nd Lien, Secured Note	10	8.25%	11/17/2020	03/01/2024	3,000	2,688	2,820
Greenway Health, LLC	Technology	1st Lien, Revolver	5	3M L+ 3.75%, 3.75% Floor (4.17%)	01/27/2020	02/17/2022	-	(622)	-
Greenway Health, LLC	Technology	1st Lien, Revolver - Unfunded	5	0.50%	01/27/2020	02/17/2022	8,026	-	(425)

Lenders' Funding, LLC	Specialty Finance	Receivable	5	15.00%	10/16/2020	06/01/2021	2,679	2,679	2,679
Lenders' Funding, LLC	Specialty Finance	Receivable - Unfunded	5	n/a	10/16/2020	06/01/2021	321	-	-
Martin Midstream Partners LP	Oil & Gas	2nd Lien, Secured Note		11.50%	12/09/2020	02/28/2025	110	106	105
Mitchell International, Inc.	Software Services	2nd Lien, Secured Loan		1M L + 7.25%, 7.25% Floor (7.40%)	08/02/2019	12/01/2025	3,000	2,824	2,895
Natural Resource Partners LP	Metals & Mining	Unsecured Notes		9.13%	06/12/2020	06/30/2025	4,367	3,840	3,996
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	19
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	-	-
Par Petroleum, LLC	Oil & Gas	1st Lien, Secured Note	10	7.75%	10/30/2020	12/15/2025	3,000	2,544	2,880
PE Facility Solutions, LLC	Building Cleaning and Maintenance Services	1st Lien, Secured Loan B	3, 5, 8	1M L + 14.00%, (0.00%)	02/28/2017	02/27/2022	164	164	162
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	-
Perforce Software, Inc.	Technology	1st Lien, Secured Revolver	5	3M L + 4.25%, 4.25% Floor (4.40%)	01/24/2020	07/01/2024	875	514	827
Perforce Software, Inc.	Technology	1st Lien, Secured Revolver - Unfunded	5	0.50%	01/24/2020	07/01/2024	3,500	-	(191)
PFS Holdings Corp.	Food & Staples	1st Lien, Secured Loan	5	3M L + 7.00%, 8.00% Floor (8.00%)	11/13/2020	11/13/2024	1,076	1,076	1,076
PFS Holdings Corp.	Food & Staples	Common Equity	5, 7	n/a	11/13/2020	n/a	5,222	12,378	7,618
Prestige Capital Finance, LLC	Specialty Finance	Common Equity	3, 5, 10	n/a	02/08/2019	n/a	-	7,466	10,081
Research Now Group, Inc.	Internet Media	1st Lien, Secured Revolver	5	6M L + 4.50%, 4.50% Floor (4.81%)	01/29/2019	12/20/2022	6,947	6,525	6,906
Research Now Group, Inc.	Internet Media	1st Lien, Secured Revolver - Unfunded	5	0.50%	01/29/2019	12/20/2022	3,053	-	(142)
Research Now Group, Inc.	Internet Media	2nd Lien, Secured Loan	5	6M L + 9.50%, 10.50% Floor (10.50%)	05/20/2019	12/20/2025	12,000	11,959	11,972
Subcom, LLC	Telecommunications Services	1st Lien, Secured Revolver	5	3M L + 5.00%, 5.00% Floor (5.23%)	11/21/2019	11/02/2023	-	(1,370)	-
Subcom, LLC	Telecommunications Services	1st Lien, Secured Revolver - Unfunded	5	0.50%	11/21/2019	11/02/2023	10,000	-	(160)
Tallage Davis, LLC	Real Estate Services	1st Lien, Secured Loan	5	11.00%	03/20/2018	01/26/2023	200	200	200
Tallage Davis, LLC	Real Estate Services	1st Lien, Secured Loan - Unfunded	5	n/a	03/20/2018	01/26/2023	8,910	-	-
Tensor Corporation	Construction Materials Manufacturing	2nd Lien, Secured Loan	5	3M L + 12.00%, 13.00% Floor (13.00%)	11/20/2020	02/20/2026	10,000	9,656	9,676
TRU (UK) Asia Limited	Retail	Common Equity	5, 7, 10	n/a	07/21/2017	n/a	776,954	22,132	5,352
TRU (UK) Asia Limited Liquidating Trust	Retail	Common Equity	5, 7	n/a	07/21/2017	n/a	16,000	900	793
Viasat, Inc.	Specialty Finance	Receivable	5	n/a	10/23/2020	01/01/2021	3,000	3,000	3,000
Total Investments excluding Short-Term Investments (190.48% of Net Assets)								264,964	151,648
Short-Term Investments									
United States Treasury	Short Term	Treasury Bill		0%	03/30/2019	01/26/2021	75,000	74,997	74,998

Total Short-Term Investments (94.20% of Net Assets)		74,997	74,998
TOTAL INVESTMENTS (284.68% of Net Assets)	13	<u>\$ 339,961</u>	<u>\$ 226,646</u>
Other Liabilities in Excess of Assets (184.68% of Net Assets)			\$ (147,031)
NET ASSETS			<u>\$ 79,615</u>

- (1) 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.
- (2) 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 0.14%. The two month ("2M") LIBOR as of period end was 0.19%. The three month ("3M") LIBOR as of period end was 0.24%. The six month ("6M") LIBOR as of period end was 0.26%.
- (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. As of December 31, 2020, each of the Avanti Communications Group, plc secured bonds and California Pizza Kitchen, Inc. pay in kind ("PIK") and the rates above reflect the PIK interest rates.
- (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, 24.2% 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 \$28,019; the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$124,342; the net unrealized depreciation was \$(96,323); the aggregate cost of securities for Federal income tax purposes was \$322,969.

As of December 31, 2020 the Company's investments consisted of the following:

Investment Type	Investments at Fair Value	Percentage of Net Assets
Debt	\$ 108,152	135.85%
Equity/Other	43,496	54.63%
Short-Term Investments	74,998	94.20%
Total	\$ 226,646	284.68%

As of December 31, 2020 the industry composition of the Company's portfolio at fair value was as follows:

Industry	Investments at Fair Value	Percentage of Net Assets
Wireless Telecommunications Services	\$ 29,270	36.76%
Oil & Gas	20,290	25.49%
Internet Media	18,736	23.53%
Specialty Finance	15,760	19.80%
Restaurants	10,470	13.15%
Construction Materials Manufacturing	9,676	12.15%
Food & Staples	8,694	10.92%
Retail	6,145	7.72%
Apparel & Textile Products	5,154	6.47%
Software Services	4,896	6.15%
Industrial	4,642	5.83%
Metals & Mining	3,996	5.02%
Radio Broadcasting	3,763	4.74%
Transportation Equipment Manufacturing	2,948	3.70%
Casinos & Gaming	2,820	3.55%
Wholesale-Apparel, Piece Goods & Notions	2,762	3.47%
Hotel Operator	1,203	1.51%
Technology	202	0.25%
Real Estate Services	200	0.25%
Building Cleaning and Maintenance Services	162	0.20%
Maritime Security Services	19	0.02%
Consumer Finance	-	0.00%
Telecommunications Services	(160)	-0.20%
Short-Term Investments	74,998	94.20%
Total	\$ 226,646	284.68%

As of December 31, 2020 the geographic composition of the Company's portfolio at fair value was as follows:

Geography	Investments at Fair Value	Percentage of Net Assets
United States	\$ 187,184	235.11%
United Kingdom	36,642	46.02%
Canada	2,820	3.55%
Total	\$ 226,646	284.68%

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. The Company is managed by Great Elm Capital Management, Inc., a Delaware corporation (“GECM”), a subsidiary of Great Elm Group, Inc., a Delaware corporation (“GEG”).

The Company seeks to generate current income and capital appreciation through debt and income generating equity investments. The Company invests in secured and senior unsecured debt instruments, debt and equity securities of specialty finance companies and other equity investments that it sources directly from issuers or 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*.

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 specific identification 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. Restricted cash consists of collateral for unfunded positions held by counterparties.

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 Board.

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 the 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 the 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 the Company's 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 the 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 the 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 the Board approves, the fair value of the investments in the Company's portfolio in good faith based on the input of GECM, the independent valuation firms (to the extent applicable) and the business judgment of the audit committee and the 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 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.

Investments in revolvers or delayed draw loans may include unfunded commitments for which the Company's acquisition cost will be offset by compensation received on the portion of the commitment that is unfunded. As a result, the purchases of a commitment that is not fully funded may result in a negative cost basis for the funded commitment. The fair value of the unfunded commitment is adjusted for price appreciation or depreciation and may result in a negative fair value for the unfunded commitment.

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 months ended March 31, 2021. The Company accrued \$17 of excise tax expense for the year ended December 31, 2020.

At December 31, 2020, the Company, for federal income tax purposes, had capital loss carryforwards of \$54,887 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 stockholders, 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 into law. 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, 2020, \$44,058 are limited losses and available for use subject to annual limitation under Section 382. Of the capital losses at December 31, 2020, \$16,815 are short-term and \$38,072 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.

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 GEG. 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 GEG. 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 months ended March 31, 2021 management fees amounted to \$660. For the three months ended March 31, 2020 management fees amounted to \$698. As of March 31, 2021 and December 31, 2020, \$660 and \$613 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, PIK interest, PIK 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 March 31, 2021 was \$32,076. Accrued Unpaid Income includes capitalized PIK income of \$18,012 on investments still held at March 31, 2021. Accrued Unpaid Income as of December 31, 2020 was \$29,989, which included capitalized PIK income of \$17,680 on investments still held at December 31, 2020.

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.

The Company 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 three months ended March 31, 2021 and 2020, the Company incurred Income Incentive Fees of \$108 and \$100, respectively. As of March 31, 2021 and December 31, 2020, \$9,284 and \$9,176 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 three months ended March 31, 2021 and the year ended December 31, 2020, the Company did not have any Capital Gains Incentive Fees accrual.

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 three months ended March 31, 2021 and 2020, the Company incurred expenses under the Administration Agreement of \$156 and \$204, respectively. As of March 31, 2021 and December 31, 2020, \$116 and \$151 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 March 31, 2021 and December 31, 2020. 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 summarizes the Company's investment assets categorized within the fair value hierarchy as of March 31, 2021:

Assets	Level 1	Level 2	Level 3	Total
Debt	\$ -	\$ 35,565	\$ 99,974	\$ 135,539
Equity/Other	29,366	138	28,588	58,092
Short Term Investments	139,991	-	-	139,991
Total investment assets	\$ 169,357	\$ 35,703	\$ 128,562	\$ 333,622

The following summarizes the Company's investment assets categorized within the fair value hierarchy as of December 31, 2020:

Assets	Level 1	Level 2	Level 3	Total
Debt	\$ -	\$ 22,287	\$ 85,865	\$ 108,152
Equity/Other	17,305	-	26,191	43,496
Short Term Investments	74,998	-	-	74,998
Total investment assets	\$ 92,303	\$ 22,287	\$ 112,056	\$ 226,646

The following is a reconciliation of Level 3 assets for the three months ended March 31, 2021:

Level 3	Beginning Balance as of January 1, 2021	Net Transfers In/Out	Purchases(1)	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)(2)	Sales and Settlements(1)	Net Amortization of Premium/Discount	Ending Balance as of March 31, 2021
Debt	\$ 85,865	\$ -	\$ 25,262	\$ (3,626)	\$ 8,058	\$ (16,218)	\$ 633	\$ 99,974
Equity/Other	26,191	-	-	(107)	3,094	(590)	-	28,588
Total investment assets	\$ 112,056	\$ -	\$ 25,262	\$ (3,733)	\$ 11,152	\$ (16,808)	\$ 633	\$ 128,562

The following is a reconciliation of Level 3 assets for the year ended December 31, 2020:

Level 3	Beginning Balance as of January 1, 2020	Net Transfers In/Out	Purchases(1)	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)(2)	Sales and Settlements(1)	Net Amortization of Premium/Discount	Ending Balance as of December 31, 2020
Debt	\$ 120,431	\$ (3,735)	\$ 68,317	\$ (2,332)	\$ (18,844)	\$ (81,823)	\$ 3,851	\$ 85,865
Equity/Other	23,549	-	24,893	-	(21,428)	(823)	-	26,191
Total investment assets	\$ 143,980	\$ (3,735)	\$ 93,210	\$ (2,332)	\$ (40,272)	\$ (82,646)	\$ 3,851	\$ 112,056

(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 appreciation relating to Level 3 assets still held at March 31, 2021 totaled \$6,764 consisting of the following: \$3,670 related to debt investments and \$3,094 related to equity investments. The net change in unrealized depreciation relating to Level 3 assets still held at December 31, 2020 totaled \$(45,879) consisting of the following: \$(24,452) related to debt investments and \$(21,427) relating to equity/other.

There were no transfers into or out of Level 3 during the three months ended March 31, 2021.

One investment with a fair value of \$(11,801) was transferred from Level 3 to Level 2 as a result of increased pricing transparency during the year ended December 31, 2020. Two investments with an aggregate fair value of \$8,066 were transferred from Level 2 to Level 3 as a result of decreased pricing transparency during the year ended December 31, 2020.

The following tables below present the ranges of significant unobservable inputs used to value the Company's Level 3 assets as of March 31, 2021 and December 31, 2020, 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 March 31, 2021

Investment Type	Fair value	Valuation Technique(1)	Unobservable Input(1)	Range (Weighted Average)(2)
Debt	\$ 48,017	Market Approach	Earnings Multiple	0.50 - 10.75 (4.23)
		Income Approach	Discount Rate	16.50% - 30.00% (19.04%)
	6,894	Income Approach	Discount Rate	7.18%
		Quotes		\$98.27
	38,148	Income Approach	Discount Rate	6.90% - 16.59% (12.42%)
		283	Income Approach	Implied Yield
	2,475	Recent Transaction		
4,157	Asset Recovery / Liquidation (4)			
Total Debt	\$ 99,974			
Equity/Other	\$ 20,384	Market Approach	Earnings Multiple	0.18 - 10.75 (2.56)
		Income Approach	Discount Rate	11.25% - 39.25% (26.54%)
	7,411	Market Approach	Earnings Multiple	3.14
	793	Asset Recovery / Liquidation (4)		
Total Equity/Other	\$ 28,588			

As of December 31, 2020

Investment Type	Fair value	Valuation Technique(1)	Unobservable Input(1)	Range (Weighted Average)(2)
Debt	\$ 37,393	Market Approach	Earnings Multiple	0.35 - 4.50 (3.15)
		Income Approach	Discount Rate	16.25% - 30.00% (18.93%)
	6,906	Income Approach	Discount Rate	6.67%
		Quotes		\$98.81
	41,447	Income Approach	Discount Rate	2.24% - 45.25% (14.75%)
		(100)	Income Approach	Implied Yield
	219	Asset Recovery / Liquidation(4)		
Total Debt	\$ 85,865			
Equity/Other	\$ 12,428	Market Approach	Earnings Multiple	0.35 - 4.50 (2.33)
		Income Approach	Discount Rate	16.25% - 37.50% (34.33%)
	12,970	Market Approach	Earnings Multiple	0.15 - 17.75 (6.44)
	793	Asset Recovery / Liquidation(4)		
Total Equity/Other	\$ 26,191			

- (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 September 13, 2017, the Company offered \$28,375 in aggregate principal amount of 6.50% notes due 2022 (the "GECCL Notes"). On September 29, 2017, the Company 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 the Company may incur and structurally subordinated to all future indebtedness and other obligations of our subsidiaries. The Company pays 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, the Company offered \$43,000 in aggregate principal amount of 6.75% notes due 2025 (the "GECCM Notes"). On January 19, 2018 and February 9, 2018, the Company 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 the Company may incur and structurally subordinated to all future indebtedness and other obligations of our subsidiaries. The Company pays 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, the Company 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, the Company sold an additional \$2,500 of the GECCN Notes upon another partial exercise of the underwriters' over-allotment option.

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 the Company may incur and structurally subordinated to all future indebtedness and other obligations of our subsidiaries. The Company pays 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 the Company 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 Company may repurchase the Notes in accordance with the Investment Company Act and the rules promulgated thereunder.

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

As of	Total Amount Outstanding ⁽¹⁾	Asset Coverage Ratio Per Unit ⁽²⁾	Involuntary Liquidation Preference Per Unit ⁽³⁾	Average Market Value Per Unit ⁽⁴⁾
December 31, 2016				
2020 Notes	\$ 33,646	\$ 6,168	N/A	\$ 1.02
December 31, 2017				
GECCL Notes	\$ 32,631	\$ 5,010	N/A	\$ 1.02
December 31, 2018				
GECCL Notes	\$ 32,631	\$ 2,393	N/A	\$ 1.01
GECCM Notes	46,398	2,393	N/A	0.98
December 31, 2019				
GECCL Notes	\$ 32,631	\$ 1,701	N/A	\$ 1.01
GECCM Notes	46,398	1,701	N/A	1.01
GECCN Notes	45,000	1,701	N/A	1.00
December 31, 2020				
GECCL Notes	\$ 30,293	\$ 1,671	N/A	\$ 0.89
GECCM Notes	45,610	1,671	N/A	0.84
GECCN Notes	42,823	1,671	N/A	0.84
March 31, 2021				
GECCL Notes	\$ 30,293	\$ 1,771	N/A	\$ 1.00
GECCM Notes	45,610	1,771	N/A	0.98
GECCN Notes	42,823	1,771	N/A	0.98

(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 of indebtedness.

The terms of the GECCL Notes, GECCM Notes and GECCN Notes are governed by a base indenture, dated as of September 18, 2017, by and between the Company and American Stock Transfer & Trust Company, LLC, as trustee (as supplemented with respect to each series of notes, the "Indenture"). The Indenture's covenants, include restrictions on certain activities in the event the Company falls below the minimum 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 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.

As of March 31, 2021, the Company's asset coverage ratio was approximately 177.1%.

As of March 31, 2021 and December 31, 2020, the Company was in compliance with all covenants under the Indenture.

For the three months ended March 31, 2021 and 2020, the components of interest expense were as follows:

	For the Three Months Ended March 31,	
	2021	2020
Borrowing interest expense	\$ 1,959	\$ 2,042
Amortization of acquisition premium	239	263
Total	\$ 2,198	\$ 2,305
Weighted average interest rate ⁽¹⁾	7.51%	7.44%
Average outstanding balance	\$ 118,726	\$ 124,005

(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.

Facility	March 31, 2021		
	Commitments	Borrowings Outstanding	Fair Value
Unsecured Debt - GECCL Notes	\$ 30,293	\$ 30,293	\$ 30,729
Unsecured Debt - GECCM Notes	45,610	45,610	45,464
Unsecured Debt - GECCN Notes	42,823	42,823	42,669
Total	\$ 118,726	\$ 118,726	\$ 118,862

Facility	December 31, 2020		
	Commitments	Borrowings Outstanding	Fair Value
Unsecured Debt - GECCL Notes	\$ 30,293	\$ 30,293	\$ 30,148
Unsecured Debt - GECCM Notes	45,610	45,610	43,877
Unsecured Debt - GECCN Notes	42,823	42,823	40,682
Total	\$ 118,726	\$ 118,726	\$ 114,707

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 March 31, 2021, the Company had approximately \$31,352 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 March 31, 2021 are included in the Company's Statements 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. The Company has considered the net increases in net assets and negative cash flows from operations and has concluded that it has the ability to meet its obligations in the ordinary course of business based upon an evaluation of its cash position and sources of liquidity.

From time to time, the Company may be a party to certain legal proceedings in the ordinary course of business, including proceedings relating to the enforcement of the Company rights under contracts with the Company portfolio companies.

The Company is 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 the Company. This lawsuit was brought by a member of Speedwell Holdings (formerly known as The Selling Source, LLC), one of the Company's 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 the Company. 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, the Company 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. The Company intends to defend the matter 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, the Company's 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, the Company continues to pursue the initial claims against Dr. Pumphrey in the District Court of Caldwell County, Texas. In September 2019, the Company received a judgment in the Company's favor from the District Court of Caldwell County, Texas. On June 4, 2020, Dr. Pumphrey, filed a Chapter 11 Bankruptcy Petition in the United States Bankruptcy Court for the Southern District of Texas. The Company is conducting mediation with Dr. Pumphrey and the other significant creditors in connection with the Chapter 11 proceeding.

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. FINANCIAL HIGHLIGHTS

Below is the schedule of financial highlights of the Company:

	For the Three Months Ended March 31,	
	2021	2020
Per Share Data:(1)		
Net asset value, beginning of period	\$ 3.46	\$ 8.63
Net investment income	0.06	0.26
Net realized gains (loss)	(0.14)	(1.12)
Net change in unrealized appreciation (depreciation)	0.61	(2.47)
Net increase (decrease) in net assets resulting from operations	0.53	(3.33)
Distributions declared from net investment income(2)	(0.10)	(0.25)
Net decrease resulting from distributions to common stockholders	(0.10)	(0.25)
Net asset value, end of period	\$ 3.89	\$ 5.05
Per share market value, end of period	\$ 3.40	\$ 2.80
Shares outstanding, end of period	23,508,232	10,062,682
Total return based on net asset value(3)	18.35%	(39.18)%
Total return based on market value(3)	(0.22)%	(62.05)%
Ratio/Supplemental Data:		
Net assets, end of period	\$ 91,531	\$ 50,845
Ratio of total expenses to average net assets (4),(5)	18.76%	20.97%
Ratio of incentive fees to average net assets(4)	0.13%	0.14%
Ratio of net investment income to average net assets(4),(5)	8.02%	14.72%
Portfolio turnover	17%	16%

- (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 three months ended March 31, 2021 and 2020 average net assets were \$80,206 and \$72,446, respectively.
- (5) Annualized for periods less than one year.

9. 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 March 31, 2021 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 March 31, 2021 represented 13% of the Company's net assets.

Fair value as of March 31, 2021 along with transactions during the three months ended March 31, 2021 in these affiliated investments and controlled investments was as follows:

March 31, 2021									
Issue(1)	Fair value at December 31, 2020	Gross Additions(2)	Gross Reductions(3)	Net Realized Gain (Loss)	Change in Unrealized Appreciation (Depreciation)	Fair value at March 31, 2021	Interest Income(4)	Fee Income	Dividend Income
Non-Controlled, Affiliated Investments									
Avanti Communications Group PLC									
1.125 Lien, Secured Loan	\$ -	\$ 4,046	\$ -	\$ -	\$ -	\$ 4,046	\$ 61	\$ 282	\$ -
1.25 Lien, Secured Loan	1,148	36	-	-	-	1,184	36	-	-
1.5 Lien, Secured Loan	9,512	296	-	-	-	9,808	299	-	-
2nd Lien, Secured Bond	18,610	260	-	-	4,270	23,140	1,303	-	-
Equity (9% of class)	-	-	-	-	-	-	-	-	-
	<u>29,270</u>	<u>4,638</u>	<u>-</u>	<u>-</u>	<u>4,270</u>	<u>38,178</u>	<u>1,699</u>	<u>282</u>	<u>-</u>
OPS Acquisitions Limited and Ocean Protection Services Limited									
1st Lien, Secured Loan	19	-	-	-	13	32	-	-	-
Equity (19% of class)	-	-	-	-	-	-	-	-	-
	<u>19</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13</u>	<u>32</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 29,289</u>	<u>\$ 4,638</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,283</u>	<u>\$ 38,210</u>	<u>\$ 1,699</u>	<u>\$ 282</u>	<u>\$ -</u>
Controlled Investments									
PE Facility Solutions, LLC									
1st Lien, Secured Term Loan B	162	-	164	-	2	-	-	-	-
Equity (87% of class)	-	-	140	140	-	-	-	-	-
	<u>162</u>	<u>-</u>	<u>304</u>	<u>140</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Prestige Capital Finance, LLC									
Receivable	-	1,627	-	-	-	1,627	8	-	-
Equity (80% of class)	10,081	-	-	-	542	10,623	-	-	320
	<u>10,081</u>	<u>1,627</u>	<u>-</u>	<u>-</u>	<u>542</u>	<u>12,250</u>	<u>8</u>	<u>-</u>	<u>320</u>
Totals	<u>\$ 10,243</u>	<u>\$ 1,627</u>	<u>\$ 304</u>	<u>\$ 140</u>	<u>\$ 544</u>	<u>\$ 12,250</u>	<u>\$ 8</u>	<u>\$ -</u>	<u>\$ 320</u>

- (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.

10. SUBSEQUENT EVENTS

The Board authorized the distribution for the quarter ending September 30, 2021 at \$0.10 per share, with the record and payment dates to be set by the officers of GECC pursuant to authority granted by the Board.

On May 5, 2021, the Company entered into a Loan, Guarantee and Security Agreement (the "Loan Agreement") with City National Bank ("CNB"). The Loan Agreement provides for a senior secured revolving line of credit of up to \$25 million (subject to a borrowing base as defined in the Loan Agreement). The Company may request to increase the revolving line in an aggregate amount not to exceed \$25 million, which increase is subject to the sole discretion of CNB. The maturity date of the revolving line is the earlier of (i) May 5, 2024 and (ii) May 15, 2022 if the Company's 6.50% notes due 2022 are not refinanced on or prior to such date. Borrowings under the revolving line bear interest at a rate equal to (i) the London Inter-bank Offered Rate plus 3.50%, (ii) a base rate plus 2.00% or (iii) a combination thereof, as determined by the Company.

Borrowings under the revolving line are secured by a first priority security interest in substantially all of the Company's assets, subject to certain specified exceptions. The Company has made customary representations and warranties and is required to comply with various affirmative and negative covenants, reporting requirements and other customary requirements for similar loan agreements. In addition, the Loan Agreement contains financial covenants requiring (i) net assets of not less than \$65 million, (ii) asset coverage equal to or greater than 160% and (iii) bank asset coverage equal to or greater than 300%, in each case tested as of the last day of each fiscal quarter of the Company. Borrowings are also subject to the leverage restrictions contained in the Investment Company Act of 1940, as amended.

In April 2021:

- the Company purchased \$3,000 in par value of Viasat, Inc. receivable at 90% of par value.
- the Company \$2,992 in par value of PetroChoice Holdings, Inc. first lien secured loan at approximately 97% of par value.
- the Company sold 99,506 shares of Crestwood Equity Partners, LP class A preferred equity units for approximately \$894.
- the Company sold 100,000 shares of TRU (UK) Asia Limited common equity for approximately \$988.
- the Company sold 25,716 share of California Pizza Kitchen, Inc. common equity for approximately \$836.
- the Company's \$10,000 Subcom, LLC 1st lien secured revolver commitment was retired.
- the Company sold approximately \$289 of SPAC positions across 20 companies.

In May 2021:

- the Company purchased \$3,000 in par value of W&T Offshore, Inc. second lien secured bonds at approximately 89% of par value.
- the Company purchased \$1,000 in par value of Cleaver-Brooks, Inc. secured bond at 100% of par value.
- the Company sold approximately \$46 of SPAC positions across five companies.

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: May 7, 2021

/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: May 7, 2021

/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 March 31, 2021 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: May 7, 2021

/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)