GLADSTONE CAPITAL CORP
Form 497
September 21, 2017
Table of Contents

Filed Pursuant to Rule 497
File No. 333-208637

Prospectus Supplement

(To Prospectus Dated February 6, 2017)

1,800,000 Shares

6.00% Series 2024 Term Preferred Stock

Liquidation Preference $25 per Share

Gladstone Capital Corporation, or the Company, is an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940, as amended, or the 1940 Act. Generally, our investment objective is to generate current income by investing in debt securities of established businesses and provide our stockholders with long-term capital appreciation by investing in equity securities, generally in combination with the aforementioned debt securities.

We are offering 1,800,000 shares of our 6.00% Series 2024 term preferred stock, or the Series 2024 Term Preferred Stock. We will pay monthly dividends on the Series 2024 Term Preferred Stock at an annual rate of 6.00% of the $25 liquidation preference per share, or $1.50 per share of Series 2024 Term Preferred Stock per year, on the last business day of each month, commencing on October 31, 2017.

We are required to redeem all of the outstanding shares of the Series 2024 Term Preferred Stock on September 30, 2024 at a redemption price equal to $25 per share plus an amount equal to accumulated but unpaid dividends and distributions, if any, up to, but excluding, the date of redemption. We will also be required to redeem all of the outstanding shares of the Series 2024 Term Preferred Stock at a redemption price equal to $25 per share, plus an amount equal to accumulated but unpaid dividends and distributions, if any, up to, but excluding, the date of redemption upon the occurrence of certain events that constitute a change of control of the Company. If we fail to maintain an asset coverage, as defined in the 1940 Act, of at least 200%, we will redeem a sufficient number of shares of our Series 2024 Term Preferred Stock or any other series of shares of preferred stock then-outstanding, collectively, the Term Preferred Stock, in an amount at least equal to the lesser of (1) the minimum number of shares of Term Preferred Stock necessary to cause us to meet our required asset coverage ratio (provided, however, that if there is no such minimum number of shares of Series 2024 Term Preferred Stock or other shares of Term Preferred Stock then-outstanding, the redemption or retirement of which would have such result, all Series 2024 Term Preferred Stock and other shares of Term Preferred Stock then outstanding shall be redeemed) and (2) the maximum number of shares of Term Preferred Stock that we can redeem out of cash legally available for such redemption in accordance with the TP Articles Supplementary, as defined below, and applicable law. Also, at our sole discretion, we may redeem such number of shares of Term Preferred Stock (including shares of Term Preferred Stock required to be redeemed) that will result in our having an asset coverage ratio of up to and including 240%. At any time after the close of business on September 30, 2019, at our sole option, we may redeem the Series 2024 Term Preferred Stock at a redemption price per share equal to the sum of the $25 liquidation preference per share plus an amount equal to all unpaid dividends and distributions on the Series 2024 Term Preferred Stock accumulated to (but excluding) the date fixed for such redemption plus the optional redemption premium per share (if any) with respect to an optional redemption on the Series 2024 Term Preferred Stock that is effected on the date fixed for such redemption. We cannot effect any amendment, alteration or repeal of our obligation to redeem all of the shares of Series 2024 Term Preferred Stock on September 30, 2024 without the prior unanimous vote or consent of the holders of Series 2024 Term Preferred Stock.

Each holder of our Series 2024 Term Preferred Stock (and any other outstanding Term Preferred Stock we have issued or may issue in the future) will be entitled to one vote for each share held by such holder on any matter submitted to a vote of our stockholders, and, except as described below, the holders of all of our outstanding Term Preferred Stock and common stock will vote together as a single class. The holders of the Series 2024 Term Preferred Stock (together with our outstanding 6.75% Series 2021 Term Preferred Stock, $0.001 par value per share, or the Series 2021 Term Preferred Stock, and any other Term Preferred Stock we may issue in the future), voting separately as a class, will elect at all times two of our directors and, upon our failure to pay dividends for at least two years or as otherwise entitled under the 1940 Act, will elect a majority of our directors. The Series 2024 Term Preferred Stock will rank equally in right of payment with all other shares of outstanding Term Preferred Stock that we have issued or may issue in the future and will rank senior in right of payment to all of our common stock.

We have applied to list the Series 2024 Term Preferred Stock on the NASDAQ Global Select Market, or NASDAQ, under the symbol GLADN. We expect the Series 2024 Term Preferred Stock to begin trading on NASDAQ within 30 days of the date of this prospectus supplement, though there can be no assurance trading will commence within this timeframe, or at all. Our common stock is traded on NASDAQ under the symbol GLAD and shares of our Series 2021 Term Preferred Stock are traded on NASDAQ under the symbol GLADO. On September 18, 2017, the last sale price of our common stock as reported on NASDAQ was $9.33 per share and the last reported price of our Series 2021 Term Preferred Stock was $25.50 per share. The Series 2024 Term Preferred Stock has no trading history and will not be convertible into our common stock or any other security of our company.

The securities in which we invest generally would be rated below investment grade if they were rated by rating agencies. Below investment grade securities, which are often referred to as junk, have predominantly speculative characteristics with respect to the issuer s capacity to pay interest and repay principal. They may also be difficult to value and are illiquid.

Investing in our securities involves risks. You could lose some or all of your investment. You should carefully consider each of the factors described under Risk Factors beginning on page S-12 of this prospectus supplement and beginning on page 12 of the accompanying prospectus before you invest in the Series 2024 Term Preferred Stock.

This prospectus supplement and the accompanying prospectus contain important information you should know before investing in our common stock, including information about risks. Please read it before you invest and retain it for future reference. Additional information about us, including our annual, quarterly and current reports, has been filed with the Securities and Exchange Commission, or the SEC, and can be accessed at its website at www.sec.gov. This information is also available free of charge by calling us collect at (703) 287-5893 or on our corporate website located at www.gladstonecapital.com. You may also call us collect at this number to request other information or to make a shareholder inquiry. See *Where You Can Find More Information* on page S-71 of this prospectus supplement.

The SEC has not approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total[2]
Public offering price	$ 25.00	$ 45,000,000
Sales load (underwriting discounts and commissions)	$ 0.7875	$ 1,417,500
Proceeds, before expenses, to us[1]	$ 24.2125	$ 43,582,500

(1) Total expenses of the offering payable by us, excluding underwriting discounts and commissions, are estimated to be $285,000.

(2) We have granted the underwriters a 30-day option to purchase up to an additional 270,000 shares of Series 2024 Term Preferred Stock from us on the same terms and conditions set forth above solely to cover over-allotments, if any. If such option is exercised in full, the total public offering price will be $51,750,000, the total underwriting discounts and commissions will be $1,630,125 and total proceeds, before expenses, to us would be $50,119,875. See Underwriting on page S-66 of this prospectus supplement.

The underwriters expect to deliver the Series 2024 Term Preferred Stock on or about September 27, 2017.

Janney Montgomery Scott **Ladenburg Thalmann**

FBR

a B. Riley Financial Company

BB&T Capital Markets **J.J.B. Hilliard, W.L. Lyons, LLC** **Wedbush Securities** **William Blair**

Prospectus Supplement dated September 19, 2017

Table of Contents

ABOUT THE PROSPECTUS SUPPLEMENT

This prospectus supplement, together with the accompanying prospectus, sets forth the information that you should know before investing. You should read the prospectus supplement and accompanying prospectus, which contain important information, before deciding whether to invest in the Series 2024 Term Preferred Stock.

You may request a free copy of this prospectus supplement, the accompanying prospectus, our annual reports to stockholders and other information about us, and make stockholder inquiries by calling (866) 366-5745 or by writing to us at 1521 Westbranch Drive, Suite 100, McLean, Virginia 22102, or from our website at www.gladstonecapital.com. The information contained in, or that can be accessed through, our website is not part of this prospectus supplement or the accompanying prospectus. We make available free of charge on our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. We also furnish to our stockholders annual reports, which include annual financial information that has been examined and reported on, with an opinion expressed, by our independent registered public accounting firm.

This prospectus supplement, which describes the specific terms of this offering, also adds to and updates information contained in the accompanying prospectus. The accompanying prospectus gives more general information, some of which may not apply to this offering. If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in this prospectus supplement.

The shares of Series 2024 Term Preferred Stock do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

You should rely only on the information contained in this prospectus supplement and the accompanying prospectus in making an investment decision. We have not authorized any other person to provide you with different or inconsistent information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell the Series 2024 Term Preferred Stock in any jurisdiction where such an offer or sale is not permitted. The information appearing in this prospectus supplement, the accompanying prospectus and any documents incorporated by reference herein or therein, is accurate only as of the respective dates of such information regardless of the time of delivery or any sale of the Series 2024 Term Preferred Stock. Our business, financial condition, results of operations and prospects may have changed since those dates.

TABLE OF CONTENTS

Table of Contents

Table of Contents

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights some of the information included in the prospectus supplement and the accompanying prospectus. You should review the more detailed information contained elsewhere in this prospectus supplement and in the accompanying prospectus, including the Articles Supplementary Establishing and Fixing the Rights and Preferences of Term Preferred Shares of Gladstone Capital Corporation, effective October 31, 2011 (the TP Articles Supplementary) and Appendix A thereto, the Company s Articles Supplementary Establishing and Fixing the Rights and Preferences of 6.00% Series 2024 Term Preferred Stock and Exhibit A thereto (the Series 2024 Term Preferred Stock Articles Supplementary, together with the TP Articles Supplementary, the Articles Supplementary), the form of which is attached to this prospectus supplement, and especially the information set forth under the heading Risk Factors prior to making an investment in the Series 2024 Term Preferred Stock. In this prospectus supplement and the accompanying prospectus, except where the context suggests otherwise, the Company, we, us or our refers to Gladstone Capital Corporation; Adviser refers to Gladstone Management Corporation; Administrator refers to Gladstone Administration, LLC; and Gladstone Companies refers to our Adviser and its affiliated companies. Capitalized terms used but not defined in this prospectus supplement or accompanying prospectus have the meanings given to such terms in the Articles Supplementary. Unless otherwise stated, the information in this prospectus supplement and the accompanying prospectus does not take into account the possible exercise by the underwriters of their over-allotment option.

Gladstone Capital Corporation

Gladstone Capital Corporation was incorporated under the Maryland General Corporation Law on May 30, 2001. We operate as an externally managed, closed-end, non-diversified management investment company and have elected to be treated as a business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act). In addition, for federal income tax purposes we have elected to be treated as a registered investment company (RIC) under Subchapter M of the Internal Revenue Code, as amended (the Code). As a BDC and a RIC, we are subject to certain constraints, including limitations imposed by the 1940 Act and the Code.

As of June 30, 2017, our portfolio consisted of loans to 47 portfolio companies in 23 states in 22 different industries with an aggregate fair value of $345.5 million. From our initial public offering of common stock in August 2001 and through August 31, 2017, we have made 175 consecutive monthly or quarterly distributions on our common stock. Through August 31, 2017, we have made 40 consecutive monthly distributions on shares of our 6.75% Series 2021 Term Preferred Stock, par value $0.001 per share, (the Series 2021 Term Preferred Stock). In each of June, July and August 2017, our monthly common stock distributions per share were $0.07 and our monthly distributions per share for the Series 2021 Term Preferred Stock were $0.140625.

As of June 30, 2017, we had outstanding 25,880,466 shares of common stock, par value $0.001 per share, and 2,440,000 shares of Series 2021 Term Preferred Stock.

Our principal executive offices are located at 1521 Westbranch Drive, Suite 100, McLean, Virginia 22102, and our telephone number is (703) 287-5800. Our corporate website is located at *www.GladstoneCapital.com*. Information that is contained in, or can be accessed from, our website is not incorporated into and is not a part of this prospectus supplement or the accompanying prospectus.

Investment Objectives and Strategy

We were established for the purpose of investing in debt and equity securities of established private businesses operating in the U.S. Our investment objectives are to: (1) achieve and grow current income by investing in debt

securities of established businesses that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time; and (2) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities of established businesses that we believe can grow over time to permit us to sell our equity investments for capital gains. To achieve our investment objectives, our investment strategy is to invest in several categories of debt and equity securities, with each investment generally ranging from $8 million to $30 million, although investment size may vary, depending upon our total assets or available capital at the time of investment. We expect that our investment portfolio over time will consist of approximately 90.0% debt investments and 10.0% equity investments, at cost. As of June 30, 2017, our investment portfolio was made up of approximately 90.9% debt investments and 9.1% equity investments, at cost.

We focus on investing in lower middle market companies (which we generally define as companies with annual earnings before interest, taxes, depreciation and amortization of $3 million to $15 million) in the U.S. that meet certain criteria, including, but not limited to, the following: the sustainability of the business free cash flow and its ability to grow it over time, adequate assets for loan collateral, experienced management teams with a significant ownership interest in the borrower, reasonable capitalization of the borrower, including an ample equity contribution or cushion based on prevailing enterprise valuation multiples and, to a lesser extent, the potential to realize appreciation and gain liquidity in our equity position, if any. We lend to borrowers that need funds for growth capital or to finance acquisitions or recapitalize or refinance their existing debt facilities. We seek to avoid investing in high-risk, early-stage enterprises. Our targeted portfolio companies are generally considered too small for the larger capital marketplace. We invest by ourselves or jointly with other funds and/or management of the portfolio company, depending on the opportunity, and have opportunistically made several co-investments with our affiliate, Gladstone Investment Corporation, a BDC also managed by our Adviser, pursuant to an exemptive order granted by the Securities and Exchange Commission, or the SEC, to permit us greater flexibility to co-invest with certain of our affiliates. We believe this ability to co-invest will continue to enhance our ability to further our investment objectives and strategies. If we are participating in an investment with one or more co-investors, our investment is likely to be smaller than if we were investing alone.

We expect that our target portfolio over time will primarily include the following four categories of investments in private U.S. companies:

Senior Debt Securities: We seek to invest a portion of our assets in senior secured debt securities also known as senior loans, secured first lien loans, lines of credit and senior notes. Using its assets as collateral, the borrower typically uses senior debt to cover a substantial portion of the funding needs of its business. The senior secured debt security usually takes the form of first priority liens on all, or substantially all, of the assets of the business. Senior secured debt securities may include investments sourced from the syndicated loan market.

Senior Secured Subordinated Debt Securities: We seek to invest a portion of our assets in secured second lien debt securities, also known as senior subordinated loans and senior subordinated notes. These secured second lien debts rank junior to the borrowers senior debt and may be secured by a first priority lien on a portion of the assets of the business and may be designated as second lien notes (including our participation and investment in syndicated second lien loans). Additionally, we may receive other yield enhancements, such as success fees, in connection with these senior secured subordinated debt securities.

Junior Subordinated Debt Securities: We seek to invest a portion of our assets in junior subordinated debt securities, also known as subordinated loans, subordinated notes and mezzanine loans. These junior subordinated debts may be secured by certain assets of the borrower or unsecured loans. Additionally, we may receive other yield enhancements in addition to or in lieu of success fees, such as warrants to buy common and preferred stock or limited liability interests in connection with these junior subordinated debt securities.

Table of Contents

Preferred and Common Equity/Equivalents: In some cases we will purchase equity securities which consist of preferred and common equity or limited liability company interests, or warrants or options to acquire such securities, and are in combination with our debt investment in a business. Additionally, we may receive equity investments derived from restructurings on some of our existing debt investments. In some cases, we will own a significant portion of the equity and we may have voting control of the businesses in which we invest.

Additionally, pursuant to the 1940 Act, we must maintain at least 70.0% of our total assets in qualifying assets, which generally include each of the investment types listed above. Therefore, the 1940 Act permits us to invest up to 30.0% of our assets in other non-qualifying assets. See *Regulation as a Business Development Company Qualifying Assets* in the accompanying prospectus for a discussion of the types of qualifying assets in which we may invest under Section 55(a) of the 1940 Act.

Because the majority of the loans in our portfolio consist of term debt in private companies that typically cannot or will not expend the resources to have their debt securities rated by a credit rating agency, we expect that most, if not all, of the debt securities we acquire will be unrated. Investors should assume that these loans would be rated below what is today considered investment grade quality. Investments rated below investment grade are often referred to as high yield securities or junk bonds and may be considered higher risk, as compared to investment-grade debt instruments. In addition, many of the debt securities we hold typically do not amortize prior to maturity.

Our Investment Adviser and Administrator

We are externally managed by the Adviser under an investment advisory and management agreement, or the Advisory Agreement. The Administrator, an affiliate of the Adviser, provides administrative services to us pursuant to a contractual agreement, or the Administration Agreement. Each of the Adviser and Administrator are privately-held companies that are indirectly owned and controlled by David Gladstone, our chairman and chief executive officer. Mr. Gladstone and Terry Brubaker, our vice chairman and chief operating officer, also serve on the board of directors of the Adviser, the board of managers of the Administrator, and serve as executive officers of the Adviser and the Administrator. The Administrator employs, among others, our chief financial officer and treasurer, chief valuation officer, chief compliance officer, general counsel and secretary (who also serves as the president of the Administrator) and their respective staffs. The Adviser and Administrator have extensive experience in our lines of business and also provide investment advisory and administrative services, respectively, to our affiliates, including Gladstone Commercial Corporation, a publicly-traded real estate investment trust; Gladstone Investment Corporation, a publicly-traded BDC and RIC; and Gladstone Land Corporation, a publicly-traded real estate investment trust. In the future, the Adviser and Administrator may provide investment advisory and administrative services, respectively, to other funds and companies, both public and private.

The Adviser was organized as a corporation under the laws of the State of Delaware on July 2, 2002, and is a registered investment adviser under the Investment Advisers Act of 1940, as amended. The Administrator was organized as a limited liability company under the laws of the State of Delaware on March 18, 2005. The Adviser and Administrator are headquartered in McLean, Virginia, a suburb of Washington, D.C. The Adviser also has offices in other states. We have been externally managed by the Adviser pursuant to the Advisory Agreement since October 1, 2004 pursuant to which we pay the Adviser a base management fee and an incentive fee for its services.

Table of Contents

Recent Developments

Charter Amendment

At a special meeting held on August 29, 2017, our Board of Directors approved the reclassification and designation of 1,440,000 shares of authorized and unissued common stock as shares of Term Preferred Stock (as defined below), par value $0.001 per share, to be issued in one or more series. The Articles Supplementary reflecting such reclassification was filed with the Maryland Department of Assessments and Taxation on September 19, 2017.

Credit Facility Amendment No. 3

On August 24, 2017 we, through our wholly-owned subsidiary Gladstone Business Loan, LLC (Business Loan), entered into Amendment No. 3 (the Amendment) to our $170 million revolving credit facility (the Credit Facility) with KeyBank National Association, as administrative agent, swingline lender, managing agent and lead arranger, the Adviser, as servicer, and certain other lenders party thereto.

Primarily, the Amendment adjusted the calculation of the borrowing base of the Credit Facility and clarified the application of excess concentrations. The Amendment also, among other items, increases the excess concentration limits for paid-in-kind (PIK) loans and updated the commitment amounts for the lenders. As of August 23, 2017, prior to the closing of the Amendment, $76.5 million of borrowings were outstanding under the Credit Facility.

Portfolio Activity

In August 2017, we invested $12.5 million in El Academies, Inc. through secured first lien debt and equity.

In July 2017, our loan to SourceHOV, LLC was paid off for net proceeds of $4.8 million, resulting in a realized loss of $0.2 million.

Distributions and Dividends

On July 11, 2017, our Board of Directors declared the following monthly distributions to common stockholders and monthly dividends to preferred stockholders:

Record Date	Payment Date	Distribution per Common Share	Dividend per share of Series 2021 Term Preferred Stock
July 21, 2017	July 31, 2017	$ 0.07	$ 0.140625
August 21, 2017	August 31, 2017	0.07	0.140625
September 20, 2017	September 29, 2017	0.07	0.140625
Total for the Quarter:		**$ 0.21**	**$ 0.421875**

Advisory Agreement Renewal

On July 11, 2017, our Board of Directors, including a majority of the directors who are not parties to the Advisory Agreement or interested persons of such party, unanimously approved the annual renewal of the Advisory Agreement through August 31, 2018. Mr. Gladstone, our chairman and chief executive officer, controls

Table of Contents

the Adviser. In reaching a decision to approve the Advisory Agreement, our Board of Directors reviewed a significant amount of information and considered, among other things:

- the nature, quality and extent of the advisory and other services to be provided to us by the Adviser;
- our investment performance and that of the Adviser;
- the costs of the services to be provided and profits to be realized by the Adviser from the relationship with us;
- the fee structures of comparable externally managed business development companies that engage in similar investing activities; and
- various other matters.

Based on the information reviewed and the considerations detailed above, our Board of Directors, including all of the directors who are not interested persons as that term is defined in the 1940 Act, concluded that the investment advisory fee rates and terms are fair and reasonable in relation to the services provided and approved the Advisory Agreement, as being in the best interests of our stockholders.

Table of Contents

THE OFFERING

The following is a brief summary of some of the terms of this offering. For a more complete description of the rights, preferences and other terms of the Series 2024 Term Preferred Stock, see *Description of the Series 2024 Term Preferred Stock* in this prospectus supplement and the Articles Supplementary.

Issuer	Gladstone Capital Corporation
Securities Offered	1,800,000 shares of 6.00% Series 2024 Term Preferred Stock (2,070,000 shares if the underwriters exercise their over-allotment option in full).
Listing	We have applied to list the Series 2024 Term Preferred Stock on the NASDAQ Global Select Market (NASDAQ) under the symbol GLADN. Trading on the Series 2024 Term Preferred Stock is expected to begin within 30 days of the date of this prospectus supplement, though there can be no assurance that trading will commence within this period, or at all. Prior to the expected commencement of trading on NASDAQ, the underwriters may make a market in the Series 2024 Term Preferred Stock, but they are not obligated to do so and may discontinue any market-making at any time without notice.
Liquidation Preference	$25 per share. In the event of any liquidation, dissolution or winding up of our affairs, holders of the Series 2024 Term Preferred Stock will be entitled to receive a liquidation distribution per share equal to $25 per share (which we refer to in this prospectus supplement as the Liquidation Preference), plus an amount equal to all unpaid dividends and distributions accumulated up to (but excluding) the date fixed for distribution or payment, whether or not earned or declared by us, but excluding interest thereon. See *Description of the Series 2024 Term Preferred Stock Liquidation Rights.*
Dividends	The Series 2024 Term Preferred Stock will pay a monthly dividend at a fixed annual rate of 6.00% of the Liquidation Preference, or $1.50 per share per year, which we refer to as the Fixed Dividend Rate. The Fixed Dividend Rate is subject to adjustment under certain circumstances, but will not in any case be lower than $1.50 per share per year. Cumulative cash dividends or distributions on the Series 2024 Term Preferred Stock will be payable monthly, when, as and if declared, or under authority granted, by our

Board of Directors out of funds legally available for such payment. The first dividend period for

S-6

Table of Contents

	the Series 2024 Term Preferred Stock will commence on the initial issuance date of such shares upon the closing of this offering, which we refer to as the Date of Original Issue, and will end on October 31, 2017.
Ranking	The shares of Series 2024 Term Preferred Stock are senior securities that constitute capital stock of the Company. The Series 2024 Term Preferred Stock ranks:
	senior to the common stock in priority of payment of dividends and as to the distribution of assets upon dissolution, liquidation or the winding-up of our affairs;
	equal in priority with our Series 2021 Term Preferred Stock and all other future Term Preferred Shares we may issue (as such term is defined in the TP Articles Supplementary) (collectively, the Term Preferred Stock), as to priority of payment of dividends and as to distributions of assets upon dissolution, liquidation or the winding-up of our affairs; and
	effectively subordinated to all of our existing and future secured indebtedness (including indebtedness that is initially unsecured to which we subsequently grant security), to the extent of the value of the assets securing such indebtedness, including without limitation, borrowings under our Credit Facility.
	We may issue additional shares of Term Preferred Stock, but pursuant to the 1940 Act, we may not issue additional classes of capital stock that rank senior or junior to the Series 2024 Term Preferred Stock (other than classes of common stock) as to priority of payment of dividends and as to distribution of assets. We may, however, borrow funds from banks and other lenders so long as the ratio of (1) the value of total assets less the total borrowed amounts to (2) the sum of all senior securities representing indebtedness and the number of shares of outstanding Series 2024 Term Preferred Stock and Series 2021 Term Preferred Stock (and any other classes of Term Preferred Stock) multiplied by $25 per share, is not less

	than 200%.
Mandatory Term Redemption	We are required to redeem all outstanding Series 2024 Term Preferred Stock on September 30, 2024 (the Term Redemption Date) at a redemption price equal to the Liquidation Preference plus an amount equal to all unpaid dividends and distributions on such shares (whether or not earned or declared, but excluding interest thereon) up to

Table of Contents

(but excluding) the Term Redemption Date (the Term Redemption Price). If we fail to redeem the Series 2024 Term Preferred Stock pursuant to the mandatory redemption required on September 30, 2024, or in any other circumstance in which we are required to redeem the Series 2024 Term Preferred Stock, then the Fixed Dividend Rate will increase by four percent (4.00%) per annum for so long as such failure continues. We cannot effect any amendment, alteration or repeal of our obligation to redeem all of the Series 2024 Term Preferred Stock on September 30, 2024 without the prior unanimous vote or consent of holders of the Series 2024 Term Preferred Stock. See *Description of the Series 2024 Term Preferred Stock Redemption and Voting Rights.*

Mandatory Redemption for Asset Coverage

If we fail to maintain an Asset Coverage ratio (as defined below) of at least 200% as of the close of business on any Business Day, as defined in the Articles Supplementary, on which Asset Coverage is required to be calculated, and such failure is not cured by the date that is 30 days following the date of filing of our SEC Report with respect to such date on which Asset Coverage is required to be calculated (referred to in this prospectus supplement as an Asset Coverage Cure Date), then we are required to redeem, within 90 calendar days of the Asset Coverage Cure Date, shares of Term Preferred Stock equal to the lesser of (1) the minimum number of shares of Term Preferred Stock that will result in our having an Asset Coverage ratio of at least 200% and (2) the maximum number of shares of Term Preferred Stock that can be redeemed out of funds legally available for such redemption. Also, at our sole discretion, we may redeem such number of shares of Term Preferred Stock (including shares of Term Preferred Stock required to be redeemed) that will result in our having an Asset Coverage ratio of up to and including 240%. The Term Preferred Stock to be redeemed may include, at our sole option, any number or proportion of the Series 2024 Term Preferred Stock and other series of Term Preferred Stock, including the Series 2021 Term Preferred Stock. If shares of the Series 2024 Term Preferred Stock are to be redeemed in such an event, they will be redeemed at a redemption price equal to their Liquidation Preference per share plus an amount equal to all unpaid dividends and distributions on such shares (whether or not declared, but excluding interest thereon) accumulated to (but excluding) the date fixed for such redemption.

	Asset Coverage for purposes of our Term Preferred Stock is a ratio calculated under Sections 18(h) and 61 of the 1940 Act, as in effect on the date of the Articles Supplementary, and is determined on the basis of values calculated as of a time within two days preceding each determination (excluding Sundays and holidays). We estimate that, on the Date of Original Issue, our Asset Coverage, based on the composition and value of our portfolio as of June 30, 2017, and after giving effect to (1) the issuance of shares of Series 2024 Term Preferred Stock offered in this offering; (2) redeeming all Series 2021 Term Preferred Stock upon completion of this offering; and (3) the payment of underwriting discounts and commissions of $1,417,500 and estimated related offering costs payable by us of $285,000, would have been approximately 246.7%. Our net investment income coverage, which is calculated by dividing our net investment income by the amount of distributions to holders of our common stock, was approximately 100.0% for the twelve months ended September 30, 2016 and approximately 100.0% for the nine months ended June 30, 2017. Net investment income coverage has varied each year since our inception, and there is no assurance that historical coverage levels will be maintained. See *Description of the Series 2024 Term Preferred Stock Asset Coverage.*
Optional Redemption	At any time after the close of business on September 30, 2019 (any such date, an Optional Redemption Date), at our sole option, we may redeem the Series 2024 Term Preferred Stock in whole or from time to time, in part, out of funds legally available for such redemption, at a price per share equal to the sum of the Liquidation Preference all unpaid dividends and distributions on the Series 2024 Term Preferred Stock accumulated to (but excluding) the Optional Redemption Date plus the optional redemption premium per share (if any) with respect to an optional redemption on the Series 2024 Term Preferred Stock that is effected on the Optional Redemption Date. See *Description of the Series 2024 Term Preferred Stock Redemption Optional Redemption.*
Change of Control Redemption	If a Change of Control Triggering Event occurs, unless we have exercised our option to redeem the Series 2024 Term Preferred Stock, we will be required to redeem all of the outstanding Series 2024 Term Preferred Stock at the Liquidation Preference, plus an amount equal to all unpaid dividends on such shares (whether or not earned or

	declared, but excluding interest thereon) accumulated to (but excluding) the date fixed for such redemption. See *Description of the Series 2024 Term Preferred Stock* for a definition of Change of Control Triggering Event and additional information concerning the redemption of the Series 2024 Term Preferred Stock in connection with such events.
Voting Rights	Except as otherwise provided in our charter or as otherwise required by law, (1) each holder of Term Preferred Stock (including the Series 2024 Term Preferred Stock) will be entitled to one vote for each share of Term Preferred Stock held by such holder on each matter submitted to a vote of our stockholders and (2) the holders of all outstanding Term Preferred Stock and common stock will vote together as a single class; provided, however, that holders of outstanding Term Preferred Stock, voting separately as a class, will elect at all times two of our directors and will be entitled to elect a majority of our directors if we fail to pay dividends on any outstanding shares of Term Preferred Stock in an amount equal to two full years of dividends and continuing until we correct that failure. Holders of Term Preferred Stock will also vote separately as a class on any matter that materially and adversely affects any preference, right or power of the Term Preferred Stock or the holders thereof. See *Description of the Series 2024 Term Preferred Stock Voting Rights*.
Conversion Rights	The Series 2024 Term Preferred Stock will have no conversion rights.
Use of Proceeds	We intend to use the net proceeds from this offering (after the payment of underwriting discounts and commissions of $1,417,500 and estimated expenses of the offering of approximately $285,000) plus borrowings under our Credit Facility to redeem all outstanding Series 2021 Term Preferred Stock at an aggregate redemption price of $61.0 million, plus accrued but unpaid dividends as further described in this prospectus supplement. See *Use of Proceeds*.
U.S. Federal Income Taxes	Prospective investors are urged to consult their own tax advisors regarding these matters in light of their personal investment circumstances.
	We have elected to be treated, and intend to continue to so qualify each year, as a RIC under Subchapter M of the Code,

and we generally do not expect to be subject to U.S. federal income tax.

	The dividends on the Series 2024 Term Preferred Stock generally will not qualify for the dividends received deduction or for taxation as qualified dividend income.
Risk Factors	Investing in the Series 2024 Term Preferred Stock involves risks. You should carefully consider the information set forth in the sections of this prospectus supplement and the accompanying prospectus entitled *Risk Factors* before deciding whether to invest in our Series 2024 Term Preferred Stock. See *Risk Factors* beginning on page S-12 of this prospectus supplement and page 12 of the accompanying prospectus.
Information Rights	During any period in which we are not subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), and any shares of Series 2024 Term Preferred Stock are outstanding, we will provide holders of Series 2024 Term Preferred Stock, without cost, copies of the annual reports on Form 10-K and quarterly reports on Form 10-Q that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if we were subject to such provisions or, alternatively, we will voluntarily file reports on Form 10-K and Form 10-Q as if we were subject to Section 13 or 15(d) of the Exchange Act.
Redemption and Paying Agent	Pursuant to the Transfer Agency and Service Agreement with Computershare, Inc., which we refer to as the Redemption and Paying Agent in this prospectus supplement, the Redemption and Paying Agent will serve as transfer agent and registrar, dividend disbursing agent and redemption and paying agent with respect to the Series 2024 Term Preferred Stock.

Table of Contents

RISK FACTORS

You should carefully consider the risks described below, and the risks described in Risk Factors beginning on page 12 of the accompanying prospectus, before deciding to invest in the Series 2024 Term Preferred Stock. The risks and uncertainties described below and in the accompanying prospectus are not the only ones we face. Additional risks and uncertainties not presently known to us, or not presently deemed material by us, may also impair our operations and performance and the value of the Series 2024 Term Preferred Stock. If any of the following risks or the risks described in the accompanying prospectus actually occur, our business, financial condition or results of operations could be materially adversely affected, and the value of the Series 2024 Term Preferred Stock may be impaired. If that happens, the trading price of the Series 2024 Term Preferred Stock could decline, and you may lose all or part of your investment.

Risks of Investing in Term Preferred Stock

We may be unable to use the net proceeds from this offering to redeem the Series 2021 Term Preferred Stock within the time period that we anticipate or at all, which could adversely affect our financial condition and results of operations and increase the likelihood of our failing to meet the asset coverage requirements of the 1940 Act.

We intend to use the net proceeds from this offering plus borrowings under our Credit Facility to redeem all outstanding shares of our Series 2021 Term Preferred Stock. We anticipate that substantially all of the net proceeds of this offering will be utilized in this manner within three months of the completion of this offering. However, we cannot assure you that we will be able to redeem the Series 2021 Term Preferred Stock within this time period or at all. Any delay or failure to use the net proceeds from this offering to redeem the Series 2021 Term Preferred Stock could adversely affect our financial condition and results of operations and increase the likelihood of our failing to meet the asset coverage requirements of the 1940 Act, as described below under *Our amount of senior securities outstanding will increase as a result of this offering, which could adversely affect our business, financial condition and results of operations, our ability to meet our payment obligations under the Credit Facility and our ability to meet the asset coverage requirements of the 1940 Act.*

An investment in term preferred stock with a fixed interest rate bears interest rate risk.

Term preferred stock, in general, pays dividends at a fixed dividend rate. Prices of fixed income investments vary inversely with changes in market yields. The market yields on securities comparable to the Series 2024 Term Preferred Stock may increase, which would likely result in a decline in the secondary market price of the Series 2024 Term Preferred Stock prior to the Term Redemption Date. This risk may be even more significant in light of low currently prevailing market interest rates. For additional information concerning dividends on the Series 2024 Term Preferred Stock, see *Description of the Series 2024 Term Preferred Stock Dividends and Dividend Periods.*

There is no guarantee that the Series 2024 Term Preferred Stock will be approved for listing on NASDAQ, there may be no initial secondary trading market due to delayed listing, and even after listing a liquid secondary trading market may not develop.

We have applied to list the Series 2024 Term Preferred Stock on NASDAQ, and we do not know when the Series 2024 Term Preferred Stock will be approved for listing, if at all. If approved, we expect the Series 2024 Term Preferred Stock to begin trading on NASDAQ within 30 days of the date of this prospectus supplement, though there can be no assurance that the Series 2024 Term Preferred Stock will begin trading within this period, or at all. During the time the Series 2024 Term Preferred Stock is not listed on NASDAQ, the underwriters may make a market in the Series 2024 Term Preferred Stock, but they are not obligated to do so and may discontinue any market-making at any time without notice. Consequently, an investment in the Series 2024 Term Preferred Stock during this period may be illiquid, and holders of such shares may not be able to sell them during that period as it is unlikely that an active secondary market for the Series 2024 Term Preferred Stock will develop. If a secondary market does develop during this period, holders of the Series 2024 Term Preferred Stock may be able to sell such shares only at substantial discounts from the Liquidation Preference. We cannot accurately predict the trading patterns of the Series 2024 Term Preferred Stock, including the effective costs of trading the stock. Even if our Series 2024 Term Preferred Stock begins trading on NASDAQ, there is also a risk that such shares may be thinly traded, and the market for such shares may be relatively illiquid compared to the market for other types of securities, with the spread between the bid and asked prices considerably greater than the spreads of other securities with comparable terms and features. If an active trading market does develop, the Series 2024 Term Preferred Stock may trade at prices lower than the initial offering price. The trading price of the Series 2024 Term Preferred Stock would depend on many factors, including:

- prevailing interest rates;
- the market for similar securities;
- general economic and financial market conditions;
- our issuance of debt or preferred equity securities; and
- our financial condition, results of operations and prospects.

The Series 2024 Term Preferred Stock will not be rated.

We do not intend to have the Series 2024 Term Preferred Stock rated by any rating agency. Unrated securities usually trade at a discount to similar, rated securities. As a result, there is a risk that the Series 2024 Term Preferred Stock may trade at a price that is lower than they might otherwise trade if rated by a rating agency.

The Series 2024 Term Preferred Stock will bear a risk of early redemption by us.

We may voluntarily redeem some or all of the Series 2024 Term Preferred Stock on or after September 30, 2019, which is five years prior to its mandatory redemption date of September 30, 2024. We also may be forced to redeem some or all of the Series 2024 Term Preferred Stock to meet regulatory requirements and the Asset Coverage requirements of such shares. We are also required to redeem all of the Series 2024 Term Preferred Stock upon a Change of Control Triggering Event. Any such redemption may occur at a time that is unfavorable to holders of the Series 2024 Term Preferred Stock. We may have an incentive to redeem the Series 2024 Term Preferred Stock voluntarily before the Term Redemption Date if market conditions allow us to issue other Term Preferred Stock or debt securities at a rate that is lower than the Fixed Dividend Rate on the Series 2024 Term Preferred Stock. For further information regarding our ability to redeem the Series 2024 Term Preferred Stock, see *Description of the Series 2024 Term Preferred Stock Redemption* and *Asset Coverage.*

Claims of holders of the Series 2024 Term Preferred Stock will be subject to a risk of subordination relative to holders of our debt instruments.

Rights of holders of the Series 2024 Term Preferred Stock will be subordinated to the rights of holders of our current and any future indebtedness. Even though the Series 2024 Term Preferred Stock will be classified as a liability for purposes of accounting principles generally accepted in the U.S. (GAAP) and considered senior securities under the 1940 Act, the shares of Series 2024 Term Preferred Stock are not debt instruments. Therefore, dividends, distributions and other payments to holders of the Series 2024 Term Preferred Stock in liquidation or otherwise may be subject to prior payments due to the holders of our indebtedness. In addition, under some circumstances the 1940 Act may provide debt holders with voting rights that are superior to the voting rights of holders of the Series 2024 Term Preferred Stock.

We are subject to risks related to a general credit crisis and related liquidity risks.

General market uncertainty and extraordinary conditions in the credit markets may impact the liquidity of our investment portfolio. In turn, during extraordinary circumstances, this uncertainty could impact our distributions and/or ability to redeem the Series 2024 Term Preferred Stock in accordance with its terms. Further, there may be market imbalances of sellers and buyers of Series 2024 Term Preferred Stock during periods of extreme illiquidity and volatility in the credit markets. Such market conditions may lead to periods of thin trading in any secondary market for the Series 2024 Term Preferred Stock and may make valuation of the Series 2024 Term Preferred Stock uncertain. As a result, the spread between bid and ask prices is likely to increase significantly such that a holder of shares of the Series 2024 Term Preferred Stock may have difficulty selling his or her shares. Less liquid and more volatile trading environments could also result in sudden and significant valuation declines in the Series 2024 Term Preferred Stock.

Holders of the Series 2024 Term Preferred Stock will be subject to inflation risk.

Inflation is the reduction in the purchasing power of money resulting from the increase in the price of goods and services. Inflation risk is the risk that the inflation-adjusted, or real, value of an investment in the Series 2024 Term Preferred Stock or the income from that investment will be worth less in the future. As inflation occurs, the real value of the shares of Series 2024 Term Preferred Stock and dividends payable on such shares may decline.

Holders of the Series 2024 Term Preferred Stock will bear reinvestment risk.

Given the seven-year term and potential for early redemption of the Series 2024 Term Preferred Stock, holders of such shares may face an increased reinvestment risk, which is the risk that the return on an investment purchased with proceeds from the sale or redemption of the Series 2024 Term Preferred Stock may be lower than the return previously obtained from the investment in such shares.

Holders of Series 2024 Term Preferred Stock will bear dividend risk.

We may be unable to pay dividends on the Series 2024 Term Preferred Stock under some circumstances. The terms of our indebtedness, including the Credit Facility, preclude the payment of dividends in respect of equity securities, including the Series 2024 Term Preferred Stock, under certain conditions. See *Liquidity and Capital Resources Revolving Credit Facility.*

Our amount of senior securities outstanding will increase as a result of this offering, which could adversely affect our business, financial condition and results of operations, our ability to meet our payment obligations under the Credit Facility and our ability to meet the asset coverage requirements of the 1940 Act.

As of June 30, 2017, we had $61.0 million outstanding of Series 2021 Term Preferred Stock and $82.2 million of borrowings outstanding under our Credit Facility. We intend to use the net proceeds from this offering plus borrowings under our Credit Facility to redeem all outstanding shares of our Series 2021 Term Preferred Stock. We anticipate that substantially all of the net proceeds of this offering will be utilized in this manner within three months of the completion of this offering. However, until such time as the outstanding shares of Series 2021 Term Preferred Stock have been redeemed using the proceeds of this offering (and, to the extent that the aggregate amount of Series 2024 Term Preferred Stock issued in this offering exceeds the aggregate amount of Series 2021 Term Preferred Stock currently outstanding, following such redemption of the Series 2021 Term Preferred Stock), our amount of senior securities outstanding will increase as a result of this offering.

The issuance of additional senior securities could have significant consequences on our future operations, including:

- making it more difficult for us to meet our payment and other financial obligations under our Credit Facility;

resulting in an event of default if we fail to comply with the financial and other restrictive covenants contained in our Credit Facility, which event of default could result in all amounts outstanding under our Credit Facility becoming immediately due and payable;

Table of Contents

- reducing the availability of our cash flow to fund investments and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;

- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and

- increasing the likelihood of our failing to meet the asset coverage requirements of the 1940 Act, as described below.

We face Asset Coverage risks in our investment activities.

The Asset Coverage ratio that we must maintain on our Term Preferred Stock, including the Series 2024 Term Preferred Stock, is based upon a calculation of the value of our portfolio holdings. A large percentage of our portfolio investments are, and we expect will continue to be, in the form of securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded is generally not readily determinable. Our Board of Directors has established an investment valuation policy and consistently applied valuation procedures to determine the fair value of these securities on a quarterly basis. The procedures for the determination of value of many of our debt securities rely on opinions of value submitted to us by Standard & Poor s Securities Evaluations, Inc. (SPSE), the use of internally developed discounted cash flow (DCF), methodologies, or internal methodologies based on the total enterprise value (TEV), of the issuer, which we use for certain of our equity investments. SPSE will only evaluate the debt portion of investments for which we specifically request an evaluation, and SPSE may decline to provide requested evaluations for any reason in its sole discretion.

A portion of our assets are, and will continue to be, comprised of equity securities that are valued based on internal assessments using valuation methods approved by our Board of Directors, without the input of SPSE or any other third-party evaluator. While we believe that our equity valuation methods reflect those regularly used as standards by other professionals in our industry who value equity securities, the determination of fair value for securities that are not publicly traded necessarily involves an exercise of subjective judgment, whether or not we obtain the recommendations of an independent third-party evaluator.

Our use of these fair value methods is inherently subjective and is based on estimates and assumptions regarding each security. In the event that we are required to sell a security, we may ultimately sell for an amount materially less than the estimated fair value calculated by us or SPSE, or determined using TEV or the DCF methodology. As a result, a risk exists that the Asset Coverage attributable to the Term Preferred Stock, including the Series 2024 Term Preferred Stock, may be materially lower than what is calculated based upon the fair valuation of our portfolio securities in accordance with our valuation policies. See Risk Factors Risks Related to Our Investments *Because the loans we make and equity securities we receive when we make loans are not publicly traded, there is uncertainty regarding the value of our privately held securities that could adversely affect our determination of our net asset value (NAV)* on page 16 of the accompanying prospectus.

There is a risk of delay in our redemption of the Series 2024 Term Preferred Stock, and we may fail to redeem such securities as required by their terms.

We will generally make investments in private companies whose securities are not traded in any public market. Substantially all of the investments we presently hold and the investments we expect to acquire in the future are, and will be, subject to legal and other restrictions on resale and will otherwise be less liquid than publicly traded securities. The illiquidity of our investments may make it difficult for us to obtain cash equal to the value at which we record our investments quickly if a need arises. If we are unable to obtain sufficient liquidity prior to the Term Redemption Date or a Change of Control Triggering Event, we may be forced to engage in a partial redemption or to delay a required redemption. If such a partial redemption or delay were to occur, the market price of the Series 2024 Term Preferred Stock might be adversely affected.

We finance our investments with borrowed money and senior securities, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us.

The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns on our portfolio, net of expenses. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing in the table below.

	Assumed Return on Our Portfolio (Net of Expenses)				
	(10)%	**(5)%**	**0.0%**	**5%**	**10%**
Corresponding return to common stockholder(A)	(19.92)%	(11.59)%	(3.26)%	5.06%	13.39%

(A) The hypothetical return to common stockholders is calculated by multiplying our total assets as of June 30, 2017 by the assumed rates of return and subtracting all interest accrued on our debt as of June 30, 2017, adjusted for the assumed dividends declared on the shares of Series 2024 Term Preferred Stock to be issued in this offering (and assuming the Series 2021 Term Preferred Stock are redeemed in full); and then dividing the resulting difference by our total assets attributable to common stock. This calculation is based on $361.3 million in total assets, $82.2 million in debt outstanding at cost and $217.0 million in net assets as of June 30, 2017.

Based on (i) our outstanding indebtedness of $82.2 million at cost as of June 30, 2017 and (ii) an effective annual interest rate of 4.5% on such indebtedness as of that date, our investment portfolio at fair value would have been required to experience an annual return of at least 2.05% to cover annual interest payments on the outstanding indebtedness and dividends on the Series 2024 Term Preferred Stock to be issued in this offering (and assuming the Series 2021 Term Preferred Stock is redeemed in full).

Other Risks

In addition to regulatory limitations on our ability to raise capital, our Credit Facility contains various covenants which, if not complied with, could accelerate our repayment obligations under the facility, thereby materially and adversely affecting our liquidity, financial condition, results of operations and ability to pay distributions.

We will have a continuing need for capital to finance our investments. We are party to the Credit Facility, which provides us with a revolving credit line facility of $170.0 million, of which $82.2 million was drawn, at cost, as of June 30, 2017. The Credit Facility permits us to fund additional loans and investments as long as we are within the conditions set forth in the credit agreement. Our Credit Facility contains covenants that require Business Loan to maintain its status as a separate legal entity, prohibit certain significant corporate transactions (such as mergers, consolidations, liquidations or dissolutions) and restrict material changes to our credit and collection policies. The Credit Facility also limits payments of distributions to our stockholders on a fiscal year basis to the sum of our net investment income. Business Loan is also subject to certain limitations on the type of loan investments it can apply as collateral towards the borrowing base in order to receive additional borrowing availability under our Credit Facility, including restrictions on geographic concentrations, sector concentrations, loan size, interest rate type, payment frequency and status, average life and lien property. Our Credit Facility further requires Business Loan to comply with other financial and operational covenants, which obligate Business Loan to, among other things, maintain certain financial ratios, including asset and interest coverage, and a required minimum number of 20 obligors in the borrowing base. Additionally, we are subject to a covenant that requires us to maintain (i) a minimum net worth (defined in our Credit Facility to include our Term Preferred Stock) of $205.0 million plus 50.0% of all equity and subordinated debt raised after May 1, 2015, which equates to $225.0 million as of June 30, 2017, (ii) asset coverage with respect to senior securities representing indebtedness of at least 200.0%, in accordance with Sections 18 and 61 of the 1940 Act and (iii) our status as a BDC under the 1940 Act and as a RIC under the Code. As of June 30, 2017, we were in compliance with all of our Credit Facility covenants; however, our continued compliance depends on many factors, some of which are beyond our control.

Given the continued uncertainty in the capital markets, the cumulative unrealized depreciation in our portfolio may increase in future periods and threaten our ability to comply with the minimum net worth covenant and other covenants under our Credit Facility. Our failure to satisfy these covenants could result in foreclosure by our lenders, which would accelerate our repayment obligations under the facility and thereby have a material adverse effect on our business, liquidity, financial condition, results of operations and ability to pay distributions to our stockholders.

We may authorize, establish, create, issue and sell shares of one or more series of a class of our senior securities while shares of Series 2024 Term Preferred Stock are outstanding without the vote or consent of the holders thereof.

While shares of Series 2024 Term Preferred Stock are outstanding, we may, without the vote or consent of the holders thereof, authorize, establish and create and issue and sell shares of one or more series of a class of our senior securities representing stock under Section 18, as modified by Section 61, of the 1940 Act, ranking on parity with the Series 2024 Term Preferred Stock as to payment of dividends and distribution of assets upon dissolution, liquidation or the winding up of our affairs, in addition to then outstanding shares of Series 2024 Term Preferred Stock, including additional series of Term Preferred Stock, and authorize, issue and sell additional shares of any such series of Term Preferred Stock then outstanding or so established and created, in each case in accordance with applicable law, provided that we will, immediately after giving effect to the issuance of such additional Term Preferred Stock and to our receipt and application of the proceeds thereof, including to the redemption of Term Preferred Stock with such proceeds, have Asset Coverage of at least 200%.

Any of the above-listed factors could have an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under the Credit Facility and monthly dividend obligations or redemption obligations with respect to our Term Preferred Stock.

Our ability to meet our payment and other obligations under the Credit Facility and monthly dividend obligations with respect to our Term Preferred Stock depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under the Credit Facility or otherwise, in an amount sufficient to enable us to meet these obligations and to fund other liquidity needs. If we are not able to generate sufficient cash flow to service our obligations, we may need to refinance or restructure our debt, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations under the Credit Facility or monthly dividend obligations with respect to our Term Preferred Stock.

In addition, we may issue debt securities, other evidences of indebtedness (including borrowings under the Credit Facility), senior securities representing indebtedness and senior securities that are stock up to the maximum amount permitted by the 1940 Act. The 1940 Act currently permits us, as a BDC, to issue senior securities representing indebtedness and senior securities that are stock (such as our Term Preferred Stock), in amounts such that our asset coverage, in accordance with Sections 18 and 61 of the 1940 Act, is at least 200% immediately after each issuance of such senior security. Notwithstanding Section 18(e) of the 1940 Act, the issuance of additional senior securities in this offering may increase the likelihood of our failing to meet the asset coverage requirements of the 1940 Act, especially prior to any redemption of the Series 2024 Term Preferred Stock. Our ability to pay distributions, issue senior securities or repurchase shares of our Common Stock would be restricted if the asset coverage on each of our senior securities is not at least 200%. If the aggregate value of our assets declines, we might be unable to satisfy that 200% requirement. To satisfy the 200% asset coverage requirement in the event that we are seeking to pay a distribution, we might either have to (i) liquidate a portion of our loan portfolio to repay a portion of our indebtedness or (ii) issue

Common Stock. This may occur at a time when a sale of a portfolio asset may be disadvantageous, or when we have limited access to capital markets on agreeable terms. In addition, any amounts that we use to service our indebtedness or for offering expenses will not be available for distributions to stockholders. Furthermore, if we have to issue common stock at a price below NAV per common share, upon obtaining the requisite stockholder and board approvals as we have done previously, any non-participating common stockholders will be subject to dilution.

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this prospectus supplement or the accompanying prospectus, other than historical facts, may constitute forward-looking statements. These statements may relate to, among other things, our future operating results, our business prospects and the prospects of our portfolio companies, actual and potential conflicts of interest with our Adviser and its affiliates, the use of borrowed money to finance our investments, the adequacy of our financing sources and working capital, and our ability to co-invest, among other factors. In some cases, you can identify forward-looking statements by terminology such as estimate, may, might, believe, will, provided, a future, could, growth, plan, intend, expect, should, would, if, seek, possible, potential, lik terms or comparable terminology. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to: (1) the recurrence or impact of adverse events in the economy and the capital markets, including stock price volatility; (2) risks associated with negotiation and consummation of pending and future transactions; (3) the loss of one or more of our executive officers, in particular David Gladstone, Terry Lee Brubaker or Robert L. Marcotte; (4) changes in our investment objectives and strategy; (5) availability, terms (including the possibility of interest rate volatility) and deployment of capital; (6) changes in our industry, interest rates, exchange rates or the general economy; (7) the degree and nature of our competition; (8) our ability to maintain our qualification as a RIC and as business development company; and (9) those factors described in the Risk Factors section of this prospectus supplement and the accompanying prospectus.

We caution readers not to place undue reliance on any such forward-looking statements. Actual results could differ materially from those anticipated in our forward-looking statements and future results could differ materially from historical performance. We have based forward-looking statements on information available to us on the date of this report. Except as required by the federal securities laws, we undertake no obligation to publicly update or revise or any forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this prospectus supplement or the accompanying prospectus. The forward-looking statements contained or incorporated by reference in this prospectus supplement and the accompanying prospectus are excluded from the safe harbor protection provided by the Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act of 1933, as amended (the Securities Act).

Table of Contents

USE OF PROCEEDS

We estimate that the net proceeds to us of this offering will be approximately $43.3 million, after deducting the payment of underwriting discounts and commissions of $1,417,500 and estimated offering expenses of $285,000 payable by us. We intend to use the net proceeds from this offering plus borrowings under our Credit Facility to redeem all outstanding shares of the Series 2021 Term Preferred Stock at an aggregate redemption price of $61.0 million, plus accrued but unpaid dividends as further described below. Our Series 2021 Term Preferred Stock bears interest at an annual rate of 6.75% of the $25 liquidation preference per share, payable monthly, and we are required to redeem all of the outstanding Series 2021 Term Preferred Stock on June 30, 2021 at a redemption price equal to $25 per share plus an amount equal to accumulated but unpaid dividends, if any, up to, but excluding, the date of redemption. As is anticipated after the completion of this offering, at any time on or after June 30, 2017, at our sole option, we may redeem the Series 2021 Term Preferred Stock in whole or from time to time, in part, out of funds legally available for such redemption, at a price per share equal to the sum of the liquidation preference of $25 per share plus an amount equal to accumulated but unpaid dividends, if any, on such shares (whether or not earned or declared, but excluding interest on such dividends) to, but excluding, the date fixed for such redemption.

As of June 30, 2017, we had $82.2 million outstanding under our Credit Facility with a weighted average effective annual interest rate of 5.3% for the nine months ended June 30, 2017. The Credit Facility has a maturity date of May 1, 2020. The interest rates on advances under our Credit Facility generally bear interest at a 30-day LIBOR plus 3.25% per annum, with a commitment fee of 0.5% per annum on undrawn amounts. If our Credit Facility is not renewed or extended by January 19, 2019, all principal and interest will be due and payable on or before April 19, 2020.

We have granted the underwriters the right to purchase up to 270,000 additional shares of Series 2024 Term Preferred Stock at the public offering price, less underwriting discounts and commissions, within 30 days of the date of this prospectus supplement solely to cover over-allotments, if any. If the underwriters exercise such option in full, the estimated net proceeds to us will be approximately $49.8 million. We anticipate that substantially all of the net proceeds of this offering will be utilized in the manner described above within three months of the completion of such offering. Pending such utilization, we intend to invest the net proceeds of the offering primarily in cash, cash equivalents, U.S. government securities and other high-quality debt investments that mature in one year or less from the date of investment, consistent with the requirements for continued qualification as a RIC for federal income tax purposes.

Table of Contents

RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED DIVIDENDS

	For the Nine Months Ended June 30, 2017	For the Year Ended September 30, 2016	2015	2014	2013	2012
			(Dollars in thousands)			
Net investment income	$ 15,945	$ 19,487	$ 17,700	$ 18,368	$ 18,386	$ 19,044
Add: fixed charges and preferred dividends(A)	5,955	8,092	9,050	7,213	7,137	8,108
Less: preferred dividends(A)	(3,087)	(4,118)	(4,116)	(3,338)	(2,744)	(2,491)
Net Earnings	$ 18,813	$ 23,461	$ 22,634	$ 22,243	$ 22,779	$ 24,661
Fixed charges and preferred dividends(A):						
Interest expense	$ 2,047	$ 2,899	$ 3,828	$ 2,628	$ 3,182	$ 4,374
Amortization of deferred financing fees	821	1,075	1,106	1,247	1,211	1,243
Preferred dividends(A)	3,087	4,118	4,116	3,338	2,744	2,491
Total fixed charges and preferred dividends(A)	$ 5,955	$ 8,092	$ 9,050	$ 7,213	$ 7,137	$ 8,108
Ratio of earnings to combined fixed charges and preferred dividends(A)	3.2x	2.9x	2.5x	3.1x	3.2x	3.0x

Computation of Pro Forma Ratio of Earnings to Combined Fixed Charges and Preferred Dividends for the Nine Months Ended June 30, 2017 After Adjustment for Issuance of Series 2024 Term Preferred Stock

	For the Nine Months Ended June 30, 2017	For the Year Ended September 30, 2016
	(Dollars in thousands)	
Net investment income	$ 15,945	$ 19,487
Add: fixed charges and preferred dividends(A), as above	5,955	8,092
Less: preferred dividends(A), as above	(3,087)	(4,118)
Adjustments:		
Pro forma increase in interest expense and amortization of deferred financing fees	887	1,044
Pro forma fixed charges	3,755	5,018
Pro forma preferred dividends(B)	2,025	2,700
Total pro forma fixed charges and preferred dividends(B)	5,780	7,718
Pro forma earnings	$ 19,700	$ 24,505
Pro forma ratio of earnings to combined fixed charges and preferred dividends(B)	5.2x	4.9x

(A) Preferred dividends on Series 2021 Term Preferred Stock.
(B) Preferred dividends on Series 2024 Term Preferred Stock.

Table of Contents

CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2017:

on an actual basis; and

on an as-adjusted basis to give effect to the completion of this offering and the application of the estimated net proceeds of the offering, after deducting underwriters discounts and commissions and estimated offering expenses payable by us (and assuming the underwriters over-allotment option is not exercised). See Use of Proceeds.

	As of June 30, 2017	
	Actual	As Adjusted**
	(Unaudited) (Dollars in thousands)	
Borrowings		
Borrowings under line of credit, at cost	$ 82,200	$ 99,903
Term Preferred Stock		
6.75% Series 2021 Term Preferred Stock, $0.001 par value per share; $25 liquidation preference per share; 2,460,118 shares authorized, and 2,200,000 issued and outstanding, actual; 0 shares authorized, 0 shares issued and outstanding, as adjusted*	$ 61,000	$
6.00% Series 2024 Term Preferred Stock, $0.001 par value per share; $25 liquidation preference per share; 0 shares authorized, issued and outstanding, actual; 3,000,000 shares authorized, 1,800,000 shares issued and outstanding, as adjusted*	$ 0	$ 45,000
Net Assets		
Common stock, $0.001 par value per share, 46,000,000 shares authorized, actual, and 44,560,000 shares authorized, as adjusted; 25,880,466 shares issued and outstanding, actual and as adjusted*	$ 26	$ 26
Capital in excess of par value	347,061	347,061
Net unrealized depreciation of investments	(60,400)	(60,400)
Net unrealized depreciation of other	(71)	(71)
Overdistributed net investment income	(313)	(313)
Accumulated net realized losses	(69,320)	(70,696)
Total Net Assets	$ 216,983	$ 215,607
Total Capitalization	$ 360,183	$ 360,510

* None of these outstanding shares are held by us or for our account.

** Assumes a total of $1,417,500 of aggregate underwriting discounts and commissions and $285,000 of estimated offering costs payable by us in connection with this offering will be capitalized and amortized over the life of the Series 2024 Term Preferred Stock through September 30, 2024.

The following are our outstanding classes of securities as of June 30, 2017:

(1) Title of Class	(2) Amount Authorized	(3) Amount Held by us or for Our Account	(4) Amount Outstanding Exclusive of Amounts Shown Under (3)
Common Stock	46,000,000		25,880,466
Series 2021 Term Preferred Stock	5,440,000		2,440,000

Table of Contents

CONSOLIDATED SELECTED FINANCIAL DATA

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

The following consolidated selected financial data for the fiscal years ended September 30, 2016, 2015, 2014, 2013 and 2012 are derived from our audited consolidated financial statements. The consolidated selected financial data for the nine months ended June 30, 2017 and 2016 are derived from our unaudited consolidated financial statements included in this prospectus supplement. The other data included in the second table below are unaudited. The data should be read in conjunction with our accompanying consolidated financial statements and notes thereto and *Management s Discussion and Analysis of Financial Condition and Results of Operations* included elsewhere in this prospectus supplement and the accompanying prospectus.

	Nine Months Ended June 30,		**Year Ended September 30,**				
	2017 (Unaudited)	**2016 (Unaudited)**	**2016**	**2015**	**2014**	**2013**	**2012**
Statement of Operations Data:							
Total Investment Income	$ 28,399	$ 29,362	$ 39,112	$ 38,058	$ 36,585	$ 36,154	$ 40,322
Total Expenses, Net of Credits from Adviser	12,454	14,778	19,625	20,358	18,217	17,768	21.278
Net Investment Income	15,945	14,584	19,487	17,700	18,368	18,386	19,044
Net Realized and Unrealized (Loss) Gain	(4,210)	(23,912)	(8,120)	(9,216)	(7,135)	13,833	(27,052)
Net Increase (Decrease) in Net Assets Resulting from Operations	$ 11,735	$ (9,328)	$ 11,367	$ 8,484	$ 11,233	$ 32,219	$ (8,008)
Per Share Data:							
Net Investment Income per Common Share Basic and Diluted[(A)]	$ 0.63	$ 0.63	$ 0.84	$ 0.84	$ 0.87	$ 0.88	$ 0.91
Net Increase (Decrease) in Net Assets Resulting from Operations per Common Share Basic	0.46	(0.40)	0.49	0.40	0.53	1.53	(0.38)

and Diluted[(A)]							
Distributions Declared and Paid Per Common Share	0.63	0.63	0.84	0.84	0.84	0.84	0.84
Statement of Assets and Liabilities Data:							
Total Assets	$ 361,345	$ 325,550	$ 337,178	$ 382,482	$ 301,429	$ 295,091	$ 293,402
Net Assets	216,983	185,514	201,207	191,444	199,660	205,992	188,564
Net Asset Value Per Common Share	8.38	7.95	8.62	9.06	9.51	9.81	8.98
Common Shares Outstanding	25,880,466	23,344,422	23,344,422	21,131,622	21,000,160	21,000,160	21,000,160
Weighted Common Shares Outstanding Basic and Diluted	25,288,289	23,145,842	23,200,642	21,066,844	21,000,160	21,000,160	21,011,123
Senior Securities Data:							
Total borrowings, at cost[(B)]	$ 82,200	$ 73,300	$ 71,300	$ 127,300	$ 36,700	$ 46,900	$ 58,800
Mandatorily redeemable preferred stock[(B)]	61,000	61,000	61,000	61,000	61,000	38,497	38,497

(A) Per share data is based on the weighted average common stock outstanding for both basic and diluted.

Table of Contents

(B) See *Management s Discussion and Analysis of Financial Condition and Results of Operations* in this prospectus supplement and the accompanying prospectus for more information regarding our level of indebtedness.

	Nine Months Ended June 30,		Year Ended September 30,				
	2017	**2016**	**2016**	**2015**	**2014**	**2013**	**2012**
Other Unaudited Data:							
Number of Portfolio Companies at Year End	47	43	45	48	45	47	50
Average Size of Portfolio Company Investment at Cost	$ 8,636	$ 8,984	$ 8,484	$ 8,547	$ 7,762	$ 7,069	$ 7,300
Principal Amount of New Investments	99,048	64,173	79,401	102,299	81,731	80,418	45,050
Proceeds from Loan Repayments, Investments Sold and Exits(C)	71,081	98,425	121,144	40,273	72,560	117,048	73,857
Weighted Average Yield on Investments(D)	11.5%	11.1%	11.1%	10.93%	11.47%	11.63%	11.25%
Total Return(E)	29.46	(3.04)	11.68	2.40	9.62	9.90	41.39

(C) Includes non-cash reductions in cost basis.

(D) Weighted average yield on investments equals interest income on investments divided by the weighted average interest-bearing principal balance throughout the fiscal year.

(E) Total return equals the change in the ending market value of our common stock from the beginning of the fiscal year, taking into account dividends reinvested in accordance with the terms of the dividend reinvestment plan. Total return does not take into account distributions that may be characterized as a return of capital. For further information on the estimated character of our distributions to common stockholders, please refer to Note 9 *Distributions to Common Stockholders* in the notes to the accompanying *Consolidated Financial Statements* included elsewhere in this prospectus supplement and the accompanying prospectus.

SELECTED QUARTERLY FINANCIAL DATA

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

The following table sets forth certain quarterly financial information for the first three quarters of the fiscal year ending September 30, 2017. The information was derived from our unaudited consolidated financial statements. Results for any quarter are not necessarily indicative of results for the past fiscal year or for any future quarter.

	Year Ending September 30, 2017		
	Quarter Ended December 31, 2016	**Quarter Ended March 31, 2017**	**Quarter Ended June 30, 2017**
Total investment income	$ 9,974	$ 8,793	$ 9,632
Net investment income	5,207	5,359	5,379

Net increase (decrease) in net assets resulting from operations	916	4,656	6,163
Net Increase (Decrease) in Net Assets Resulting From Operations per Weighted Average Common Share (Basic and Diluted)	$ 0.04	$ 0.18	$ 0.24

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(The tables included in this section list dollar amounts in thousands, except per share data or unless otherwise indicated.)

You should read the following analysis of our financial condition and results of operations in conjunction with our condensed consolidated financial statements and the related notes contained elsewhere in this prospectus supplement and in the accompanying prospectus.

OVERVIEW

General

We were incorporated under the Maryland General Corporation Law on May 30, 2001. We operate as an externally managed, closed-end, non-diversified management investment company, and have elected to be treated as a business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act). In addition, for federal income tax purposes we have elected to be treated as a registered investment company (RIC) under Subchapter M of the Internal Revenue Code (the Code). As a BDC and a RIC, we are subject to certain constraints, including limitations imposed by the 1940 Act and the Code.

We were established for the purpose of investing in debt and equity securities of established private businesses operating in the U.S. Our investment objectives are to: (1) achieve and grow current income by investing in debt securities of established businesses that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time; and (2) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities of established businesses that we believe can grow over time to permit us to sell our equity investments for capital gains. To achieve our investment objectives, our investment strategy is to invest in several categories of debt and equity securities, with each investment generally ranging from $8 million to $30 million, although investment size may vary, depending upon our total assets or available capital at the time of investment. We expect that our investment portfolio over time will consist of approximately 90.0% debt investments and 10.0% equity investments, at cost. As of June 30, 2017, our investment portfolio was made up of approximately 90.9% debt investments and 9.1% equity investments, at cost. We focus on investing in lower middle market companies (which we generally define as companies with annual earnings before interest, taxes, depreciation and amortization of $3 million to $15 million) in the U.S. that meet certain criteria, including, but not limited to, the following: the sustainability of the business free cash flow and its ability to grow it over time, adequate assets for loan collateral, experienced management teams with a significant ownership interest in the borrower, reasonable capitalization of the borrower, including an ample equity contribution or cushion based on prevailing enterprise valuation multiples and, to a lesser extent, the potential to realize appreciation and gain liquidity in our equity position, if any. We lend to borrowers that need funds for growth capital or to finance acquisitions or recapitalize or refinance their existing debt facilities. We seek to avoid investing in high-risk, early-stage enterprises. Our targeted portfolio companies are generally considered too small for the larger capital marketplace. We invest by ourselves or jointly with other funds and/or management of the portfolio company, depending on the opportunity and have opportunistically made several co-investments with our affiliate Gladstone Investment Corporation, a BDC also managed by our Adviser, pursuant to an exemptive order granted by the SEC. We believe this ability to co-invest will continue to enhance our ability to further our investment objectives and strategies. If we are participating in an investment with one or more co-investors, our investment is likely to be smaller than if we were investing alone.

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

Additionally, since February 2011, Gladstone Securities, LLC (Gladstone Securities), a privately-held broker-dealer registered with the Financial Industry Regulatory Authority and insured by the Securities Investor Protection Corporation, which is 100% indirectly owned and controlled by Mr. Gladstone, our chairman and chief executive officer, has provided other services, such as investment banking and due diligence services, to certain of our portfolio companies, for which Gladstone Securities receives a fee.

Our shares of common stock and 6.75% Series 2021 Term Preferred Stock (our Series 2021 Term Preferred Stock) are traded on the NASDAQ Global Select Market (NASDAQ) under the trading symbols GLAD and GLADO, respectively.

Business

Portfolio and Investment Activity

During the nine months ended June 30, 2017, we invested $85.2 million in eight new portfolio companies and extended $13.8 million of investments to existing portfolio companies. In addition, during the nine months ended June 30, 2017, we exited six portfolio companies through sales and early payoffs. We received a total of $71.1 million in combined net proceeds and principal repayments from the aforementioned portfolio company exits as well as existing portfolio companies during the nine months ended June 30, 2017. This activity resulted in a net increase in our overall portfolio by two portfolio companies to 47 and a net increase of 6.3% in our portfolio at cost since September 30, 2016. We intend to continue to make new conservative investments in businesses with steady cash flows. We are focused on building our pipeline and making investments that meet our objectives and strategies and that provide appropriate returns, in light of the accompanying risks. From our initial public offering in August 2001 and through June 30, 2017, we have made 460 different loans to, or investments in, 214 companies for a total of approximately $1.6 billion, before giving effect to principal repayments on investments and divestitures.

During the nine months ended June 30, 2017, the following significant transactions occurred:

- In October 2016, RP Crown Parent, LLC paid off at par for proceeds of $2.0 million.

- In October 2016, our $3.9 million secured first lien debt investment in Vertellus Specialties, Inc. was restructured. As a result of the restructure, we received a new $1.1 million secured second lien debt investment in Vertellus Holdings LLC and common equity with a cost basis of $3.0 million.

- In November 2016, we completed the sale of substantially all the assets of RBC Acquisition Corp. (RBC) for net proceeds of $36.3 million, which resulted in a realized loss of $2.3 million. In connection with the sale, we received success fee income of $1.1 million and net receivables of $1.5 million, which are recorded within Other assets, net.

- In November 2016, we invested $5.2 million in Sea Link International IRB, Inc. through secured second lien debt and equity.

In December 2016, we sold our investment in Behrens Manufacturing, LLC (Behrens), which resulted in success fee income of $0.4 million and a realized gain of $2.5 million. In connection with the sale, we received net cash proceeds of $8.2 million, including the repayment of our debt investment of $4.3 million at par.

In December 2016, we invested $7.0 million in Vacation Rental Pros Property Management, LLC through secured second lien debt.

In December 2016, Autoparts Holdings Limited paid off at par for proceeds of $0.7 million.

In December 2016, we invested $5.0 million in LDiscovery, LLC through secured second lien debt.

In February 2017, we invested $10.0 million in Belnick, Inc. through secured second lien debt.

In February 2017, we invested $29.0 million in NetFortris Corp. through secured first lien debt.

Table of Contents

In February 2017, Vitera Healthcare Solutions, LLC paid off at par for proceeds of $4.5 million.

In March 2017, LCR Contractors, LLC paid off at par for net cash proceeds of $8.6 million. In connection with the payoff, we received a prepayment fee of $0.2 million.

In April 2017, we invested $22.0 million in HB Capital Resources, Ltd. through secured second lien debt.

In May 2017, we invested an additional $4.1 million in an existing portfolio company, Lignetics, Inc., through secured second lien debt and equity, to support an acquisition.

In May 2017, we invested $4.0 million in Keystone Acquisition Corp. through secured second lien debt.

In June 2017, we invested $3.0 million in Medical Solutions Holdings, Inc. through secured second lien debt.

Capital Raising

We have been able to meet our capital needs through extensions of and increases to the Credit Facility and by accessing the capital markets in the form of public equity offerings. We have successfully extended the Credit Facility s revolving period multiple times, most recently to January 2019, and currently have a total commitment amount of $170.0 million. Additionally, we issued 2.3 million shares of common stock for gross proceeds of $19.8 million in October 2015, inclusive of the November 2015 over-allotment, and we issued approximately 2.2 million shares of our common stock for gross proceeds of $17.3 million in October 2016, inclusive of the November 2016 over-allotment. During the three months ended June 30, 2017, we sold 362,600 shares of our common stock under the Sales Agreement with Cantor Fitzgerald & Co., at a weighted-average price of $9.89 per share and raised $3.6 million of gross proceeds. Net proceeds, after deducting commissions and offering costs borne by us, were approximately $3.4 million. Refer to *Liquidity and Capital Resources Equity Common Stock* for further discussion of our common stock and *Liquidity and Capital Resources Revolving Credit Facility* for further discussion of our Credit Facility.

Although we were able to access the capital markets historically and in recent years, we believe uncertain market conditions continue to affect the trading price of our capital stock and thus may inhibit our ability to finance new investments through the issuance of equity. During times of increased price volatility, our common stock may be more likely to trade at a price below our NAV per share, which is not uncommon for BDCs like us.

When our stock trades below NAV per common share, as it has often done over the last several years, our ability to issue equity is constrained by provisions of the 1940 Act, which generally prohibits the issuance and sale of our common stock below NAV per common share without first obtaining approval from our stockholders and our independent directors, other than through sales to our then-existing stockholders pursuant to a rights offering. At our annual meeting of stockholders held on February 11, 2016, our stockholders approved a proposal which authorizes us to sell shares of our common stock at a price below our then current NAV per common share subject to certain limitations (including, but not limited to, that the number of shares issued and sold pursuant to such authority does not exceed 25.0% of our then outstanding common stock immediately prior to each such sale) for a period of one year from the date of approval, provided that our Board of Directors makes certain determinations prior to any such sale.

We completed the abovementioned October 2016 common stock offering as a result of the stockholder approval of the proposal at our 2016 Annual Meeting of Stockholders and additional Board of Directors approval. We did not request that our stockholders approve the Company s ability to issue shares of common stock at a price below NAV at our annual meeting of stockholders held on February 9, 2017. Should we decide to issue shares of common stock at a price below NAV, we will seek the requisite approval of our stockholders at such time.

On September 18, 2017, the closing market price of our common stock was $9.33, a 11.33% premium to our June 30, 2017 NAV per share of $8.38.

Table of Contents

Regulatory Compliance

Our ability to seek external debt financing, to the extent that it is available under current market conditions, is further subject to the asset coverage limitations of the 1940 Act, which require us to have an asset coverage (as defined in Sections 18 and 61 of the 1940 Act) of at least 200% on our senior securities representing indebtedness and our senior securities that are stock. As of June 30, 2017, our asset coverage on our senior securities representing indebtedness was 434.4% and our asset coverage on our senior securities that are stock was 249.6%.

Recent Developments

Charter Amendment

At a special meeting held on August 29, 2017, our Board of Directors approved the reclassification and designation of 1,440,000 shares of authorized and unissued common stock as shares of Term Preferred Stock, par value $0.001 per share, to be issued in one or more series. The Articles Supplementary reflecting such reclassification was filed with the Maryland Department of Assessments and Taxation on September 19, 2017.

Credit Facility Amendment No. 3

On August 24, 2017 we, through Business Loan, entered into Amendment No. 3 (the Amendment) to our Credit Facility with KeyBank National Association, as administrative agent, swingline lender, managing agent and lead arranger, the Adviser, as servicer, and certain other lenders party thereto.

Primarily, the Amendment adjusted the calculation of the borrowing base of the Credit Facility and clarified the application of excess concentrations. The Amendment also, among other items, increased the excess concentration limits for PIK loans and updated the commitment amounts for the lenders. As of August 23, 2017, prior to the closing of the Amendment, $76.5 million of borrowings were outstanding under the Credit Facility.

Portfolio Activity

In August 2017, we invested $12.5 million in El Academies, Inc. through secured first lien debt and equity.

In July 2017, our loan to SourceHOV, LLC was paid off for net proceeds of $4.8 million, resulting in a realized loss of $0.2 million.

Distributions and Dividends

On July 11, 2017, our Board of Directors declared the following monthly distributions to common stockholders and monthly dividends to preferred stockholders:

Record Date	Payment Date	Distribution per Common Share	Dividend per share of Series 2021 Term Preferred Stock
July 21, 2017	July 31, 2017	$ 0.07	$ 0.140625

August 21, 2017	August 31, 2017		0.07		0.140625
September 20, 2017	September 29, 2017		0.07		0.140625
Total for the Quarter:		**$**	**0.21**	**$**	**0.421875**

Advisory Agreement Renewal

On July 11, 2017, our Board of Directors, including a majority of the directors who are not parties to the Advisory Agreement or interested persons of such party, unanimously approved the annual renewal of the

Table of Contents

Advisory Agreement through August 31, 2018. Mr. Gladstone, our chairman and chief executive officer, controls the Adviser. In reaching a decision to approve the Advisory Agreement, our Board of Directors reviewed a significant amount of information and considered, among other things:

- the nature, quality and extent of the advisory and other services to be provided to us by the Adviser;
- our investment performance and that of the Adviser;
- the costs of the services to be provided and profits to be realized by the Adviser from the relationship with us;
- the fee structures of comparable externally managed business development companies that engage in similar investing activities; and
- various other matters.

Based on the information reviewed and the considerations detailed above, our Board of Directors, including all of the directors who are not interested persons as that term is defined in the 1940 Act, concluded that the investment advisory fee rates and terms are fair and reasonable in relation to the services provided and approved the Advisory Agreement, as being in the best interests of our stockholders.

RESULTS OF OPERATIONS

Comparison of the Three Months Ended June 30, 2017 to the Three Months Ended June 30, 2016

	Three Months Ended June 30,			
	2017	**2016**	**$ Change**	**% Change**
INVESTMENT INCOME				
Interest income, net	**$ 9,629**	$ 8,253	$ 1,376	16.7%
Other income	**3**	1,591	(1,588)	(99.8)
Total investment income	**9,632**	9,844	(212)	(2.2)
EXPENSES				
Base management fee	**1,480**	1,369	111	8.1
Loan servicing fee	**1,071**	896	175	19.5
Incentive fee	**1,116**	1,187	(71)	(6.0)
Administration fee	**272**	287	(15)	(5.2)
Interest expense on borrowings	**904**	648	256	39.5
Dividend expense on mandatorily redeemable preferred stock	**1,029**	1,029		
Amortization of deferred financing fees	**274**	273	1	0.4

Other expenses	**453**	640	(187)	(29.2)
Expenses, before credits from Adviser	**6,599**	6,329	270	4.3
Credit to base management fee loan servicing fee	**(1,071)**	(896)	(175)	19.5
Credits to fees from Adviser other	**(1,275)**	(496)	(779)	157.1
Total expenses, net of credits	**4,253**	4,937	(684)	(13.9)
NET INVESTMENT INCOME	**5,379**	4,907	472	9.6
NET REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized loss on investments	**(23)**	(84)	61	(72.6)
Net realized gain on other				
Net unrealized appreciation of investments	**989**	693	296	42.7
Net unrealized depreciation of other	**(182)**		(182)	NM
Net gain from investments and other	**784**	609	175	28.7
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$ 6,163**	$ 5,516	$ 647	11.7%

NM = Not Meaningful

Investment Income

Interest income increased by 16.7% for the three months ended June 30, 2017, as compared to the prior year period. The level of interest income from investments is directly related to the principal balance of our interest-bearing investment portfolio outstanding during the period multiplied by the weighted average yield. The weighted average principal balance of our interest-bearing investment portfolio during the three months ended June 30, 2017, was $333.2 million, compared to $303.6 million for the prior year period, an increase of 9.7%. The weighted average yield on our interest-bearing investment portfolio is based on the current stated interest rate on interest-bearing investments which increased to 11.5% for the three months ended June 30, 2017, compared to 10.9% for the three months ended June 30, 2016, inclusive of any allowances on interest receivables made during those periods.

As of June 30, 2017, certain loans to two portfolio companies were on non-accrual status, with an aggregate debt cost basis of $27.9 million, or 7.6%, of the cost basis of all debt investments in our portfolio. As of June 30, 2016, certain loans to two portfolio companies were on non-accrual status, with an aggregate debt cost basis of $26.5 million, or 7.5%, of the cost basis of all debt investments in our portfolio.

For the three months ended June 30, 2017, other income decreased by 99.8% as compared to the prior year period. Other income for the three months ended June 30, 2016, consisted primarily of $1.5 million in success fees recognized and $0.1 million in prepayment fees received whereas there were no such amounts recognized in the current year period.

Table of Contents

The following tables list the investment income for our five largest portfolio company investments at fair value during the respective periods:

	As of June 30, 2017		Three Months Ended June 30, 2017	
Company	**Fair Value**	**% of Portfolio**	**Investment Income**	**% of Total Income**
NetFortris Corp.	$ 24,120	7.0%	$ 637	6.6
IA Tech, LLC	23,518	6.8	699	7.3
HB Capital Resources, Ltd.[(A)]	22,000	6.4	462	4.8
WadeCo Specialties, Inc.	21,208	6.1	481	5.0
Lignetics, Inc.	18,746	5.4	482	5.0
Subtotal five largest investments	**109,592**	**31.7**	**2,761**	**28.7**
Other portfolio companies	235,911	68.3	6,871	71.3
Total Investment Portfolio	**$ 345,503**	**100.0%**	**$ 9,632**	**100.0%**

	As of June 30, 2016		Three Months Ended June 30, 2016	
Company	**Fair Value**	**% of Portfolio**	**Investment Income**	**% of Total Income**
IA Tech, LLC[(A)]	$ 30,000	9.7%	$ 40	0.4%
RBC Acquisition Corp.	22,090	7.2	658	6.7
WadeCo Specialties, Inc.	19,630	6.4	528	5.4
United Flexible, Inc.	17,304	5.6	556	5.6
Lignetics, Inc.	15,499	5.0	425	4.3
Subtotal five largest investments	**104,523**	**33.9**	**2,207**	**22.4**
Other portfolio companies	203,703	66.1	7,637	77.6
Total Investment Portfolio	**$ 308,226**	**100.0%**	**$ 9,844**	**100.0%**

(A) New investment during the applicable period.

Expenses

Expenses, net of any non-contractual, unconditional and irrevocable credits to fees from the Adviser, decreased by 13.9% for the three months ended June 30, 2017, as compared to the prior year period. This decrease was primarily due to a decrease in the net incentive fee and a decrease in professional fees, partially offset by an increase in interest expense on borrowings.

Interest expense on borrowings increased by $0.3 million, or 39.5%, during the three months ended June 30, 2017, as compared to the prior year period, due primarily to an increase in the borrowings outstanding under our Credit Facility during the period driven by a net increase in investments. The weighted average balance outstanding under our Credit Facility during the three months ended June 30, 2017, was $72.6 million, as compared to $52.5 million in the prior year period, an increase of 38.3%.

Our Board of Directors accepted a non-contractual, unconditional and irrevocable credit of $0.9 million from the Adviser to reduce the income-based incentive fee to the extent net investment income for the quarter ended June 30, 2017 did not cover 100.0% of the distributions to common stockholders during the period. The credit granted for the quarter ended June 30, 2016, was $0.2 million. The base management, loan servicing and incentive fees, and associated non-contractual, unconditional and irrevocable credits, are computed quarterly, as

Table of Contents

described under *Transactions with the Adviser* in Note 4 *Related Party Transactions* of the notes to our accompanying *Condensed Consolidated Financial Statements* and are summarized in the following table:

	Three Months Ended June 30,	
	2017	**2016**
Average total assets subject to base management fee(A)	**$ 338,286**	$ 312,914
Multiplied by prorated annual base management fee of 1.75%	**0.4375%**	0.4375%
Base management fee(B)	**$ 1,480**	$ 1,369
Portfolio company fee credit	**(261)**	(319)
Syndicated loan fee credit	**(100)**	(17)
Net Base Management Fee	**$ 1,119**	$ 1,033
Loan servicing fee(B)	**1,071**	896
Credit to base management fee loan servicing fee(B)	**(1,071)**	(896)
Net Loan Servicing Fee	**$**	$
Incentive fee(B)	**1,116**	1,187
Incentive fee credit	**(914)**	(160)
Net Incentive Fee	**$ 202**	$ 1,027
Portfolio company fee credit	**(261)**	(319)
Syndicated loan fee credit	**(100)**	(17)
Incentive fee credit	**(914)**	(160)
Credits to Fees From Adviser other(B)	**$ (1,275)**	$ (496)

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

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

Net Realized and Unrealized Gain (Loss)

Net Realized Gain (Loss) on Investments

We had no significant realized gains (losses) on investments for the three months ended June 30, 2017 and 2016.

S-32

Table of Contents

Net Unrealized Appreciation (Depreciation) of Investments

The net realized gain (loss) and unrealized appreciation (depreciation) across our investments for the three months ended June 30, 2017, were as follows:

	Three Months Ended June 30, 2017			
Portfolio Company	**Realized Gain (Loss)**	**Unrealized Appreciation (Depreciation)**	**Reversal of Unrealized Depreciation (Appreciation)**	**Net Gain (Loss)**
WadeCo Specialties, Inc.	$	$ 1,748	$	$ 1,748
B+T Group Acquisition Inc.		1,434		1,434
LWO Acquisitions Company LLC		1,163		1,163
Defiance Integrated Technologies, Inc.		693		693
Lignetics, Inc.		480		480
United Flexible, Inc.		311		311
FedCap Partners, LLC		297		297
The Mochi Ice Cream Company		246		246
Flight Fit N Fun LLC		205		205
PSC Industrial Holdings Corp.		(212)		(212)
Vertellus Specialties Inc.		(220)		(220)
Targus Cayman HoldCo, Ltd.		(279)		(279)
Sunshine Media Holdings		(314)		(314)
New Trident Holdcorp, Inc.		(621)		(621)
Alloy Die Casting, Corp.		(660)		(660)
Meridian Rack & Pinion, Inc.		(789)		(789)
Francis Drilling Fluids, Ltd.		(1,037)		(1,037)
Edge Adhesives Holdings, Inc.		(1,471)		(1,471)
Other, net (<$250)	(23)	15		(8)
Total:	**$ (23)**	**$ 989**	**$**	**$ 966**

The primary driver of net unrealized appreciation on investments of $1.0 million for the three months ended June 30, 2017, was an improvement in the performance of certain portfolio companies and an increase in comparable multiples used to estimate the fair value of our investments, which more than offset the decline in performance of certain of our other portfolio companies.

Table of Contents

The net realized gains (losses) and unrealized appreciation (depreciation) across our investments for the three months ended June 30, 2016, were as follows:

	Three Months Ended June 30, 2016			
Portfolio Company	**Realized Gain (Loss)**	**Unrealized Appreciation (Depreciation)**	**Reversal of Unrealized Depreciation (Appreciation)**	**Net Gain (Loss)**
Southern Petroleum Laboratories, Inc.	$	$ 1,906	$	$ 1,906
RBC Acquisition Corp.		1,232		1,232
Vision Solutions, Inc.		777		777
Westland Technologies, Inc.		683		683
Flight Fit N Fun LLC		633		633
Precision Acquisition Group Holdings, Inc.		597		597
Behrens Manufacturing, LLC		588		588
Vitera Healthcare Solutions, LLC		449		449
Vertellus Specialties Inc.		368		368
Targus Cayman HoldCo, Ltd.		(338)		(338)
SourceHOV, LLC		(358)		(358)
Ashland Acquisitions, LLC	72		(572)	(500)
New Trident Holdcorp, Inc.		(600)		(600)
Lignetics, Inc.		(622)		(622)
Sunshine Media Holdings		(1,301)		(1,301)
LWO Acquisitions Company LLC		(1,478)		(1,478)
Francis Drilling Fluids, Ltd.		(1,565)		(1,565)
Other, net (<$250)	(156)	294		138
Total:	**$ (84)**	**$ 1,265**	**$ (572)**	**$ 609**

The primary driver of net unrealized appreciation of $0.7 million for the three months ended June 30, 2016, was an improvement in the performance of certain portfolio companies and an increase in comparable multiples used to estimate the fair value of our investments, which more than offset the decreased performance of several of our portfolio companies.

Net Realized Loss on Other

During the three months ended June 30, 2016, we recorded a net realized loss of $0.1 million due to the expiration of our interest rate cap agreement in January 2016. No such amounts were incurred during the three months ended June 30, 2017.

Net Unrealized Depreciation on Other

During the three months ended June 30, 2017, we recorded $0.2 million of net unrealized depreciation on our Credit Facility. No such amounts were incurred in the prior year period.

Table of Contents

Comparison of the Nine Months Ended June 30, 2017 to the Nine Months Ended June 30, 2016

	For the Nine Months Ended June 30,			
	2017	**2016**	**$ Change**	**% Change**
INVESTMENT INCOME				
Interest income, net	**$ 26,850**	$ 26,107	$ 743	2.8%
Other income	**1,549**	3,255	(1,706)	(52.4)
Total investment income	**28,399**	29,362	(963)	(3.3)
EXPENSES				
Base management fee	**4,217**	4,258	(41)	(1.0)
Loan servicing fee	**3,009**	2,876	133	4.6
Incentive fee	**3,479**	3,369	110	3.3
Administration fee	**858**	900	(42)	(4.7)
Interest expense on borrowings	**2,047**	2,066	(19)	(0.9)
Dividend expense on mandatorily redeemable preferred stock	**3,087**	3,088	(1)	0.0
Amortization of deferred financing fees	**821**	802	19	2.4
Other expenses	**1,439**	2,031	(592)	(29.1)
Expenses, before credits from Adviser	**18,957**	19,390	(433)	(2.2)
Credits to base management fee loan servicing fee	**(3,009)**	(2,876)	(133)	4.6
Credits to fees from Adviser other	**(3,494)**	(1,736)	(1,758)	101.3
Total expenses, net of credits	**12,454**	14,778	(2,324)	(15.7)
NET INVESTMENT INCOME	**15,945**	14,584	1,361	9.3
NET REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized (loss) gain on investments	**(3,426)**	9,837	(13,263)	(134.8)
Net realized loss on other		(64)	64	100.0
Net unrealized depreciation of investments	**(713)**	(33,747)	33,034	97.9
Net unrealized depreciation (appreciation) of other	**(71)**	62	(133)	(214.5)
Net loss from investments and other	**(4,210)**	(23,912)	19,702	(82.4)
NET (DECREASE) INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$ 11,735**	$ (9,328)	$ 21,063	(225.8)%

NM = Not Meaningful

Investment Income

Interest income, net increased by 2.8% for the nine months ended June 30, 2017, as compared to the prior year period. This increase was due primarily to a higher weighted average yield as the weighted average principal balance was relatively consistent period over period. The weighted average yield on our interest-bearing investment portfolio is based on the current stated interest rate on interest-bearing investments and increased to 11.5% for the nine months ended June 30, 2017 compared to 11.1% for the nine months ended June 30, 2016 inclusive of any allowances on interest receivables made during that period. The weighted average principal balance of our interest-bearing investment portfolio during the nine months ended June 30, 2017 was $312.5 million, compared to $313.5 million for the prior year period, a slight decrease of 0.3%.

Other income decreased by 52.4% during the nine months ended June 30, 2017, as compared to the prior year period. For the nine months ended June 30, 2017, other income consisted primarily of $1.5 million in success fees recognized. For the nine months ended June 30, 2016, other income consisted primarily of $2.8 million in success fees recognized, $0.3 million in dividend income received, and $0.2 million in prepayment fees received.

Table of Contents

The following tables list the investment income for our five largest portfolio company investments at fair value during the respective periods:

	As of June 30, 2017		Nine Months Ended June 30, 2017	
Company	**Fair Value**	**% of Portfolio**	**Investment Income**	**% of Total Income**
NetFortris Corp.	$ 24,120	7.0%	$ 928	3.3%
IA Tech, LLC	23,518	6.8	2,094	7.4
HB Capital Resources, Ltd.(A)	22,000	6.4	462	1.6
WadeCo Specialties, Inc.	21,208	6.1	1,435	5.0
Lignetics, Inc.	18,746	5.4	1,331	4.7
Subtotal five largest investments	**109,592**	**31.7**	**6,250**	**22.0**
Other portfolio companies	235,911	68.3	22,149	78.0
Total Investment Portfolio	**$ 345,503**	**100.0%**	**$ 28,399**	**100.0%**

	As of June 30, 2016		Nine Months Ended June 30, 2016	
Company	**Fair Value**	**% of Portfolio**	**Investment Income**	**% of Total Income**
IA Tech, LLC(A)	$ 30,000	9.7%	$ 40	0.1%
RBC Acquisition Corp.	22,090	7.2	2,159	7.3
WadeCo Specialties, Inc.	19,630	6.4	1,563	5.3
United Flexible, Inc.	17,304	5.6	1,544	5.3
Lignetics, Inc.	15,499	5.0	1,279	4.4
Subtotal five largest investments	**104,523**	**33.9**	**6,585**	**22.4**
Other portfolio companies	203,703	66.1	22,777	77.6
Total Investment Portfolio	**$ 308,226**	**100.0%**	**$ 29,362**	**100.0%**

(A) New investment during the applicable period.

Expenses

Expenses, net of any non-contractual, unconditional and irrevocable credits to fees from the Adviser, decreased for the nine months ended June 30, 2017 by 15.7%, as compared to the prior year period. This decrease was primarily due to decreases in professional fees and shareholder related costs.

Net base management fee earned by the Adviser decreased by $0.9 million, or 24.3%, during the nine months ended June 30, 2017, as compared to the prior year period, resulting from an increase in portfolio company fee credits due to new investments made in the current year period.

Our Board of Directors accepted non-contractual, unconditional and irrevocable credits totaling $2.0 million from the Adviser to reduce the income-based incentive fee to the extent that net investment income did not cover 100.0% of the distributions to common stockholders during the nine months ended June 30, 2017. The credits granted during the nine months ended June 30, 2016, totaled $1.1 million.

Table of Contents

Base management, loan servicing and incentive fees and associated non-contractual, unconditional and irrevocable credits are computed quarterly, as described under *Transactions with the Adviser* in Note 4 *Related Party Transactions* of the notes to our accompanying *Condensed Consolidated Financial Statements* and are summarized in the following table:

	Nine Months Ended June 30,	
	2017	**2016**
Average total assets subject to base management fee(A)	**$ 321,295**	$ 324,419
Multiplied by prorated annual base management fee of 1.75%	**1.3125%**	1.3125%
Base management fee(B)	**$ 4,217**	$ 4,258
Portfolio company fee credit	**(1,344)**	(553)
Syndicated loan fee credit	**(122)**	(73)
Net Base Management Fee	**$ 2,751**	$ 3,632
Loan servicing fee(B)	**3,009**	2,876
Credits to base management fee loan servicing fee(B)	**(3,009)**	(2,876)
Net Loan Servicing Fee	**$**	$
Incentive fee(B)	**3,479**	3,369
Incentive fee credit	**(2,028)**	(1,110)
Net Incentive Fee	**$ 1,451**	$ 2,259
Portfolio company fee credit	**(1,344)**	(553)
Syndicated loan fee credit	**(122)**	(73)
Incentive fee credit	**(2,028)**	(1,110)
Credit to Fees From Adviser other(B)	**$ (3,494)**	$ (1,736)

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

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

Net Realized and Unrealized Gain (Loss)

Net Realized Gain (Loss) on Investments

For the nine months ended June 30, 2017, we recorded a net realized loss on investments of $3.4 million, which resulted primarily from the sale of substantially all the assets of RBC for a $2.3 million realized loss and the write-off of $5.0 million of our investment in Sunshine Media Holdings (Sunshine), partially offset by the sale of Behrens for a $2.5 million realized gain and a $1.2 million realized gain related to an additional earn-out from Funko, LLC (Funko), which was exited in the prior year.

For the nine months ended June 30, 2016, we recorded a net realized gain on investments of $9.8 million, which resulted primarily from a realized gain of $16.9 million from the sale of Funko, partially offset by a realized loss of $5.5 million recognized from the restructure of Targus Group International, Inc. (Targus) and a realized loss of $2.4 million from our sale of Heartland Communications Group, LLC during the period.

Table of Contents

Net Unrealized Appreciation (Depreciation) of Investments

The net realized gain (losses) and unrealized appreciation (depreciation) across our investments for the nine months ended June 30, 2017, were as follows:

	Nine Months Ended June 30, 2017			
Portfolio Company	**Realized Gain (Loss)**	**Unrealized Appreciation (Depreciation)**	**Reversal of Unrealized Depreciation (Appreciation)**	**Net Gain (Loss)**
WadeCo Specialties, Inc.	$	$ 1,850	$	$ 1,850
SourceHOV LLC		1,756		1,756
B+T Group Acquisition Inc.		1,524		1,524
Funko Acquisition Holdings, LLC	1,235	(20)		1,215
Defiance Integrated Technologies, Inc.		1,009		1,009
The Mochi Ice Cream Company		670		670
LWO Acquisitions Company LLC		467		467
Vitera Healthcare Solutions, LLC		213	115	328
FedCap Partners, LLC		297		297
IA Tech, LLC		288		288
PIC 360, LLC		173		173
Drumcree, LLC		169		169
Travel Sentry, Inc.		133		133
Lignetics, Inc.		(175)		(175)
Canopy Safety Brands, LLC		(206)		(206)
PSC Industrial Holdings Corp.		(269)		(269)
Flight Fit N Fun LLC		(522)		(522)
Edge Adhesives Holdings, Inc.		(546)		(546)
New Trident Holdcorp, Inc.		(574)		(574)
Behrens Manufacturing, LLC	2,544		(3,211)	(667)
Targus Cayman HoldCo, Ltd.		(800)		(800)
Sunshine Media Holdings	(5,000)	449	3,612	(939)
RBC Acquisition Corp.	(2,330)		1,119	(1,211)
Vertellus Specialties Inc.	108	(1,464)		(1,356)
Alloy Die Casting, Corp.		(1,875)		(1,875)
Francis Drilling Fluids, Ltd.		(5,583)		(5,583)
Other, net (<$250)	17	718	(30)	705
Total:	**$ (3,426)**	**$ (2,318)**	**$ 1,605**	**$ (4,139)**

The largest driver of our net unrealized depreciation for the nine months ended June 30, 2017 was derived from a decline in financial and operation performance of certain portfolio companies and, to a lesser extent, decreases in comparable multiples used in valuations, most notably Francis Drilling Fluids, Ltd. of $5.6 million and Alloy Die Cast, Co. of $1.9 million. This depreciation was largely offset by the unrealized appreciation resulting from an increase in performance on certain portfolio companies, most notably WadeCo Specialties, Inc. of $1.9 million and SourceHOV LLC of $1.8 million and the reversal of previously recorded depreciation on our investment in Sunshine upon partial write-off.

Table of Contents

The net realized gain (losses) and unrealized appreciation (depreciation) across our investments for the nine months ended June 30, 2016, were as follows:

	Nine Months Ended June 30, 2016			
Portfolio Company	**Realized Gain (Loss)**	**Unrealized Appreciation (Depreciation)**	**Reversal of Unrealized Depreciation (Appreciation)**	**Net Gain (Loss)**
Legend Communications of Wyoming, LLC	$	$ 2,857	$ 27	$ 2,884
Behrens Manufacturing, LLC		2,008		2,008
Funko, LLC	16,887	66	(16,009)	944
Southern Petroleum Laboratories, Inc.		871		871
Westland Technologies, Inc.		622		622
J. America, Inc.		482		482
Triple H Food Processors		450		450
Mikawaya		(282)		(282)
Ashland Acquisitions, LLC	72	183	(572)	(317)
United Flexible, Inc.		(329)		(329)
FedCap Partners, LLC		(381)		(381)
Vitera Healthcare Solutions, LLC		(475)		(475)
New Trident Holdcorp, Inc.		(561)		(561)
Lignetics, Inc.		(573)		(573)
AG Transportation Holdings, LLC		(584)		(584)
Vertellus Specialties Inc.		(882)		(882)
Vision Government Solutions, Inc.		(986)		(986)
WadeCo Specialties, Inc.		(1,082)		(1,082)
Precision Acquisition Group Holdings, Inc.		(1,282)		(1,282)
SourceHOV LLC		(1,722)		(1,722)
RBC Acquisition Corp.	1,207	(3,183)		(1,976)
Sunshine Media Holdings		(2,593)		(2,593)
LWO Acquisitions Company LLC		(3,474)		(3,474)
Targus Cayman HoldCo, Ltd.	(5,500)	(2,530)	4,198	(3,832)
Defiance Integrated Technologies, Inc.		(4,348)		(4,348)
Francis Drilling Fluids, Ltd.		(5,840)		(5,840)
Other, net (<$250)	(2,829)	(727)	2,904	(652)
Total:	**$ 9,837**	**$ (24,295)**	**$ (9,452)**	**$ (23,910)**

The largest driver of our net unrealized depreciation for the nine months ended June 30, 2016 was derived from a decline in financial and operation performance of certain portfolio companies and, to a lesser extent, decreases in comparable multiples used in valuations, most notably Francis Drilling Fluids, Ltd. of $5.8 million and Defiance Integrated Technologies, Inc. of $4.3 million. The change was also driven by the reversal of $16.0 million of previously recorded unrealized appreciation on our investment in Funko upon exit. This depreciation was partially offset by the unrealized appreciation resulting from an increase in performance on certain portfolio companies, most notably Behrens of $2.9 million and the reversal of $4.1 million of previously recorded unrealized depreciation on our investment in Targus upon restructure.

Net Realized Loss on Other

During the nine months ended June 30, 2016, we recorded a net realized loss of $0.1 million, due to the expiration of our interest rate cap agreement in January 2016. No such amounts were incurred during the nine months ended June 30, 2017.

Table of Contents

Net Unrealized Depreciation of Other

During the nine months ended June 30, 2017, we recorded $0.1 million of net unrealized depreciation on our Credit Facility recorded at fair value. During the nine months ended June 30, 2016, we reversed $0.1 million of unrealized depreciation related to the expiration of our interest rate cap agreement in January 2016.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Our cash flows from operating activities are primarily generated from the interest payments on debt securities that we receive from our portfolio companies, as well as net proceeds received through repayments or sales of our investments. We utilize this cash primarily to fund new investments, make interest payments on our Credit Facility, make distributions to our stockholders, pay management fees to the Adviser, and for other operating expenses. Net cash used in operating activities for the nine months ended June 30, 2017 was $14.0 million as compared to net cash provided by operating activities of $51.9 million for the nine months ended June 30, 2016. The change was primarily due to the increase in purchases of investments and the decrease in net unrealized depreciation period over period. Purchases of investments were $95.4 million during the nine months ended June 30, 2017 compared to $59.9 million during the prior year period. Net unrealized depreciation totaled $0.7 million during the nine months ended June 30, 2017 compared to $33.7 million during the prior year period.

As of June 30, 2017, we had loans to, syndicated participations in or equity investments in 47 private companies, with an aggregate cost basis of approximately $405.9 million. As of June 30, 2016, we had loans to, syndicated participations in or equity investments in 43 private companies, with an aggregate cost basis of approximately $386.3 million.

The following table summarizes our total portfolio investment activity during the nine months ended June 30, 2017 and 2016:

	Nine Months Ended June 30,	
	2017	**2016**
Beginning investment portfolio, at fair value	**$ 322,114**	$ 365,891
New investments	**85,241**	54,300
Disbursements to existing portfolio companies	**10,208**	5,562
Scheduled principal repayments	**(3,196)**	(1,169)
Unscheduled principal repayments	**(59,596)**	(77,427)
Net proceeds from sales	**(8,289)**	(19,829)
Net unrealized (depreciation) appreciation	**(2,318)**	(24,295)
Reversal of prior period (appreciation) depreciation	**1,605**	(9,452)
Net realized gain (loss)	**(3,426)**	9,837
Increase in investments due to PIK[(A)] or other	**3,599**	4,311
Cost adjustments on non-accrual loans		388
Net change in premiums, discounts and amortization	**(439)**	109
Investment Portfolio, at Fair Value	**$ 345,503**	$ 308,226

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

Table of Contents

The following table summarizes the contractual principal repayment and maturity of our investment portfolio by fiscal year, assuming no voluntary prepayments, as of June 30, 2017:

		Amount
For the remaining three months ending September 30:	2017	$ 6,499
For the fiscal year ending September 30:	2018	56,527
	2019	57,209
	2020	81,213
	2021	60,973
	Thereafter	112,663
	Total contractual repayments	**$ 375,084**
	Equity investments	36,786
	Adjustments to cost basis on debt investments	(5,967)
	Cost basis of investments held at June 30, 2017:	**$ 405,903**

Financing Activities

Net cash provided by financing activities totaled $14.9 million for the nine months ended June 30, 2017 and consisted primarily of net borrowings on our Credit Facility of $10.9 million and $20.0 million in net proceeds from our common stock offerings, partially offset by $15.9 million of distributions to common shareholders. Net cash used in financing activities totaled $50.7 million for the nine months ended June 30, 2016 and consisted primarily of net repayments on our Credit Facility of $54.0 million and $14.6 million of distributions to common stockholders, partially offset by $18.5 million in net proceeds from our common stock offering during the nine months ended June 30, 2016.

Distributions and Dividends to Stockholders

Common Stock Distributions

To qualify to be taxed as a RIC and thus avoid corporate level federal income tax on the income we distribute to our stockholders, we are required to distribute to our stockholders on an annual basis at least 90.0% of our investment company taxable income. Additionally, our Credit Facility has a covenant that generally restricts the amount of distributions to stockholders that we can pay out to be no greater than our aggregate net investment income, net capital gains and amounts elected to have been paid during the prior year in accordance with Section 855(a) of the Code. In accordance with these requirements, we paid monthly cash distributions of $0.07 per common share for each month during the nine months ended June 30, 2017 and 2016, which totaled an aggregate of $15.9 million and $14.6 million, respectively. In July 2017, our Board of Directors declared a monthly distribution of $0.07 per common share for each of July, August, and September 2017. Our Board of Directors declared these distributions based on our estimates of our investment company taxable income for the fiscal year ending September 30, 2017.

For the year ended September 30, 2016, our current and accumulated earnings and profits (after taking into account mandatorily redeemable preferred stock dividends) exceeded distributions declared and paid, and, in accordance with

Section 855(a) of the Code, we elected to treat $5.5 million of the first common distributions paid in fiscal year 2017 as having been paid in the prior year.

The characterization of the common stockholder distributions declared and paid for the fiscal year ending September 30, 2017 will be determined at fiscal year-end based upon our investment company taxable income for the full fiscal year and distributions paid during the full fiscal year. Such a characterization made on a quarterly basis may not be representative of the actual full fiscal year characterization.

Table of Contents

Preferred Stock Dividends

Our Board of Directors declared and we paid monthly cash dividends of $0.140625 per share to holders of our Series 2021 Term Preferred Stock for each of April, May and June 2017. In accordance with GAAP, we treat these monthly dividends as an operating expense. For federal income tax purposes, dividends paid by us to preferred stockholders generally constitute ordinary income to the extent of our current and accumulated earnings and profits.

Equity

Registration Statement

We filed Post-Effective Amendment No. 2 to our current Registration Statement on Form N-2 (File

No. 333-208637) with the SEC on December 22, 2016, which was declared effective by the SEC on February 6, 2017. Our Registration Statement permits us to issue, through one or more transactions, up to an aggregate of $300.0 million in securities, consisting of common stock, preferred stock, subscription rights, debt securities and warrants to purchase common stock, preferred stock or debt securities. As of June 30, 2017, we had the ability to issue up to $279.1 million in securities under the Registration Statement.

Common Stock

Pursuant to our current Registration Statement, in October 2016, we completed a public offering of 2.0 million shares of our common stock at a public offering price of $7.98 per share, which was below our then current NAV per share. In November 2016, the underwriters partially exercised their over-allotment option to purchase an additional 173,444 shares of our common stock. Gross proceeds totaled $17.3 million and net proceeds, after deducting underwriting discounts and offering costs borne by us, were approximately $16.4 million. The net proceeds of this offering were used to repay borrowings under our Credit Facility.

In January 2016, our Board of Directors authorized a share repurchase program for up to an aggregate of $7.5 million of the Company s common stock. The program expired on January 31, 2017. During the year ended September 30, 2016, we repurchased 87,200 shares of our common stock at an average share price of $6.53, resulting in aggregate gross purchases of $0.6 million. We did not repurchase any shares during the nine months ended June 30, 2017.

Pursuant to our prior registration statement, on October 27, 2015, we completed a public offering of 2.0 million shares of our common stock at a public offering price of $8.55 per share, which was below our then current NAV per share. In November 2015, the underwriters exercised their option to purchase an additional 300,000 shares. Gross proceeds totaled $19.7 million and net proceeds, after deducting underwriting discounts and offering costs borne by us, were approximately $18.4 million. The net proceeds of this offering were used to repay borrowings under our Credit Facility.

In February 2015, we entered into equity distribution agreements (commonly referred to as at-the-market agreements or the Sales Agreements) with KeyBanc Capital Markets Inc. and Cantor Fitzgerald & Co., each a Sales Agent, under which we had the ability to issue and sell, from time to time, through the Sales Agents, up to an aggregate offering price of $50.0 million of our common stock. In May 2017, we terminated the Sales Agreement with KeyBanc Capital Markets Inc. and amended the Sales Agreement with Cantor Fitzgerald & Co. to reference our current registration statement. All other material terms of the Sales Agreement remained unchanged. We did not sell any shares under the Sales Agreements during the year ended September 30, 2016 or the six months ended March 31, 2017. During the three months ended June 30, 2017, we sold 362,600 shares of our common stock under the Sales Agreement with

Cantor Fitzgerald & Co., at a weighted-average price of $9.89 per share and raised $3.6 million of gross proceeds. Net proceeds, after deducting commissions and offering costs borne by us, were approximately $3.4 million. As of June 30, 2017, we had a remaining capacity to sell up to $45.2 million of common stock under the Sales Agreement with Cantor Fitzgerald & Co.

We anticipate issuing equity securities to obtain additional capital in the future. However, we cannot determine the timing or terms of any future equity issuances or whether we will be able to issue equity on terms favorable to us, or at all. To the extent that our common stock trades at a market price below our NAV per share, we will generally be precluded from raising equity capital through public offerings of our common stock, other than pursuant to stockholder and independent director approval or a rights offering to existing common stockholders. We completed the abovementioned October 2016 common stock offering as a result of the stockholder approval of the proposal at our 2016 Annual Meeting of Stockholders and additional Board of Directors approval. We did not request that our stockholders approve the Company s ability to issue shares of common stock at a price below NAV at our annual meeting of stockholders held on February 9, 2017. Should we decide to issue shares of common stock at a price below NAV, we will seek the requisite approval of our stockholders.

On September 18, 2017, the closing market price of our common stock was $9.33, a 11.33% premium to our June 30, 2017 NAV per share of $8.38.

Term Preferred Stock

Pursuant to our prior registration statement on Form N-2, in May 2014, we completed a public offering of approximately 2.4 million shares of our Series 2021 Term Preferred Stock, par value $0.001 per share, at a public offering price of $25.00 per share and a 6.75% rate. Gross proceeds totaled $61.0 million and net proceeds, after deducting underwriting discounts, commissions and offering expenses borne by us, were $58.5 million, a portion of which was used to voluntarily redeem all 1.5 million outstanding shares of our then existing 7.125% Series 2016 Term Preferred Stock, par value $0.001 per share, and the remainder was used to repay a portion of outstanding borrowings under our Credit Facility.

Our Series 2021 Term Preferred Stock is not convertible into our common stock or any other security and provides for a fixed dividend rate equal to 6.75% per year, payable monthly (which equates in total to approximately $4.1 million per year). We are required to redeem all of the outstanding Series 2021 Term Preferred Stock on June 30, 2021 for cash at a redemption price equal to $25.00 per share plus an amount equal to all unpaid dividends and distributions on each such share accumulated to (but excluding) the date of redemption (the Series 2021 Redemption Price). We may additionally be required to mandatorily redeem some or all of the shares of our Series 2021 Term Preferred Stock early, at the Series 2021 Redemption Price, in the event of the following: (1) upon the occurrence of certain events that would constitute a change in control, and (2) if we fail to maintain an asset coverage of at least 200% on our senior securities that are stock (which, currently is only the Series 2021 Term Preferred Stock) and the failure remains for a period of 30 days following the filing date of our next SEC quarterly or annual report. We may also voluntarily redeem all or a portion of the Series 2021 Term Preferred Stock at our option at the Series 2021 Redemption Price at any time after June 30, 2017. The asset coverage on our senior securities that are stock (thus, our Series 2021 Term Preferred Stock) as of June 30, 2017 was 249.6%.

If we fail to redeem our Series 2021 Term Preferred Stock pursuant to the mandatory redemption required on June 30, 2021, or in any other circumstance in which we are required to mandatorily redeem our Series 2021 Term Preferred Stock, then the fixed dividend rate will increase by 4.00% for so long as such failure continues. As of June 30, 2017, we have not redeemed, nor have we been required to redeem, any shares of our outstanding Series 2021 Term Preferred Stock.

Revolving Credit Facility

On May 1, 2015, we, through Business Loan, entered into a Fifth Amended and Restated Credit Agreement with KeyBank, as administrative agent, lead arranger and a lender, which increased the commitment amount of our Credit

Facility from $137.0 million to $140.0 million, extended the revolving period end date by three years to January 19, 2019, decreased the marginal interest rate added to 30-day LIBOR from 3.75% to 3.25% per annum, set the unused commitment fee at 0.50% on all undrawn amounts, expanded the scope of eligible collateral, and amended other terms and conditions to among other items. If our Credit Facility is not renewed or extended by January 19, 2019, all principal and interest will be due and payable on or before April 19, 2020. Subject to certain terms and conditions, our Credit Facility may be expanded up to a total of $250.0 million through additional commitments of new or existing lenders. We incurred fees of approximately $1.1 million in connection with this amendment, which are being amortized through our Credit Facility s revolving period end date of January 19, 2019. On June 19, 2015, we, through Business Loan, entered into certain joinder and assignment agreements with three new lenders to increase borrowing capacity on our Credit Facility by $30.0 million to $170.0 million. We incurred fees of approximately $0.6 million in connection with this expansion, which are being amortized through our Credit Facility s revolving period end date of January 19, 2019.

On October 9, 2015 and August 18, 2016, we entered into Amendments No. 1 and 2 to our Credit Facility, respectively, each of which clarified various constraints on available borrowings.

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

Our Credit Facility contains covenants that require Business Loan to maintain its status as a separate legal entity, prohibit certain significant corporate transactions (such as mergers, consolidations, liquidations or dissolutions), and restrict material changes to our credit and collection policies without the lenders consents. Our Credit Facility generally limits distributions to our stockholders on a fiscal year basis to the sum of our net investment income, net capital gains and amounts elected to have been paid during the prior year in accordance with Section 855(a) of the Code. Business Loan is also subject to certain limitations on the type of loan investments it can apply as collateral towards the borrowing base to receive additional borrowing availability under our Credit Facility, including restrictions on geographic concentrations, sector concentrations, loan size, payment frequency and status, average life, portfolio company leverage and lien property. Our Credit Facility further requires Business Loan to comply with other financial and operational covenants, which obligate Business Loan to, among other things, maintain certain financial ratios, including asset and interest coverage and a minimum number of 20 obligors required in the borrowing base. Additionally, we are subject to a performance guaranty that requires us to maintain (i) a minimum net worth (defined in our Credit Facility to include our mandatorily redeemable preferred stock) of $205.0 million plus 50% of all equity and subordinated debt raised after May 1, 2015 less 50% of any equity and subordinated debt retired or redeemed after May 1, 2015, which equates to $225.0 million as of June 30, 2017, (ii) asset coverage with respect to senior securities representing indebtedness of at least 200%, in accordance with Sections 18 and 61 of the 1940 Act and (iii) our status as a BDC under the 1940 Act and as a RIC under the Code.

On August 24, 2017 we, through Business Loan, entered into Amendment No. 3 (the Amendment) to our Credit Facility with KeyBank National Association, as administrative agent, swingline lender, managing agent and lead arranger.

Primarily, the Amendment adjusted the calculation of the borrowing base of the Credit Facility and clarified the application of excess concentrations. The Amendment also, among other items, increased the excess concentration limits for PIK loans and updated the commitment amounts for the Lenders. As of August 23, 2017, prior to the closing of the Amendment, $76.5 million of borrowings were outstanding under the Credit Facility.

As of June 30, 2017, and as defined in the performance guaranty of our Credit Facility, we had a net worth of $275.6 million, asset coverage on our senior securities representing indebtedness of 434.4% and an active status as a BDC and RIC. In addition, we had 32 obligors in our Credit Facility s borrowing base as of June 30, 2017. As of June 30, 2017, we were in compliance with all of our Credit Facility covenants. Refer to Note 5 *Borrowings* of the notes to our accompanying *Consolidated Financial Statements* included elsewhere in this prospectus supplement for additional information regarding our Credit Facility.

Off-Balance Sheet Arrangements

We generally recognize success fee income only when the payment has been received. As of June 30, 2017 and September 30, 2016, we had off-balance sheet success fee receivables on our accruing debt investments of $3.8 million and $3.4 million (or approximately $0.15 per common share and $0.14 per common share), respectively, that would be owed to us based on our current portfolio if fully paid off. Consistent with GAAP, we have not recognized our success fee receivable on our balance sheet or income statement. Due to our success fees contingent nature, there are no guarantees that we will be able to collect all of these success fees or know the timing of such collections.

Contractual Obligations

We have lines of credit, delayed draw term loans, and an uncalled capital commitment with certain of our portfolio companies that have not been fully drawn. Since these commitments have expiration dates and we expect many will never be fully drawn, the total commitment amounts do not necessarily represent future cash requirements. We estimate the fair value of the combined unused lines of credit, the unused delayed draw term loans and the uncalled capital commitment as of June 30, 2017 and September 30, 2016 to be immaterial. The following table shows our contractual obligations as of June 30, 2017, at cost:

	Payments Due by Fiscal Years				
Contractual Obligations[A]	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**	**Total**
Credit Facility[B]	$	$ 82,200	$	$	$ 82,200
Series 2021 Term Preferred Stock			61,000		61,000
Interest expense on debt obligations[C]	2,076	17,933	3,088		23,097
Total	**$ 2,076**	**$ 100,133**	**$ 64,088**	**$**	**$ 166,297**

(A) Excludes unused line of credit commitments, an unused delayed draw term loan and an uncalled capital commitment to our portfolio companies in the aggregate principal amount of $11.6 million as of June 30, 2017.

(B) Principal balance of borrowings under our Credit Facility as of June 30, 2017, based on the current revolving period end date of January 19, 2019.

(C) Includes estimated interest payments on our Credit Facility and distribution obligations on our Series 2021 Term Preferred Stock. The amount of interest expense calculated for purposes of this table was based upon rates and outstanding balances as of June 30, 2017. Dividend payments on our Series 2021 Term Preferred Stock assume quarterly declarations and monthly dividend payments through the date of mandatory redemption.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect the reported consolidated amounts of assets and liabilities, including disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. Actual results could differ materially from those estimates under different assumptions or conditions. We have identified our investment valuation policy (which has been approved by our Board of Directors) (the Policy) as our most critical accounting policy.

Table of Contents

Investment Valuation

Fair value measurements of our investments may involve subjective judgments and estimates and due to the inherent uncertainty of determining these fair values, the fair value of our investments may fluctuate from period to period. Additionally, changes in the market environment and other events that may occur over the life of the investment may cause the gains or losses ultimately realized on these investments to be different than the valuations currently assigned. Refer to Note 2 *Summary of Significant Accounting Policies* and Note 3 *Investments* in the notes to our accompanying *Consolidated Financial Statements* included elsewhere in this prospectus supplement for additional information regarding fair value measurements.

Credit Monitoring and Risk Rating

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

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

The following table reflects risk ratings for all proprietary loans in our portfolio at June 30, 2017 and September 30, 2016, representing approximately 90.0% of the principal balance of all debt investments in our portfolio at the end of each period:

Rating	As of June 30, 2017	As of September 30, 2016
Highest	**9.0**	8.0
Average	**5.4**	5.3
Weighted Average	**5.5**	5.3
Lowest	**1.0**	1.0

Table of Contents

The following table reflects the risk ratings for all syndicated loans in our portfolio that were rated by an NRSRO at June 30, 2017 and September 30, 2016, representing approximately 8.2% and 7.3%, respectively, of the principal balance of all debt investments in our portfolio at the end of each period:

Rating	As of June 30, 2017	As of September 30, 2016
Highest	**5.0**	5.0
Average	**4.3**	3.9
Weighted Average	**4.2**	4.0
Lowest	**3.0**	2.0

The following table reflects the risk ratings for all syndicated loans in our portfolio that were not rated by an NRSRO at June 30, 2017 and September 30, 2016, representing approximately 1.8% and 2.7%, respectively, of the principal balance of all debt investments in our portfolio at the end of each period:

Rating	As of June 30, 2017	As of September 30, 2016
Highest	**6.0**	5.0
Average	**4.5**	4.0
Weighted Average	**4.1**	3.5
Lowest	**3.0**	3.0

Tax Status

We intend to continue to maintain our qualification as a RIC under Subchapter M of the Code for federal income tax purposes and also to limit certain federal excise taxes imposed on RICs. Refer to Note 9 *Distributions to Common Stockholders* in the notes to our accompanying *Consolidated Financial Statements* included elsewhere in this prospectus supplement for additional information regarding our tax status.

Revenue Recognition

Interest Income Recognition

Interest income, including the amortization of premiums, acquisition costs and amendment fees, the accretion of OID, and PIK interest, is recorded on the accrual basis to the extent that such amounts are expected to be collected. Generally, when a loan becomes 90 days or more past due or if our qualitative assessment indicates that the debtor is unable to service its debt or other obligations, we will place the loan on non-accrual status and cease recognizing interest income on that loan for financial reporting purposes until the borrower has demonstrated the ability and intent to pay contractual amounts due. However, we remain contractually entitled to this interest.

Other Income Recognition

We generally record success fees upon receipt of cash. Success fees are contractually due upon a change of control in a portfolio company, typically from an exit or sale. Dividend income on equity investments is accrued to the extent that such amounts are expected to be collected and if we have the option to collect such amounts in cash. We generally record prepayment fees upon receipt of cash. Prepayment fees are contractually due at the time of an investment s exit, based on the prepayment fee schedule. Success fees, prepayment fees and dividend income are all recorded in other income in our accompanying *Condensed Consolidated Statements of Operations*.

Refer to Note 2 *Summary of Significant Accounting Policies* in the notes to our accompanying *Consolidated Financial Statements* included elsewhere in this prospectus supplement for additional information regarding revenue recognition.

Table of Contents

Recent Accounting Pronouncements

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

All of our variable-rate debt investments have rates generally associated with either the current LIBOR or prime rate. As of June 30, 2017, our portfolio of debt investments on a principal basis consisted of the following:

Variable rates	89.3%
Fixed rates	10.7
Total:	100.0%

There have been no material changes in the quantitative and qualitative market risk disclosures for the nine months ended June 30, 2017 from that disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016, as filed with the SEC on November 21, 2016.

Table of Contents

SUPPLEMENTAL PORTFOLIO INFORMATION

The following table sets forth certain information as of June 30, 2017 regarding each portfolio company in which we held a debt or equity security as of such date. All such investments were made in accordance with our investment policies and procedures described in this prospectus supplement and in the accompanying prospectus.

(Dollars in thousands)

Company	Industry	Investment	% of Class Held on a Fully Diluted Basis	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS					
Non-syndicated Loans:					
AG Transportation Holdings, LLC	Cargo Transportation	Secured Second Lien Debt		13,000	13,065
2430 Lincolnway East		Member Profit Participation	18.00%	1,000	0
Goshen, IN 46526		Profit Participation Warrants	7.00%	244	0
Alloy Die Casting Corp.	Diversified / conglomerate manufacturing	Secured First Lien Debt		5,235	3,665
6550 Caballero Blvd.		Secured First Lien Debt		75	53
Buena Park, Ca 90620		Secured First Lien Debt		390	275
		Preferred Stock	29.60%	2,192	0
		Common Stock	29.50%	18	0
B+T Group Acquistion Inc.	Telecommunications	Secured First Lien Debt		6,000	5,940
1717 Boulder Ave #3000 Tulsa, OK 74119		Preferred Stock	13.94%	1,799	1,374
Belnick, Inc. 4350 Ball Ground Hwy Canton, GA 30114	Home and Office Furnishings, Housewares and Durable Consumer Products	Secured Second Lien Debt		10,000	10,025
Canopy Safety Brands, LLC	Personal and non-durable consumer products	Secured First Lien Line of Credit		0	0
322 Industrial Court		Secured First Lien Debt		6,850	6,859
Concord, NC 28025		Participation Warrant	5.94%	500	286
Chinese Yellow Pages Company	Printing and publishing	Secured First Lien Line of Credit		107	0

9550 Flair Drive Suite 200 El Monte, CA 91731					
Drumcree, LLC 6805 Douglas Legum Drive, Suite 100 Elkridge, MD 21075	Broadcasting and Entertainment	Secured First Lien Debt		6,177	6,192
Flight Fit N Fun LLC 7200 Fullerton Road Springfield, VA 22150	Leisure, Amusement, Motion Pictures, Entertainment	Secured First Lien Debt		7,800	7,488
		Preferred Stock	28.00%	700	759
Francis Drilling Fluids, Ltd.	Oil and gas	Secured Second Lien Debt		16,103	5,685
240 Jasmine Road		Secured Second Lien Debt		7,459	2,634
Crowley, LA 70526		Preferred Equity Units	4.57%	1,215	0
		Common Equity Units	3.90%	1	0
Funko Acquisition Holdings, LLC	Personal and non-durable consumer products	Preferred Equity Units	0.10%	167	245
1202 Shuksan Way Everett, WA 98203		Common Stock	0.40%	0	0
GFRC Holdings, LLC	Buildings and real estate	Secured First Lien Line of Credit		1,105	1,105
3615 Miller Park Dr.		Secured First Lien Debt		1,000	1,000
Garland, TX 75042		Preferred Stock	100.00%	1,025	869
		Common Stock Warrants	45.00%	0	0
HB Capital Resources, Ltd.	Diversified/conglomerate	Secured Second Lien Debt		22,000	22,000
2999 Oak Road, Suite 710 Walnust Creek, CA 94597	service				

S-49

Table of Contents

Company	Industry	Investment	% of Class Held on a Fully Diluted Basis	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS (Continued)					
IA Tech, LLC 1690 Roberts Blvd, Suite 108 Kennesaw, GA 30144	Diversified/conglomerate service	Secured First Lien Debt		23,000	23,518
Leeds Novamark Capital I, L.P. 350 Park Avenue, 23rd Floor New York, NY 10022	Private equity fund healthcare, education and childcare	Limited Partnership Interest	3.46%	1,414	1,303
Meridian Rack & Pinion, Inc.	Automobile	Secured First Lien Debt		4,140	3,726
6740 Cobra Way San Diego, CA 92121		Preferred Stock	23.30%	1,449	429
Merlin International, Inc 8219 Leesburg Pike, Suite 400 Vienna, VA 22182	Healthcare, education, and childcare	Secured Second Lien Debt		10,000	10,112
The Mochi Ice Cream Company	Beverage, Food and Tobacco	Secured Second Lien Debt		6,750	6,885
5563 Alcoa Avenue Vernon, CA 90058		Common Stock	2.49%	450	606
NetFortris Corp.	Telecommunications	Secured First Lien Line of Credit		0	0
800 S Michigan St		Secured First Lien Debt		24,000	24,120
Seattle, WA 98108		Common Stock Warrant	0.00%	1	0
Precision International, LLC	Machinery	Secured First Lien Debt		795	789
435 Burt Street Sistersville, WV 26175		Membership Unit Warrant	33.33%	0	0
Sea Link International IRB, Inc.	Automobile	Secured Second Lien Debt		5,000	5,037

13151 66th St N. Largo, FL 33773		Secured Second Lien Delayed Draw Term Loan		0	0
		Common Equity Units	1.70%	240	177
Travel Sentry, Inc 110 SE 6th Street, Suite 1754 Fort Lauderdale, FL 33301	Diversified/ conglomerate service	Secured First Lien Debt		8,902	9,047
Triple H Food Processor 5821 Wilderness Avenue Riverside, CA 92504	Beverage, Food and Tobacco	Secured First Lien Line of Credit		0	0
		Secured First Lien Debt		7,000	7,166
		Common Stock	5.69%	250	452
TWS Acquisition Corporation 120 N. 44th Street, Suite 230 Phoenix, AZ 85034	Healthcare, Education, and Childcare	Secured First Lien Line of Credit		0	0
		Secured First Lien Debt		9,432	9,598
United Flexible, Inc 815 Forestwood Drive Romeoville, IL 60446	Diversified/conglomerate manufacturing	Secured Second Lien Debt		17,815	17,723
		Preferred Stock	1.19%	538	479
		Common Stock	1.07%	148	0
Vacation Rental Pros Property Management, LLC 200 Executive Way #200 Ponte Vedra, FL 32082	Hotels, motels, inns, and gaming	Secured Second Lien Debt		7,091	7,091
Vision Government Solutions Inc. 44 Bearfoot Road Northboro, MA 01532	Diversified/conglomerate service	Secured First Lien Line of Credit		1,450	1,399
		Secured First Lien Delayed Draw Term Loan		1,600	1,450
		Secured First Lien Debt		9,000	8,261

S-50

Company	Industry	Investment	% of Class Held on a Fully Diluted Basis	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS (Continued)					
WadeCo Specialties, Inc.	Oil and gas	Secured First Lien Line of Credit		2,575	2,510
480 Frelinghuysen Avenue		Secured First Lien Debt		10,671	10,424
Newark, NJ 07114		Secured First Lien Debt		7,000	6,720
		Preferred Stock	3.13%	618	1554
Subtotal Non-syndicated loans				**273,491**	**250,095**
Syndicated Investments:					
DataPipe, Inc 10 Exchange Place Jersey City, NJ 07302	Diversified/conglomerate service	Secured Second Lien Debt		1,962	2,005
Keystone Acquisition Corp. 3204 McKnight E Drive Pittsburgh, PA 15237	Diversified/conglomerate service	Secured Second Lien Debt		3,921	3,960
LDiscovery, LLC 8201 Greensboro Drive, Suite 717 McLean, VA 22102-3810	Diversified/conglomerate service	Secured Second Lien Debt		4,810	4,700
Medical Solutions Holdings, Inc. 1010 North 102nd Street, Suite 300 Omaha, NE 68114	Healthcare, education and childcare	Secured Second Lien Debt		2,955	3,000
NetSmart Technologies, Inc 4950 College Boulevard Overland Park, KS 66211	Healthcare, education and childcare	Secured Second Lien Debt		3,607	3,642
				3,984	2,700

New Trident Holdcorp, Inc. 920 Ridgebrook Road, 2nd Floor Sparks, MD 21152	Healthcare, education and childcare	Secured Second Lien Debt			
Edmentum Ultimate Holdings, LLC 5600 W 83rd Street Bloomington, MN 55437	Healthcare, education and childcare	Unsecured Debt		3,241	3,249
		Common Stock	2.10%	2,636	0
PSC Industrial Holdings Corp 5151 San Felipe, Suite 1100 Houston, TX 77056	Diversified/conglomerate services	Secured Second Lien Debt		3,450	3,010
SourceHOV LLC 2701 E. Grauwyler Road Irving, TX 75061	Finance	Secured Second Lien Debt		4,879	4,781
The Active Network, Inc. 10182 Telesis Court, Suite 100 Irevie, CA 92618	Electronics	Secured Second Lien Debt		519	517
Vertellus Holdings LLC 1500 S Tibbs Ave Indianapolis, IN 46241	Chemicals, Plastics and Rubber	Secured Second Lien Debt		1,099	923
		Common Stock Units	0.88%	3,018	440
W3 Co. 11111 Wilcrest Green Drive #300 Houston, TX 77042	Oil and gas	Common Equity		499	139
Subtotal Syndicated loans				**$ 40,580**	**$ 33,066**
Total Non-Control/Non-Affiliate Investments (represented 81.9% of total investments at fair value)				**$ 314,071**	**$ 283,161**

Table of Contents

Company	Industry	Investment	% of Class Held on a Fully Diluted Basis	Cost	Fair Value
AFFILIATE INVESTMENTS					
Edge Adhesives Holdings, Inc. 30 Amberwood Parkway Ashland, OH 44805	Diversified/conglomerate manufacturing	Secured First Lien Debt		6,200	5,642
		Secured First Lien Debt		1,600	1,464
		Preferred Stock	25.16%	2,516	0
FedCap Partners, LLC 11951 Freedom Drive, 13th Fl Reston, VA 20190	Private equity fund aerospace and defense	Class A Membership Units	6.67%	1,634	1,562
Lignetics, Inc. 11951 Freedom Drive, 13th Fl Reston, VA 20190	Diversified/natural resources, precious metals and minerals	Secured Second Lien Debt		6,000	6,000
		Secured Second Lien Debt		8,000	8,000
		Secured Second Lien Debt		3,300	3,300
		Preferred Stock		800	809
		Common Stock	9.10%	1,855	637
LWO Acquisitions Company LLC 1920 Hurd Drive Irving, TX 75038	Diversified/conglomerate manufacturing	Secured First Lien Line of Credit		2,632	2,206
		Secured First Lien Debt		10,863	9,117
		Common Stock	9.99%	921	0
Syndicated Investments:					
Targus Cayman HoldCo Limited 1211 North Miller Street Anaheim, CA 92806	Textiles and leather	Secured First Lien Debt		2,553	2,563
		Common Stock	5.26%	2,343	741
Total Affiliate Investments (represented 12.2% of total investments at fair value)				**$ 51,217**	**$ 42,041**
CONTROL INVESTMENTS					
Defiance Integrated Technologies, Inc. 1090 Perry Street Defiance, OH 43512	Automobile	Secured Second Lien Debt		6,065	6,065
		Common Stock	76.20%	580	4,990
PIC 360, LLC 843 N Cleveland	Machinery	Secured First Lien Debt		4,000	4,000
		Common Equity Units	75.00%	1	173

Massillon Rd Akron, OH 44333					
Sunshine Media Holdings	Printing and publishing	Secured First Lien Line of Credit		1,328	1,328
735 Broad St, Suite 708		Secured First Lien Debt		3,525	1,105
Chattanooga, TN 37402		Secured First Lien Debt		8,401	2,640
		Secured First Lien Debt		10,700	0
		Preferred Stock	97.07%	5,275	0
		Common Stock	74.29%	740	0
		Common Stock Warrants	74.29%	0	0
Total Control Proprietary Investments (represented 5.9% of total investments at fair value)				**$ 40,615**	**$ 20,301**
Total Investments				**$ 405,903**	**$ 345,503**

S-52

Table of Contents

Investment Concentrations

As of June 30, 2017, our portfolio consisted of investments in 47 portfolio companies located in 23 states in 22 different industries, with an aggregate fair value of $345.5 million. The five largest investments at fair value totaled $109.6 million, or 31.7% of our total investment portfolio as of June 30, 2017, as compared to $112.1 million, or 34.8% of our total investment portfolio as of September 30, 2016. As of June 30, 2017 and September 30, 2016, our average investment by obligor was $8.6 million at cost. The following table outlines our investments by security type as of June 30, 2017 and September 30, 2016:

	June 30, 2017				September 30, 2016			
	Cost	Percentage of Total Investments	Fair Value	Percentage of Total Investments	Cost	Percentage of Total Investments	Fair Value	Percentage of Total Investments
Secured first lien debt	**$ 196,107**	**48.3%**	**$ 171,369**	**49.6%**	$ 227,439	59.6%	$ 198,721	61.7%
Secured second lien debt	**169,769**	**41.8**	**152,861**	**44.2**	113,796	29.8	100,320	31.2
Unsecured debt	**3,241**	**0.8**	**3,249**	**1.0**	2,995	0.8	3,012	0.9
Total Debt Investments	**369,117**	**90.9**	**327,479**	**94.8**	344,230	90.2	302,053	93.8
Preferred equity	**18,293**	**4.5**	**6,519**	**1.9**	22,988	6.0	10,262	3.2
Common equity/equivalents	**18,493**	**4.6**	**11,505**	**3.3**	14,583	3.8	9,799	3.0
Total Equity Investments	**36,786**	**9.1**	**18,024**	**5.2**	37,571	9.8	20,061	6.2
Total Investments	**$ 405,903**	**100.0%**	**$ 345,503**	**100.0%**	$ 381,801	100.0%	$ 322,114	100.0%

Table of Contents

Our investments at fair value consisted of the following industry classifications at June 30, 2017 and September 30, 2016:

Industry Classification	June 30, 2017 Fair Value	June 30, 2017 Percentage of Total Investments	September 30, 2016 Fair Value	September 30, 2016 Percentage of Total Investments
Diversified/Conglomerate Service	**$ 79,349**	**23.0%**	$ 48,898	15.2%
Diversified/Conglomerate Manufacturing	**40,624**	**11.8**	50,106	15.6
Healthcare, education, and childcare	**33,603**	**9.7**	70,577	21.9
Telecommunications	**31,434**	**9.1**	5,790	1.8
Oil and gas	**29,666**	**8.6**	31,279	9.7
Automobile	**20,425**	**5.9**	14,837	4.6
Diversified natural resources, precious metals and minerals	**18,746**	**5.4**	14,821	4.6
Beverage, food and tobacco	**15,110**	**4.3**	15,022	4.7
Cargo Transportation	**13,065**	**3.8**	13,000	4.0
Home and Office Furnishings, Housewares and Durable Consumer Products	**10,025**	**2.9**		
Leisure, Amusement, Motion Pictures, Entertainment	**8,247**	**2.4**	8,769	2.7
Personal and non-durable consumer products	**7,389**	**2.1**	7,858	2.4
Hotels, motels, inns, and gaming	**7,091**	**2.1**		
Broadcast and entertainment	**6,192**	**1.8**	4,682	1.5
Printing and publishing	**5,073**	**1.5**	6,033	1.9
Machinery	**4,962**	**1.4**	5,597	1.7
Finance	**4,782**	**1.4**	3,000	0.9
Textiles and leather	**3,304**	**1.0**	3,836	1.2
Buildings and real estate	**2,974**	**0.9**	11,223	3.5
Electronics	**517**	**0.1**	2,980	0.9
Other, < 2.0%	**2,925**	**0.8**	3,806	1.2
Total Investments	**$ 345,503**	**100.0%**	$ 322,114	100.0%

Our investments at fair value were included in the following geographic regions of the U.S. as of June 30, 2017 and September 30, 2016:

Geographic Region	June 30, 2017 Fair Value	June 30, 2017 Percentage of Total Investments	September 30, 2016 Fair Value	September 30, 2016 Percentage of Total Investments
South	**$ 141,545**	**41.0%**	$ 131,181	40.8%
West	**104,486**	**30.2**	57,786	17.9
Midwest	**58,537**	**16.9**	100,142	31.1
Northeast	**40,935**	**11.9**	33,005	10.2

Total Investments	**$ 345,503**	**100.0%**	$ 322,114	100.0%

The geographic region indicates the location of the headquarters of our portfolio companies. A portfolio company may also have a number of other business locations in other geographic regions.

DESCRIPTION OF THE SERIES 2024 TERM PREFERRED STOCK

The following is a brief description of the terms of our Term Preferred Stock, including specific terms of the Series 2024 Term Preferred Stock. This is not a complete description and is subject to, and entirely qualified by reference to, our Articles of Amendment and Restatement, the Articles Supplementary and the exhibits thereto. The form of the Series 2024 Term Preferred Stock Articles Supplementary, and Exhibit A thereto and the TP Articles Supplementary, are attached to this prospectus supplement and the final form of the Series 2024 Term Preferred Stock Articles Supplementary will be filed with the SEC as an exhibit to our registration statement of which this prospectus supplement and the accompanying prospectus are a part. The TP Articles Supplementary, and Appendix A thereto, are filed with the SEC as an exhibit to our registration statement of which this prospectus supplement and the accompanying prospectus are a part. You may obtain copies of these documents as described under Where You Can Find More Information. Capitalized terms used, but not defined herein, have the meanings attributed to them in the Articles Supplementary.

General

We are authorized to issue 5,440,000 shares of Term Preferred Stock. 1,610,000 of these shares were classified and designated as 7.125% Series 2016 Term Preferred Stock and we issued 1,539,882 of those shares, which were redeemed in full May 2014 with the offering proceeds from the issuance and sale of our Series 2021 Term Preferred Stock. In connection with such offering, we reclassified and designated 70,188 authorized but unissued shares of Series 2016 Term Preferred Stock as well as 2,390,000 unissued shares of Term Preferred Stock as our Series 2021 Term Preferred Stock and issued 2,200,000 of those shares, which are currently outstanding and anticipated to be redeemed with the proceeds of this offering plus borrowings under our Credit Facility. See *Use of Proceeds*. On August 29, 2017, we reclassified and designated 20,118 authorized but unissued shares of Series 2021 Term Preferred Stock, and also classified and designation 2,979,882 authorized but unissued shares of Term Preferred Stock of the Company without designation as to series, as shares of Series 2024 Term Preferred Stock. Terms of the Series 2024 Term Preferred Stock are set forth in the Series 2024 Term Preferred Stock Articles Supplementary and Exhibit A attached thereto.

At the time of issuance, any Term Preferred Stock, including the Series 2024 Term Preferred Stock, will be fully paid and non-assessable and will have no preemptive, conversion, or exchange rights or rights to cumulative voting. The Term Preferred Stock will rank equally with shares of all our other preferred stock (collectively, Preferred Stock) that might be issued in the future, as to payment of dividends and the distribution of our assets upon dissolution, liquidation or winding up of our affairs. The Term Preferred Stock is, and all other Preferred Stock that we may issue in the future will be, senior as to dividends and distributions to the common stock. We may issue additional series of Term Preferred Stock or other Preferred Stock in the future.

Except in certain limited circumstances, holders of the Term Preferred Stock will not receive certificates representing their ownership interest in such shares, and the shares of Term Preferred Stock will be represented by a global certificate to be held by the Securities Depository for the Term Preferred Stock. The Depository Trust Company will initially act as Securities Depository with respect to the Term Preferred Stock.

Dividends and Dividend Periods

General. The holders of the Term Preferred Stock will be entitled to receive cumulative cash dividends and distributions on such shares, when, as and if declared by, or under authority granted by, our Board of Directors out of funds legally available for payment and in preference to dividends and distributions on Common Stock, calculated separately for each Dividend Period for such Term Preferred Stock at the Dividend Rate for such Term Preferred

Stock in effect during such Dividend Period, in an amount equal to the Liquidation Preference for such Term Preferred Stock. The Dividend Rate is computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends so declared and payable will be paid to the extent permitted under state law and our charter, and to the extent available, in preference to and priority over any dividend declared and payable on the Common Stock.

Table of Contents

Fixed Dividend Rate. The Fixed Dividend Rate is an annual rate of 6.00% for the Series 2024 Term Preferred Stock. The Fixed Dividend Rate for Series 2024 Term Preferred Stock may be adjusted in certain circumstances, including upon the occurrence of certain events resulting in a Default Period (as defined below).

Payment of Dividends and Dividend Periods. The first Dividend Period for the Series 2024 Term Preferred Stock will commence on September 27, 2017 and end on October 31, 2017 and each subsequent Dividend Period will be a calendar month (or the portion thereof occurring prior to the redemption of such Series 2024 Term Preferred Stock). Dividends will be payable monthly in arrears on the Dividend Payment Date the last Business Day of the month of the Dividend Period and upon redemption of the Series 2024 Term Preferred Stock. Except for the first Dividend Period, dividends with respect to any monthly Dividend Period will be declared and paid to holders of record of Series 2024 Term Preferred Stock as their names shall appear on our registration books at the close of business on the applicable record date, which shall be such date designated by our Board of Directors that is not more than 20, nor less than 10, calendar days prior to such Dividend Payment Date. We anticipate that dividends with respect to the first Dividend Period of the Series 2024 Term Preferred Stock will be declared in October 2017 and paid on October 31, 2017 to holders of record of such Series 2024 Term Preferred Stock as their names appear on our registration books at the close of business on such date as the Company s Board of Directors determines.

Only holders of Series 2024 Term Preferred Stock on the record date for a Dividend Period will be entitled to receive dividends and distributions payable with respect to such Dividend Period, and holders of Series 2024 Term Preferred Stock who sell shares before such a record date and purchasers of Series 2024 Term Preferred Stock who purchase shares after such a record date should take the effect of the foregoing provisions into account in evaluating the price to be received or paid for such Series 2024 Term Preferred Stock.

Although dividends will accrue and be paid monthly, the record date for holders of Series 2024 Term Preferred Stock entitled to receive dividend payments may vary from month-to-month. We will notify holders of the Series 2024 Term Preferred Stock of each record date by issuance of a quarterly press release.

Mechanics of Payment of Dividends. Not later than 12:00 noon, New York City time, on a Dividend Payment Date, we are required to deposit with the Redemption and Paying Agent sufficient funds for the payment of dividends in the form of Deposit Securities. Deposit Securities will generally consist of (1) cash or cash equivalents; (2) direct obligations of the United States or its agencies or instrumentalities that are entitled to the full faith and credit of the United States, which we refer to as the U.S. Government Obligations; (3) any Short-Term Money Market Instrument; (4) investments in money market funds registered under the 1940 Act that qualify under Rule 2a-7 under the 1940 Act or similar investment vehicle described in Rule 12d1-1(b)(2) under the 1940 Act, that invests principally in Short-Term Money Market Instruments or U.S. Government Obligations or any combination thereof; or (5) any letter of credit from a bank or other financial institution that has a credit rating from at least one ratings agency that is the highest applicable rating generally ascribed by such ratings agency to bank deposits or short-term debt of similar banks or other financial institutions, in each case either that is a demand obligation payable to the holder on any Business Day or that has a maturity date, mandatory redemption date or mandatory payment date, preceding the relevant Redemption Date, Dividend Payment Date or other payment date. We do not intend to establish any reserves for the payment of dividends.

All Deposit Securities paid to the Redemption and Payment Agent for the payment of dividends will be held in trust for the payment of such dividends to the holders of Term Preferred Stock. Dividends will be paid by the Redemption and Payment Agent to the holders of Term Preferred Stock as their names appear on our registration books. Dividends that are in arrears for any past Dividend Period may be declared and paid at any time, without reference to any regular Dividend Payment Date. Such payments are made to holders of Term Preferred Stock as their names appear on our registration books on such date, not exceeding 20 nor less than 10 calendar days preceding the payment date thereof, as may be fixed by our Board of Directors. Any payment of dividends in arrears will first be credited against the earliest accumulated but unpaid dividends. No interest or sum of money in lieu of interest will be payable in respect of any dividend payment or payments on any Term Preferred Stock which may be in arrears. See *Adjustment to Fixed Dividend Rate Default Period.*

Table of Contents

Upon failure to pay dividends for at least two years, the holders of Term Preferred Stock will acquire certain additional voting rights or as otherwise entitled under the 1940 Act. See *Voting Rights* below. Such rights shall be the exclusive remedy of the holders of Term Preferred Stock upon any failure to pay dividends on Term Preferred Stock.

Adjustment to Fixed Dividend Rate Default Period. Subject to the cure provisions below, a Default Period with respect to Term Preferred Stock will commence on a date we fail to deposit the Deposit Securities as required as described above. A Default Period with respect to a Dividend Default or a Redemption Default shall end on the Business Day on which, by 12:00 noon, New York City time, an amount equal to all unpaid dividends and any unpaid redemption price shall have been deposited irrevocably in trust in same-day funds with the Redemption and Paying Agent. In the case of a Default, the applicable dividend rate for each day during the Default Period will be equal to the Default Rate. The Default Rate for any calendar day for the Series 2024 Term Preferred Stock will be equal to the applicable Dividend Rate in effect on such day plus four percent (4.00%) per annum.

No Default Period with respect to a Dividend Default or Redemption Default will be deemed to commence if the amount of any dividend or any redemption price due (if such Default is not solely due to our willful failure) is deposited irrevocably in trust, in same-day funds with the Redemption and Paying Agent by 12:00 noon, New York City time, on a Business Day that is not later than three (3) Business Days after the applicable Dividend Payment Date or Redemption Date, together with an amount equal to the Default Rate applied to the amount and period of such non-payment based on the actual number of calendar days comprising such period divided by 360.

Restrictions on Dividend, Redemption, Other Payments and Issuance of Debt

No full dividends and distributions will be declared or paid on Series 2024 Term Preferred Stock for any Dividend Period, or a part of a Dividend Period, unless the full cumulative dividends and distributions due through the most recent dividend payment dates for all outstanding shares of Preferred Stock (including any shares of other series of Term Preferred Stock) have been, or contemporaneously are, declared and paid through the most recent dividend payment dates for each share of Preferred Stock. If full cumulative dividends and distributions due have not been paid on all outstanding shares of Preferred Stock of any series, any dividends and distributions being declared and paid on Term Preferred Stock will be declared and paid as nearly pro rata as possible in proportion to the respective amounts of dividends and distributions accumulated but unpaid on the shares of each such series of Preferred Stock on the relevant dividend payment date. No holders of Term Preferred Stock will be entitled to any dividends and distributions in excess of full cumulative dividends and distributions as provided in the Articles Supplementary.

For so long as any shares of Term Preferred Stock are outstanding, we will not: (x) declare any dividend or other distribution (other than a dividend or distribution paid in Common Stock) in respect of the Common Stock, (y) call for redemption, redeem, purchase or otherwise acquire for consideration any such Common Stock, or (z) pay any proceeds of the liquidation of the Company in respect of such Common Stock, unless, in each case, (A) immediately thereafter, we will be in compliance with the 200% Asset Coverage limitations set forth under the 1940 Act after deducting the amount of such dividend or distribution or redemption or purchasing price or liquidation proceeds, (B) all cumulative dividends and distributions of shares of all series of Term Preferred Stock and all other series of Preferred Stock, if any, ranking on parity with the Term Preferred Stock due on or prior to the date of the applicable dividend, distribution, redemption, purchase or acquisition shall have been declared and paid (or shall have been declared and sufficient funds or Deposit Securities as permitted by the terms of such Preferred Stock for the payment thereof shall have been deposited irrevocably with the applicable paying agent) and (C) we have deposited Deposit Securities with the Redemption and Paying Agent in accordance with the requirements described herein with respect to outstanding Term Preferred Stock of any series to be redeemed pursuant to a Term Redemption (as defined below) or Asset Coverage mandatory redemption resulting from the failure to comply with the Asset Coverage as described below for which a Notice of Redemption shall have been given or shall have been required to be given in accordance with the terms described herein on or prior to the date of the applicable dividend, distribution, redemption, purchase or acquisition.

Table of Contents

Except as required by law, we will not redeem any shares of Series 2024 Term Preferred Stock unless all accumulated and unpaid dividends and distributions on all outstanding shares of Term Preferred Stock and other series of Preferred Stock, if any, ranking on parity with the Term Preferred Stock with respect to dividends and distributions for all applicable past dividend periods (whether or not earned or declared by us) (x) will have been or are contemporaneously paid or (y) will have been or are contemporaneously declared and Deposit Securities or sufficient funds (in accordance with the terms of such Preferred Stock) for the payment of such dividends and distributions will have been or are contemporaneously deposited with the Redemption and Paying Agent or other applicable paying agent, provided, however, that the foregoing will not prevent the purchase or acquisition of outstanding shares of Term Preferred Stock pursuant to an otherwise lawful purchase or exchange offer made on the same terms to holders of all outstanding shares of Term Preferred Stock and any other series of Preferred Stock, if any, for which all accumulated and unpaid dividends and distributions have not been paid.

We may issue debt in one or more classes or series. Under the 1940 Act, we may not (1) declare any dividend with respect to any Preferred Stock if, at the time of such declaration (and after giving effect thereto), Asset Coverage with respect to any of our borrowings that are senior securities representing indebtedness (as defined in the 1940 Act), would be less than 200% (or such other percentage as may in the future be specified in or under the 1940 Act as the minimum Asset Coverage for senior securities representing indebtedness of a closed-end investment company as a condition of declaring dividends on its Preferred Stock) or (2) declare any other distribution on the Preferred Stock or purchase or redeem Preferred Stock if at the time of the declaration or redemption (and after giving effect thereto), Asset Coverage with respect to such borrowings that are senior securities representing indebtedness would be less than 200% (or such higher percentage as may in the future be specified in or under the 1940 Act as the minimum Asset Coverage for senior securities representing indebtedness of a closed-end investment company as a condition of declaring distributions, purchases or redemptions of its shares). Senior securities representing indebtedness generally means any bond, debenture, note or similar obligation or instrument constituting a security (other than shares of capital stock) and evidencing indebtedness and could include our obligations under any borrowings. For purposes of determining Asset Coverage for senior securities representing indebtedness in connection with the payment of dividends or other distributions on or purchases or redemptions of stock, the term senior security does not include any promissory note or other evidence of indebtedness issued in consideration of any loan, extension or renewal thereof, made by a bank or other person and privately arranged, and not intended to be publicly distributed. The term senior security also does not include any such promissory note or other evidence of indebtedness in any case where such a loan is for temporary purposes only and in an amount not exceeding 5% of the value of our total assets at the time when the loan is made; a loan is presumed under the 1940 Act to be for temporary purposes if it is repaid within 60 calendar days and is not extended or renewed; otherwise such loan is presumed not to be for temporary purposes. For purposes of determining whether the 200% statutory Asset Coverage requirements described above apply in connection with dividends or distributions on or purchases or redemptions of Preferred Stock, such Asset Coverage may be calculated on the basis of values calculated as of a time within 48 hours (only including Business Days) next preceding the time of the applicable determination.

Asset Coverage

If we fail to maintain Asset Coverage of at least 200% as of the close of business on the last Business Day of a Calendar Quarter, the Term Preferred Stock may become subject to mandatory redemption as provided below. Asset Coverage means asset coverage of a class of senior security which is a stock, as defined for purposes of Sections 18(h) and 61 of the 1940 Act as in effect on the date of the Articles Supplementary, determined on the basis of values calculated as of a time within two days (excluding Sundays and holidays) next preceding the time of such determination. For purposes of this determination, no shares of Series 2021 Term Preferred Stock, if any, will be deemed to be outstanding for purposes of the computation of Asset Coverage if, prior to or concurrently with such determination, either sufficient Deposit Securities or other sufficient funds (in accordance with the terms of such

Series 2021 Term Preferred Stock) to pay the full redemption price for such Series 2021 Term Preferred Stock (or the portion thereof to be redeemed) will have been deposited in trust with the paying agent for such Series 2021 Term Preferred Stock and the requisite notice of redemption for such Series 2021 Term

Preferred Stock (or the portion thereof to be redeemed) will have been given or sufficient Deposit Securities or other sufficient funds (in accordance with the terms of such Series 2021 Term Preferred Stock) to pay the full redemption price for such Series 2021 Term Preferred Stock (or the portion thereof to be redeemed) will have been segregated by us and our custodian from our assets, by means of appropriate identification on the custodian s books and records or otherwise in accordance with the custodian s normal procedures. In such event, the Deposit Securities or other sufficient funds so deposited or segregated will not be included as our assets for purposes of the computation of Asset Coverage.

Redemption

Term Redemption. We are required to provide for the mandatory redemption, or the Term Redemption, of all of the Series 2024 Term Preferred Stock on September 30, 2024, which we refer to as the Term Redemption Date, at a redemption price equal to the Liquidation Preference per share plus an amount equal to all unpaid dividends and distributions on such shares (whether or not earned or declared but excluding interest thereon) up to (but excluding) the Term Redemption Date, which we refer to as the Term Redemption Price.

Mandatory Redemption for Asset Coverage. If we fail to have Asset Coverage of at least 200% as provided in the Articles Supplementary and such failure is not cured as of the close of business on the Asset Coverage Cure Date, we will fix a redemption date and proceed to redeem the number of shares of Preferred Stock as described below at a price per share equal to the liquidation price per share of the applicable Preferred Stock, which in the case of the Term Preferred Stock is equal to the Liquidation Preference per share plus all unpaid dividends and distributions thereon (whether or not earned or declared but excluding interest thereon) to (but excluding) the date fixed for redemption by our Board of Directors. We will redeem out of funds legally available the number of shares of Preferred Stock (which may include at our sole option any number or proportion of Term Preferred Stock) equal to the lesser of (i) the minimum number of shares of Preferred Stock, the redemption of which, if deemed to have occurred immediately prior to the opening of business on the Asset Coverage Cure Date, would result in us having Asset Coverage of at least 200% (provided, however, that if there is no such minimum number of shares of Preferred Stock the redemption or retirement of which would have such result, all Term Preferred Stock and other shares of Preferred Stock then outstanding shall be redeemed) and (ii) the maximum number of shares of Preferred Stock that can be redeemed out of funds expected to be legally available in accordance with our charter and applicable law. Notwithstanding the foregoing sentence, in the event that shares of Preferred Stock are redeemed pursuant to the Articles Supplementary, we may at our sole option, but are not required to, redeem a sufficient number of shares of Series 2024 Term Preferred Stock that, when aggregated with other shares of Preferred Stock redeemed by us, permits us to have with respect to the shares of Preferred Stock (including Term Preferred Stock) remaining outstanding after such redemption, Asset Coverage on such Asset Coverage Cure Date up to and including 240%. We will effect a redemption on the date fixed by us, which date will not be later than ninety (90) calendar days after the Asset Coverage Cure Date, except that if we do not have funds legally available for the redemption of all of the required number of shares of Series 2024 Term Preferred Stock which have been designated to be redeemed or we otherwise are unable to effect such redemption on or prior to ninety (90) calendar days after the Asset Coverage Cure Date, we will redeem those shares of Series 2024 Term Preferred Stock which we were unable to redeem on the earliest practicable date on which we are able to effect such redemption.

Optional Redemption. On or after September 30, 2019 (any such date, an Optional Redemption Date), we may redeem in whole or from time to time in part outstanding Series 2024 Term Preferred Stock, at a redemption price equal to the Liquidation Preference, *plus* an amount equal to all unpaid dividends and distributions accumulated up to (but excluding) the Optional Redemption Date plus the optional redemption premium per share (if any) with respect to an optional redemption on the Series 2024 Term Preferred Stock that is effected on the Optional Redemption Date (whether or not earned or declared by us, but excluding interest thereon) (the Optional Redemption Price).

Table of Contents

Subject to the provisions of the Articles Supplementary and applicable law, our Board of Directors will have the full power and authority to prescribe the terms and conditions upon which shares of Series 2024 Term Preferred Stock will be redeemed from time to time.

We may not on any date deliver a notice of redemption to redeem any shares of Term Preferred Stock pursuant to the optional redemption provisions described above unless on such date we have available Deposit Securities for the Optional Redemption Date contemplated by such notice of redemption having a Market Value not less than the amount due to holders of shares of Term Preferred Stock by reason of the redemption of such shares of Term Preferred Stock on such Optional Redemption Date.

Mandatory Redemption upon Change of Control. If a Change of Control Triggering Event (as defined below) occurs with respect to the Series 2024 Term Preferred Stock, unless we have exercised our option to redeem such Series 2024 Term Preferred Stock as described above, we will be required to redeem all of the outstanding Series 2024 Term Preferred Stock at a price equal to the Liquidation Preference, plus an amount equal to all unpaid dividends accumulated to (but excluding) the date of redemption (whether or not earned or declared by us, but excluding interest thereon), which we refer to as the Change of Control Redemption Price.

For purposes of the foregoing discussion of the Change of Control Redemption, the following definitions are applicable:

Change of Control Triggering Event means the occurrence of any of the following: (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or more series of related transactions, of all or substantially all of our assets and the assets of our subsidiaries, taken as a whole, to any Person, other than us or one of our subsidiaries; (2) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any Person becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of our outstanding Voting Stock or other Voting Stock into which our Voting Stock is reclassified, consolidated, exchanged or changed, measured by voting power rather than number of shares; (3) we consolidate with, or merge with or into, any Person, or any Person consolidates with, or merges with or into, us, in any such event pursuant to a transaction in which any of our outstanding Voting Stock or the Voting Stock of such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the shares of our Voting Stock outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Stock of the surviving Person or any direct or indirect parent company of the surviving Person immediately after giving effect to such transaction; or (4) the adoption of a plan relating to our liquidation or dissolution. Notwithstanding the foregoing, a transaction will not be deemed to involve a Change of Control Triggering Event under clause (2) above if (i) we become a direct or indirect wholly-owned subsidiary of a holding company and (ii)(A) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of our Voting Stock immediately prior to that transaction or (B) immediately following that transaction no Person (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company.

Person means and includes an individual, a partnership, a trust, a corporation, a limited liability company, an unincorporated association, a joint venture or other entity or a government or any agency or political subdivision thereof.

Voting Stock means, with respect to any specified Person that is a corporation as of any date, the capital stock of such Person that is at the time entitled to vote generally in the election of the directors of such Person.

Redemption Procedures. We will file a notice of our intention to redeem with the SEC so as to provide the 30 calendar day notice period contemplated by Rule 23c-2 under the 1940 Act, or such shorter notice period as may be permitted by the SEC or its staff.

Table of Contents

If we shall determine or be required to redeem, in whole or in part, shares of Term Preferred Stock, we will deliver a notice of redemption, or a Notice of Redemption, by overnight delivery, by first class mail, postage prepaid or by electronic means to the holders of record of such shares of Term Preferred Stock to be redeemed, or request the Redemption and Paying Agent, on our behalf, to promptly do so by overnight delivery, by first class mail, postage prepaid or by electronic means. A Notice of Redemption will be provided not more than forty five (45) calendar days prior to the date fixed for redemption in such Notice of Redemption, which we refer to as the Redemption Date, provided, however, that, in the event of a Change of Control Redemption for the Series 2024 Term Preferred Stock, the Notice of Redemption will, if mailed prior to the date of consummation of the Change of Control Triggering Event, state that the Change of Control Redemption is conditioned on the Change of Control Triggering Event occurring and, provided further, that if, by the date that is three Business Days prior to the date fixed for redemption in such Notice of Redemption, the Change of Control Triggering Event shall not have occurred, the Redemption Date shall be extended until a date that is no more than three Business Days after the date on which the Change of Control Triggering Event occurs. If fewer than all of the outstanding shares of Series 2024 Term Preferred Stock are to be redeemed pursuant to either the Asset Coverage mandatory redemption provisions or the optional redemption provisions, the shares of Series 2024 Term Preferred Stock to be redeemed will be selected either (1) pro rata among Series 2024 Term Preferred Stock, (2) by lot or (3) in such other manner as our Board of Directors may determine to be fair and equitable. If fewer than all shares of Series 2024 Term Preferred Stock held by any holder are to be redeemed, the Notice of Redemption delivered to such holder shall also specify the number of shares of Series 2024 Term Preferred Stock to be redeemed from such holder or the method of determining such number. We may provide in any Notice of Redemption relating to a redemption contemplated to be effected pursuant to the Articles Supplementary that such redemption is subject to one or more conditions precedent and that we will not be required to effect such redemption unless each such condition has been satisfied at the time or times and in the manner specified in such Notice of Redemption. No defect in any Notice of Redemption or delivery thereof will affect the validity of redemption proceedings except as required by applicable law.

If we give a Notice of Redemption, then at any time from and after the giving of such Notice of Redemption and prior to 12:00 noon, New York City time, on the Redemption Date (so long as any conditions precedent to such redemption have been met or waived by us), we will (i) deposit with the Redemption and Paying Agent Deposit Securities having an aggregate Market Value at the time of deposit no less than the redemption price of the shares of Series 2024 Term Preferred Stock to be redeemed on the Redemption Date and (ii) give the Redemption and Paying Agent irrevocable instructions and authority to pay the applicable redemption price to the holders of shares of Series 2024 Term Preferred Stock called for redemption on the Redemption Date. Notwithstanding the foregoing, if the Redemption Date is the Term Redemption Date, then such deposit of Deposit Securities will be made no later than 15 calendar days prior to the Term Redemption Date.

Upon the date of the deposit of Deposit Securities by us for purposes of redemption of shares of Series 2024 Term Preferred Stock, all rights of the holders of Series 2024 Term Preferred Stock so called for redemption shall cease and terminate except the right of the holders thereof to receive the Term Redemption Price, Mandatory Redemption Price, Optional Redemption Price or Change of Control Redemption Price thereof, as applicable (any of the foregoing referred to in this prospectus supplement as the Redemption Price, and such shares of Series 2024 Term Preferred Stock will no longer be deemed outstanding for any purpose whatsoever (other than the transfer thereof prior to the applicable Redemption Date and other than the accumulation of dividends on such stock in accordance with the terms of the Series 2024 Term Preferred Stock up to (but excluding) the applicable Redemption Date, which accumulated dividends, unless previously or contemporaneously declared and paid as contemplated by the Articles Supplementary, shall be payable only as part of the applicable Redemption Price on the date of redemption). We will be entitled to receive, promptly after the Redemption Date, any Deposit Securities in excess of the aggregate Redemption Price of shares of Series 2024 Term Preferred Stock called for redemption on the Redemption Date. Any Deposit Securities so deposited that are unclaimed at the end of ninety (90) calendar days from the Redemption Date will, to the extent permitted by law, be repaid to us, after which the holders of shares of Series 2024 Term Preferred Stock so called for redemption shall look only to us for payment of the Redemption Price. We will be entitled to receive, from time to time after the Redemption Date, any interest on the Deposit Securities so deposited.

On or after a Redemption Date, each holder of shares of Series 2024 Term Preferred Stock in certificated form (if any) that are subject to redemption will surrender the certificate(s) evidencing such shares of Series 2024 Term Preferred Stock to us at the place designated in the Notice of Redemption and will then be entitled to receive the Redemption Price, without interest, and in the case of a redemption of fewer than all shares of Series 2024 Term Preferred Stock represented by such certificate(s), a new certificate representing shares of Series 2024 Term Preferred Stock that were not redeemed.

If any redemption for which a Notice of Redemption has been provided is not made by reason of the absence of our legally available funds in accordance with the Articles Supplementary and applicable law, such redemption shall be made as soon as practicable to the extent such funds become available. No Redemption Default will be deemed to have occurred if we have failed to deposit in trust with the Redemption and Paying Agent the applicable Redemption Price with respect to any shares where (1) the Notice of Redemption relating to such redemption provided that such redemption was subject to one or more conditions precedent and (2) any such condition precedent has not been satisfied at the time or times and in the manner specified in such Notice of Redemption. Notwithstanding the fact that a Notice of Redemption has been provided with respect to any shares of Series 2024 Term Preferred Stock, dividends may be declared and paid on such shares of Series 2024 Term Preferred Stock in accordance with their terms if Deposit Securities for the payment of the Redemption Price of such shares of Series 2024 Term Preferred Stock shall not have been deposited in trust with the Redemption and Paying Agent for that purpose.

We may, in our sole discretion and without a stockholder vote, modify the redemption procedures with respect to notification of redemption for the Series 2024 Term Preferred Stock, provided that such modification does not materially and adversely affect the holders of Series 2024 Term Preferred Stock or cause us to violate any applicable law, rule or regulation.

Liquidation Rights

In the event of any liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, the holders of the Term Preferred Stock will be entitled to receive out of our assets available for distribution to stockholders, after satisfying claims of creditors but before any distribution or payment will be made in respect of the common stock, a liquidation distribution equal to the Liquidation Preference, plus an amount equal to all unpaid dividends and distributions accumulated to (but excluding) the date fixed for such distribution or payment on such shares (whether or not earned or declared by us, but excluding interest thereon), and such holders will be entitled to no further participation in any distribution or payment in connection with any such liquidation, dissolution or winding up.

If, upon any liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, our assets available for distribution among the holders of all Term Preferred Stock, and any other outstanding shares of Preferred Stock will be insufficient to permit the payment in full to such holders of Term Preferred Stock of the Liquidation Preference plus accumulated and unpaid dividends and distributions and the amounts due upon liquidation with respect to such other shares of Preferred Stock, then the available assets will be distributed among the holders of such Term Preferred Stock and such other series of Preferred Stock ratably in proportion to the respective preferential liquidation amounts to which they are entitled. In connection with any liquidation, dissolution or winding up of our affairs whether voluntary or involuntary, unless and until the Liquidation Preference on each outstanding share of Term Preferred Stock plus accumulated and unpaid dividends and distributions has been paid in full to the holders of Term Preferred Stock, no dividends, distributions or other payments will be made on, and no redemption, repurchase or other acquisition by us will be made by us in respect of, the common stock.

Neither the sale of all or substantially all of the property or business of the Company, nor the merger, consolidation or our reorganization into or with any other business or statutory trust, corporation or other entity, nor the merger, consolidation or reorganization of any other business or statutory trust, corporation or other entity into or with us will be a dissolution, liquidation or winding up, whether voluntary or involuntary, for purposes of the provisions relating to liquidation set forth in the Articles Supplementary.

Voting Rights

Except as otherwise provided in the Articles Supplementary, or as otherwise required by applicable law, each holder of Term Preferred Stock will be entitled to one vote for each share of Term Preferred Stock held by such holder on each matter submitted to a vote of our stockholders and the holders of outstanding shares of any Preferred Stock, including the Term Preferred Stock, will vote together with holders of common stock as a single class. Under applicable rules of NASDAQ, we are currently required to hold annual meetings of stockholders.

In addition, the holders of outstanding shares of any Preferred Stock, including the Term Preferred Stock, are entitled, as a class, to the exclusion of the holders of all other securities and classes of common stock, to elect two of our directors at all times (regardless of the total number of directors serving on the Board of Directors). We refer to these directors as the Preferred Directors. The holders of outstanding shares of common stock and Preferred Stock, including Term Preferred Stock, voting together as a single class, elect the balance of our directors. Under our bylaws, our directors are divided into three classes. Each class consists, as nearly as possible, of one-third of the total number of directors, and each class has a three year term. At each annual meeting of our stockholders, the successors to the class of directors whose term expires at such meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. Both of the Preferred Directors will be up for election in 2018.

Notwithstanding the foregoing, if (1) at the close of business on any dividend payment date for dividends on any outstanding share of any Preferred Stock, including any outstanding shares of Term Preferred Stock, accumulated dividends (whether or not earned or declared) on the shares of Preferred Stock, including the Term Preferred Stock, equal to at least two (2) full years dividends shall be due and unpaid and sufficient cash or specified securities shall not have been deposited with the Redemption and Paying Agent or other applicable paying agent for the payment of such accumulated dividends; or (2) at any time holders of any shares of Preferred Stock are entitled under the 1940 Act to elect a majority of our directors (a period when either of the foregoing conditions exists, a Voting Period), then the number of members constituting our Board of Directors will automatically be increased by the smallest number that, when added to the two directors elected exclusively by the holders of shares of any Preferred Stock, including the Term Preferred Stock, as described above, would constitute a majority of our Board of Directors as so increased by such smallest number; and the holders of the shares of Preferred Stock, including the Term Preferred Stock, will be entitled as a class on a one-vote-per-share basis, to elect such additional directors. The terms of office of the persons who are directors at the time of that election will not be affected by the election of the additional directors. If we thereafter shall pay, or declare and set apart for payment, in full all dividends payable on all outstanding shares of Preferred Stock, including Term Preferred Stock, for all past dividend periods, or the Voting Period is otherwise terminated, (1) the voting rights stated above shall cease, subject always, however, to the re-vesting of such voting rights in the holders of shares of Preferred Stock upon the further occurrence of any of the events described herein, and (2) the terms of office of all of the additional directors so elected will terminate automatically. Any Preferred Stock, including Term Preferred Stock, issued after the date hereof will vote with Term Preferred Stock as a single class on the matters described above, and the issuance of any other Preferred Stock, including Term Preferred Stock, by us may reduce the voting power of the holders of Term Preferred Stock.

As soon as practicable after the accrual of any right of the holders of shares of Preferred Stock to elect additional directors as described above, we will call a special meeting of such holders and notify the Redemption and Paying Agent and/or such other person as is specified in the terms of such Preferred Stock to receive notice, (i) by mailing or delivery by electronic means or (ii) in such other manner and by such other means as are specified in the terms of such Preferred Stock, a notice of such special meeting to such holders, such meeting to be held not less than 10 nor more than 30 calendar days after the date of the delivery by electronic means or mailing of such notice. If we fail to call such a special meeting, it may be called at our expense by any such holder on like notice. The record date for determining the holders of shares of Preferred Stock entitled to notice of and to vote at such special meeting shall be the close of business on the fifth Business Day preceding the calendar day on which such notice is mailed. At any such special meeting and at each meeting of holders of shares of Preferred Stock held during a Voting Period at which directors are to be elected, such holders, voting together as a class (to the exclusion of the holders of all our other securities and classes of capital stock), will be entitled to elect the number of additional directors prescribed above on a one-vote-per-share basis.

Except as otherwise permitted by the terms of the Articles Supplementary, (a) so long as any shares of Term Preferred Stock are outstanding, we will not, without the affirmative vote or consent of the holders of at least two-thirds of shares of Term Preferred Stock, voting as a separate class, amend, alter or repeal the provisions of the charter, including the Articles Supplementary, whether by merger, consolidation or otherwise, so as to materially and adversely affect any preference, right or power of the Term Preferred Stock or the holders thereof and (b) so long as any Term Preferred Stock of a particular series are outstanding, we will not, without the affirmative vote or consent of the holders of at least two-thirds of Term Preferred Stock of that series, voting as a separate class, amend, alter or repeal the provisions of the charter, including the Articles Supplementary for that series, whether by merger, consolidation or otherwise, so as to materially and adversely affect any preference, right or power of the Term Preferred Stock of that series or the holders thereof; provided, however, that (i) a change in our capitalization as described under the heading Issuance of Additional Preferred Stock will not be considered to materially and adversely affect the rights and preferences of Term Preferred Stock, and (ii) a division of a share of Term Preferred Stock will be deemed to affect such preferences, rights or powers only if the terms of such division materially and adversely affect the holders of Term Preferred Stock. For purposes of the foregoing, no matter shall be deemed to adversely affect any preference, right or power of a share of Term Preferred Stock or the holder thereof unless such matter (i) alters or abolishes any preferential right of such share of Term Preferred Stock, or (ii) creates, alters or abolishes any right in respect of redemption of such Term Preferred Stock (other than as a result of a division of such Term Preferred Stock). So long as any shares of Term Preferred Stock are outstanding, we will not, without the affirmative vote or consent of at least 66 ⅔% of the holders of the shares of Term Preferred Stock outstanding at the time, voting as a separate class, file a voluntary application for relief under federal bankruptcy law or any similar application under state law for so long as we are solvent and do not foresee becoming insolvent. No amendment, alteration or repeal of our obligation to pay the Term Redemption Price on the Term Redemption Date for a series of Term Preferred Stock or to accumulate dividends at the Dividend Rate for that series will be effected without, in each case, the prior unanimous vote or consent of the holders of such series of Term Preferred Stock.

The affirmative vote of the holders of at least a majority of the outstanding shares of Preferred Stock, including the shares of Term Preferred Stock outstanding at the time, voting as a separate class, will be required (i) to approve us ceasing to be, or to withdraw our election as, a business development company, or (ii) to approve any plan of reorganization (as such term is defined in Section 2(a)(33) of the 1940 Act) adversely affecting such shares of Preferred Stock. For purposes of the foregoing, the vote of a majority of the outstanding shares of Preferred Stock means the vote at an annual or special meeting duly called of (a) sixty seven percent (67%) or more of such shares present at a meeting, if the holders of more than fifty percent (50%) of such outstanding shares are present or represented by proxy at such meeting, or (b) more than fifty percent (50%) of such outstanding shares, whichever is less.

For purposes of determining any rights of the holders of Term Preferred Stock to vote on any matter, whether such right is created by the charter, including the Articles Supplementary, by statute or otherwise, no holder of Term Preferred Stock will be entitled to vote any shares of Term Preferred Stock and no share of Term Preferred Stock will be deemed to be outstanding for the purpose of voting or determining the number of shares required to constitute a quorum if, prior to or concurrently with the time of determination of shares entitled to vote or the time of the actual vote on the matter, as the case may be, the requisite Notice of Redemption with respect to such

Term Preferred Stock will have been given in accordance with the Articles Supplementary, and the Redemption Price for the redemption of such shares of Term Preferred Stock will have been irrevocably deposited with the Redemption and Paying Agent for that purpose. No shares of Term Preferred Stock held by us will have any voting rights or be deemed to be outstanding for voting or for calculating the voting percentage required on any other matter or other purposes.

Unless otherwise required by law or the charter, holders of Term Preferred Stock will not have any relative rights or preferences or other special rights with respect to voting other than those specifically set forth in the Voting Rights section of the Articles Supplementary. The holders of shares of Term Preferred Stock will have no rights to cumulative voting. In the event that we fail to declare or pay any dividends on Term Preferred Stock, the exclusive remedy of the holders will be the right to vote for additional directors as discussed above; provided that the foregoing does not affect our obligation to accumulate and, if permitted by applicable law and the Articles Supplementary, pay dividends at the Default Rate as discussed above.

Issuance of Additional Preferred Stock

So long as any shares of Term Preferred Stock are outstanding, we may, without the vote or consent of the holders thereof, authorize, establish and create and issue and sell shares of one or more series of a class of our senior securities representing stock under Section 18 of the 1940 Act, ranking on parity with the Term Preferred Stock as to payment of dividends and distribution of assets upon dissolution, liquidation or the winding up of our affairs, in addition to then outstanding shares of Term Preferred Stock, including additional series of Term Preferred Stock, and authorize, issue and sell additional shares of any such series of Preferred Stock then outstanding or so established and created, including additional Term Preferred Stock, in each case in accordance with applicable law, provided that we will, immediately after giving effect to the issuance of such additional Preferred Stock and to its receipt and application of the proceeds thereof, including to the redemption of Preferred Stock with such proceeds, have Asset Coverage of at least 200%.

Actions on Other than Business Days

Unless otherwise provided in the Articles Supplementary, if the date for making any payment, performing any act or exercising any right is not a Business Day, such payment will be made, act performed or right exercised on the next succeeding Business Day, with the same force and effect as if made or done on the nominal date provided therefor, and, with respect to any payment so made, no dividends, interest or other amount will accrue for the period between such nominal date and the date of payment.

Modification

The TP Articles Supplementary provide that the Board of Directors, without the vote of the holders of Term Preferred Stock, may interpret, supplement or amend the provisions of the TP Articles Supplementary or any appendix thereto to supply any omission, resolve any inconsistency or ambiguity or to cure, correct or supplement any defective or inconsistent provision, including any provision that becomes defective after the date hereof because of impossibility of performance or any provision that is inconsistent with any provision of any other Preferred Stock or common stock.

Table of Contents

UNDERWRITING

Janney Montgomery Scott LLC and Ladenburg Thalmann & Co. Inc. are acting as joint book-running managers of this offering. Subject to the terms and conditions of the underwriting agreement dated September 19, 2017, the underwriters have agreed to purchase severally, and we have agreed to sell to the underwriters, the number of shares of Series 2024 Term Preferred Stock set forth opposite their respective names below at the public offering price less the underwriting discounts and commissions on the cover page of this prospectus supplement.

Underwriters	Number of Shares
Janney Montgomery Scott LLC	486,000
Ladenburg Thalmann & Co. Inc.	360,000
FBR Capital Markets & Co.	207,000
BB&T Capital Markets, a division of BB&T Securities, LLC	180,000
J.J.B. Hilliard, W.L. Lyons, LLC	207,000
Wedbush Securities Inc.	180,000
William Blair & Company	180,000
Total	1,800,000

Janney Montgomery Scott LLC is the sole representative of the underwriters named above. The underwriting agreement provides that obligations of the underwriters to purchase the Series 2024 Term Preferred Stock that is being offered are subject to the approval of certain legal matters by counsel to the underwriters and to certain other conditions. Each underwriter is obligated to purchase all of the shares of Series 2024 Term Preferred Stock set forth opposite its name in the table above if it purchases any of the Series 2024 Term Preferred Stock.

The underwriters propose to offer some of the shares of the Series 2024 Term Preferred Stock to the public initially at the offering price per share shown on the cover page of this prospectus supplement and may offer shares to certain dealers at such price less a concession not in excess of $0.50 per share. The underwriters may allow, and such dealers may re-allow, a concession not in excess of $0.50 per share to certain other dealers. Investors must pay for the shares purchased in this offering on or before September 27, 2017. After the public offering of the Series 2024 Term Preferred Stock, the public offering price and concessions described above may be changed by the underwriters.

We have granted to the underwriters an option, exercisable for up to 30 days after the date of this prospectus supplement, to purchase up to 270,000 additional shares of Series 2024 Term Preferred Stock at the same price per share as the public offering price, less the underwriting discounts shown on the cover page of this prospectus supplement. The underwriters may exercise such option only to cover over-allotments in the sale of the Series 2024 Term Preferred Stock offered by this prospectus supplement. To the extent that the underwriters exercise this option, each of the underwriters has a firm commitment, subject to certain conditions set forth in the underwriting agreement, to purchase the number of shares of the Series 2024 Term Preferred Stock that is proportionate to such underwriter s initial commitment indicated in the table above.

Table of Contents

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by us. The amounts as shown assume (1) no exercise and (2) exercise in full of the underwriters over-allotment option:

	Per share		Total	
	Without Over-allotment	With Over-allotment	Without Over-allotment	With Over-allotment
Public offering price	$ 25.00	$ 25.00	$ 45,000,000	$ 51,750,000
Underwriting discounts and commissions paid by us (3.15% of the public offering price)	$ 0.7875	$ 0.7875	$ 1,417,500	$ 1,630,125
Proceeds to us, before expenses	$ 24.2125	$ 24.2125	$ 43,582,500	$ 50,119,875

We estimate that expenses payable by us in connection with this offering, other than underwriting discounts and commissions referred to above, will be approximately $285,000.

In connection with this offering and in compliance with applicable securities laws, including Regulation M under the Exchange Act, the underwriters may over-allot (i.e., sell more shares of Series 2024 Term Preferred Stock than the amount shown on the cover page of this prospectus supplement) and may effect transactions that stabilize, maintain or otherwise affect the market price of such shares at levels above those which might otherwise prevail in the open market. Such transactions may include making short sales and placing bids for the Series 2024 Term Preferred Stock or effecting purchases of such shares for the purpose of pegging, fixing or maintaining the market price of such shares or for the purpose of reducing a short position created in connection with this offering. The underwriters may cover a short position by exercising the over-allotment option described above in place of, or in addition to, open market purchases.

Additionally, the underwriters may engage in syndicate covering transactions which involve purchases of Series 2024 Term Preferred Stock in the open market after they have completed the distribution of such shares in order to cover syndicate short positions. In determining the appropriate source of shares to close out a covered short sale, the underwriters may consider, among other things, the market price of such shares compared to the purchase price of shares available under the over-allotment option.

The underwriters may also sell the Series 2024 Term Preferred Stock in excess of the over-allotment option, thereby creating a naked short position. The underwriters must close out any such naked short position by purchasing shares in the open market. The underwriters are more likely to create a naked short position if they are concerned that there may be downward pressure on the price of shares of the Series 2024 Term Preferred Stock in the open market after pricing, which could adversely affect investors who purchase in this offering.

The underwriters may also impose a penalty bid in connection with this offering. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the Series 2024 Term Preferred Stock originally sold by such syndicate member are purchased in a stabilizing transaction or syndicate covering transaction to cover syndicate short positions. The imposition of a penalty bid may affect the open market price of the Series 2024 Term Preferred Stock to the extent that it discourages resales of such shares.

We and the underwriters make no representation or prediction as to the direction or magnitude of any effect that these transactions may have on the market price of the Series 2024 Term Preferred Stock. In addition, we and the underwriters make no representation that the underwriters will engage in such transactions or that such transactions, if and when commenced, will not be discontinued without notice.

Each underwriter does not intend to confirm sales of the Series 2024 Term Preferred Stock to any accounts over which it exercises discretionary authority.

The underwriting agreement provides that we will not, directly or indirectly, sell or otherwise dispose of any shares of the Series 2024 Term Preferred Stock for a period of 60 days after the date of this prospectus supplement without the prior written consent of Janney Montgomery Scott LLC, on behalf of the underwriters. The underwriting agreement also provides that our directors and executive officers will agree not to, directly or indirectly, sell or otherwise dispose of any of the Series 2024 Term Preferred Stock or shares of our common stock for a period of 60 days after the date of this prospectus supplement without the prior written consent of Janney Montgomery Scott LLC, on behalf of the underwriters.

In addition, the terms of the lock-up agreement do not prevent a stockholder party to such agreement from (a) transferring the Series 2024 Term Preferred Stock or shares of our common stock acquired in open market transactions after the completion of this offering, (b) transferring any or all of the Series 2024 Term Preferred Stock or shares of our common stock or other Company securities if the transfer is by (i) gift, will or intestacy, or (ii) distribution to partners, members or stockholders of the undersigned, (c) transferring Series 2024 Term Preferred Stock or shares of our common stock pursuant to any 10b5-1 trading plan in effect prior to the date of this prospectus and (d) entering into any new 10b5-1 plan, provided that no sales of Series 2024 Term Preferred Stock or shares of our common stock or other Company securities shall be made pursuant to such 10b5-1 plan until after the expiration of the lock-up period; provided, however, that in the case of a transfer pursuant to clause (b) above, it shall be a condition to the transfer that the transferee execute an agreement stating that the transferee is receiving and holding the securities subject to the provisions of the lock-up agreement.

We have agreed to indemnify the underwriters against certain liabilities that they may incur in connection with this offering, including liabilities under the Securities Act.

We have applied to list the Series 2024 Term Preferred Stock on NASDAQ, under the symbol GLADN. We expect the Series 2024 Term Preferred Stock to begin trading on NASDAQ within 30 days of the date of this prospectus supplement though there can be no assurance the Series 2024 Term Preferred Stock will be trading on NASDAQ during this period, or at all. Our common stock is traded on NASDAQ under the symbol GLAD and shares of our Series 2021 Term Preferred Stock are traded on NASDAQ under the symbol GLADO.

This prospectus supplement and the accompanying prospectus may be made available in electronic format on websites maintained by one or more of the underwriters or selling group members, if any, participating in this offering, and one or more of the underwriters participating in this offering may distribute this prospectus supplement and the accompanying prospectus electronically. Janney Montgomery Scott LLC, as representative of the underwriters, may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make internet distributions on the same basis as other allocations. Other than the prospectus supplement and the accompanying prospectus that are distributed in electronic format, the information on any of these underwriters or selling group members websites, and any other information contained on a website maintained by an underwriter or selling group member, is not part of this prospectus supplement or the accompanying prospectus.

The distribution of this prospectus supplement and the accompanying prospectus and this offering of Series 2024 Term Preferred Stock in certain jurisdictions may be restricted by law. Persons who come into possession of this prospectus supplement and the accompanying prospectus should inform themselves about and observe any such restrictions.

Conflicts of Interest and Other Relationships

The underwriters and/or certain of their affiliates may hold shares of the Series 2021 Term Preferred Stock at the time we intend to redeem all shares of the Series 2021 Term Preferred Stock. Accordingly, such underwriters and/or their affiliates may receive a portion of the net proceeds from this offering that are used to redeem the Series 2021 Term

Preferred Stock.

The underwriters and certain of their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriters and certain of their affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and certain of their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the account of their customers, and such investment and securities activities may involve our securities and/or instruments. The underwriters and certain of their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Alternative Settlement Cycle

We expect that delivery of the Series 2024 Term Preferred Stock will be made against payment therefor on or about September 27, 2017, which will be the fifth business day following the trade date for the issuance of the Series 2024 Term Preferred Stock (such settlement being herein referred to as T+5). Under Rule 15c6-1 promulgated under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Series 2024 Term Preferred Stock prior to the date of delivery hereunder will be required, by virtue of the fact that the Series 2024 Term Preferred Stock initially will settle in T+5 business days, to specify an alternative settlement arrangement at the time of any such trade to prevent a failed settlement.

The principal business address of Janney Montgomery Scott LLC is 1717 Arch Street, Philadelphia, PA 19103. The principal business address of Ladenburg Thalmann & Co. Inc. is 570 Lexington Avenue, 12th Floor, New York, NY 10022. The principal business address of FBR Capital Markets & Co. is 1300 North 17th Street, Suite 1400, Arlington, VA 22209. The principal business address of BB&T Capital Markets, a division of BB&T Securities, LLC is 901 East Byrd Street, Suite 300, Richmond, VA 23219. The principal business address of J.J.B. Hilliard, W.L. Lyons, LLC is 500 W. Jefferson Street, Louisville, KY 40202. The principal business address of Wedbush Securities Inc. is 1000 Wilshire Blvd., Los Angeles, CA 90017. The principal business address of William Blair & Company is 150 North Riverside Plaza, Chicago, Illinois 60606.

Table of Contents

DIVIDEND REINVESTMENT PLAN

This discussion serves as a supplement to the discussion in the accompanying prospectus under the heading Dividend Reinvestment Plan.

Our dividend reinvestment plan provides only for reinvestment of distributions on behalf of our common stockholders and does not include preferred stockholders.

Table of Contents

CUSTODIAN, TRANSFER AGENT, DIVIDEND DISBURSING AGENT

AND REDEMPTION AND PAYING AGENT

The custodian of our assets is The Bank of New York Mellon Corp. The custodian s address is: 500 Ross Street, Suite 935, Pittsburgh, PA 15262. Our assets are held under bank custodianship in compliance with the 1940 Act. Securities held through our wholly owned subsidiary, Gladstone Business Loan, are held under a custodian agreement with The Bank of New York Mellon Corp., which acts as collateral custodian pursuant to the Credit Facility with KeyBank National Association and certain other parties. The address of the collateral custodian is 500 Ross Street, Suite 935, Pittsburgh, PA 15262. Computershare acts as our transfer and dividend paying agent and registrar. The principal business address of Computershare Inc. is 250 Royall Street, Canton, Massachusetts 02021, telephone number 781-575-2000. Computershare also maintains an internet website at www.computershare.com.

MISCELLANEOUS

To the extent that a holder of Series 2024 Term Preferred Stock is directly or indirectly a beneficial owner of more than 10% of any class of our outstanding shares (meaning, for purposes of holders of Series 2024 Term Preferred Stock, more than 10% of our outstanding Term Preferred Stock), such 10% beneficial owner would be subject to the short-swing profit rules that are imposed pursuant to Section 16 of the Exchange Act (and related reporting requirements). These rules generally provide that such a 10% beneficial owner may have to disgorge any profits made on purchases and sales, or sales and purchases, of our equity securities (including the Series 2021 Term Preferred Stock, Series 2024 Term Preferred Stock and common stock) within any six-month time period. Investors should consult with their own counsel to determine the applicability of these rules.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Exchange Act and are required to file reports, proxy statements and other information with the SEC. These documents may be inspected and copied for a fee at the SEC s public reference room, 100 F Street, N.E., Washington, D.C. 20549.

This prospectus supplement and the accompanying prospectus do not contain all of the information in our registration statement, including amendments, exhibits and schedules. Statements in this prospectus supplement and in the accompanying prospectus about the contents of any contract or other document are not necessarily complete and, in each instance, reference is made to the copy of the contract or other document filed as an exhibit to the registration statement, each such statement being qualified in all respects by this reference.

Additional information about the Company and the Preferred Stock may be found in our registration statement on Form N-2 (including the related amendments, exhibits and schedules) filed with the SEC. The SEC maintains a web site (http://www.sec.gov) that contains our registration statement, other documents incorporated by reference in the registration statement and other information that we have filed electronically with the SEC, including proxy statements and reports filed under the Exchange Act.

LEGAL MATTERS

Certain legal matters regarding the securities offered hereby will be passed upon for us by Bass, Berry & Sims PLC, Nashville, Tennessee. Certain matters of Maryland law, including the validity of the Preferred Stock to be issued in connection with this offering, will be passed upon for us by Venable LLP, Baltimore, Maryland. Certain legal matters will be passed upon for the underwriters by Dechert LLP, Washington, D.C.

Table of Contents

EXPERTS

The financial statements as of September 30, 2016 and September 30, 2015 and for each of the three years in the period ended September 30, 2016 and management s assessment of the effectiveness of internal control over financial reporting (which is included in the Report of Management on Internal Controls) as of September 30, 2016 included in the accompanying prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

Table of Contents

INDEX TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

GLADSTONE CAPITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	June 30, 2017	September 30, 2016
ASSETS		
Investments, at fair value:		
Non-Control/Non-Affiliate investments (Cost of **$314,071** and $250,991, respectively)	**$ 283,161**	$ 226,401
Affiliate investments (Cost of **$51,217** and $85,013, respectively)	**42,041**	75,473
Control investments (Cost of **$40,615** and $45,797, respectively)	**20,301**	20,240
Total investments at fair value (Cost of **$405,903** and $381,801 respectively)	**345,503**	322,114
Cash and cash equivalents	**7,002**	6,152
Restricted cash and cash equivalents	**273**	406
Interest receivable, net	**2,284**	2,333
Due from custodian	**2,857**	2,164
Deferred financing fees	**1,039**	1,521
Other assets, net	**2,387**	848
TOTAL ASSETS	**$ 361,345**	$ 335,538
LIABILITIES		
Borrowings, at fair value (Cost of **$82,200** and $71,300, respectively)	**$ 82,271**	$ 71,300
Mandatorily redeemable preferred stock, $0.001 par value, $25 liquidation preference; **4,000,000** shares authorized and **2,440,000** shares issued and outstanding, net	**59,624**	59,360
Accounts payable and accrued expenses	**219**	1,019
Interest payable	**235**	201
Fees due to Adviser[(A)]	**460**	1,222
Fee due to Administrator[(A)]	**272**	282
Other liabilities	**1,281**	947
TOTAL LIABILITIES	**$ 144,362**	$ 134,331
Commitments and contingencies[(B)]		
NET ASSETS		
	$ 26	$ 23

Common stock, $0.001 par value per share, **46,000,000** shares authorized; **25,880,466** shares issued and outstanding as of June 30, 2017 and 23,344,422 shares issued and outstanding as of September 30, 2016		
Capital in excess of par value	**347,061**	327,678
Cumulative net unrealized depreciation of investments	**(60,400)**	(59,687)
Cumulative net unrealized depreciation of other	**(71)**	
(Over) under distributed net investment income	**(313)**	4,277
Accumulated net realized losses	**(69,320)**	(71,084)
TOTAL NET ASSETS	**$ 216,983**	$ 201,207
NET ASSET VALUE PER COMMON SHARE	**$ 8.38**	$ 8.62

(A) Refer to Note 4 *Related Party Transactions* for additional information.

(B) Refer to Note 10 *Commitments and Contingencies* for additional information.

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

S-F-2

Table of Contents

GLADSTONE CAPITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
INVESTMENT INCOME				
Interest income, net				
Non-Control/Non-Affiliate investments	**$ 8,047**	$ 5,878	**$ 21,874**	$ 19,203
Affiliate investments	**1,204**	2,069	**3,713**	5,980
Control investments	**371**	304	**1,249**	921
Other	**7**	2	**14**	3
Total interest income	**9,629**	8,253	**26,850**	26,107
Other income				
Non-Control/Non-Affiliate investments	**3**	542	**407**	1,831
Affiliate investments		466	**1,142**	466
Control investments		583		958
Total other income	**3**	1,591	**1,549**	3,255
Total investment income	**9,632**	9,844	**28,399**	29,362
EXPENSES				
Base management fee[(A)]	**1,480**	1,369	**4,217**	4,258
Loan servicing fee[(A)]	**1,071**	896	**3,009**	2,876
Incentive fee[(A)]	**1,116**	1,187	**3,479**	3,369
Administration fee[(A)]	**272**	287	**858**	900
Interest expense on borrowings	**904**	648	**2,047**	2,066
Dividend expense on mandatorily redeemable preferred stock	**1,029**	1,029	**3,087**	3,088
Amortization of deferred financing fees	**274**	273	**821**	802
Professional fees	**223**	214	**665**	925
Other general and administrative expenses	**230**	426	**774**	1,106
Expenses, before credits from Adviser	**6,599**	6,329	**18,957**	19,390
Credit to base management fee loan servicing fee[(A)]	**(1,071)**	(896)	**(3,009)**	(2,876)
Credits to fees from Adviser other[(A)]	**(1,275)**	(496)	**(3,494)**	(1,736)
Total expenses, net of credits	**4,253**	4,937	**12,454**	14,778

NET INVESTMENT INCOME		**5,379**		4,907		**15,945**		14,584
NET REALIZED AND UNREALIZED GAIN (LOSS)								
Net realized (loss) gain:								
Non-Control/Non-Affiliate investments		**(23)**		(153)		**3,903**		8,875
Affiliate investments				72		**(2,330)**		1,280
Control investments				(3)		**(4,999)**		(318)
Other								(64)
Total net realized (loss) gain		**(23)**		(84)		**(3,426)**		9,773
Net unrealized appreciation (depreciation):								
Non-Control/Non-Affiliate investments		**283**		4,176		**(6,320)**		(18,558)
Affiliate investments		**190**		(2,012)		**364**		(8,546)
Control investments		**516**		(1,471)		**5,243**		(6,643)
Other		**(182)**				**(71)**		62
Total net unrealized appreciation (depreciation)		**807**		693		**(784)**		(33,685)
Net realized and unrealized gain (loss)		**784**		609		**(4,210)**		(23,912)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	**$**	**6,163**	$	5,516	**$**	**11,735**	$	(9,328)
BASIC AND DILUTED PER COMMON SHARE:								
Net investment income	**$**	**0.21**	$	0.21	**$**	**0.63**	$	0.63
Net increase (decrease) in net assets resulting from operations	**$**	**0.24**	$	0.24	**$**	**0.46**	$	(0.40)
Distributions declared and paid	**$**	**0.21**	$	0.21	**$**	**0.63**	$	0.63
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING: Basic and Diluted		**25,576,149**		23,363,952		**25,288,289**		23,145,842

(A) Refer to Note 4 *Related Party Transactions* for additional information.

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

Table of Contents

GLADSTONE CAPITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

	Nine Months Ended June 30, 2017	2016
OPERATIONS		
Net investment income	**$ 15,945**	$ 14,584
Net realized (loss) gain on investments and other	**(3,426)**	9,773
Net unrealized depreciation of investments	**(713)**	(33,747)
Net unrealized (depreciation) appreciation of other	**(71)**	62
Net increase (decrease) in net assets resulting from operations	**11,735**	(9,328)
DISTRIBUTIONS		
Distributions to common stockholders from net investment income	**(15,945)**	(11,395)
Distributions to common stockholders from realized gains		(3,189)
Total distributions to common stockholders	**(15,945)**	(14,584)
CAPITAL TRANSACTIONS		
Issuance of common stock	**20,932**	19,665
Offering costs for issuance of common stock	**(946)**	(1,111)
Repurchase of common stock		(572)
Net increase in net assets resulting from capital transactions	**19,986**	17,982
NET INCREASE (DECREASE) IN NET ASSETS	**15,776**	(5,930)
NET ASSETS, BEGINNING OF PERIOD	**201,207**	191,444
NET ASSETS, END OF PERIOD	**$ 216,983**	$ 185,514

(A) Refer to Note 4 *Related Party Transactions* for additional information.

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

Table of Contents

GLADSTONE CAPITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

	Nine Months Ended June 30, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase (decrease) in net assets resulting from operations	**$ 11,735**	$ (9,328)
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash (used in) provided by operating activities:		
Purchase of investments	**(95,449)**	(59,862)
Principal repayments on investments	**62,792**	78,596
Net proceeds from sale of investments	**8,289**	19,829
Net realized loss (gain) on investments	**3,426**	(9,837)
Increase in investments due to paid-in-kind interest or other	**(3,599)**	(4,311)
Net change in premiums, discounts and amortization	**439**	(109)
Cost adjustments on non-accrual loans		(388)
Net unrealized depreciation of investments	**713**	33,747
Net realized loss on other		64
Net unrealized depreciation (appreciation) of other	**71**	(62)
Changes in assets and liabilities:		
Decrease in restricted cash and cash equivalents	**133**	223
Amortization of deferred financing fees	**821**	802
Decrease in interest receivable, net	**49**	2,927
Decrease in due from custodian	**(693)**	(593)
Increase in other assets, net	**(1,539)**	(2,803)
Decrease in accounts payable and accrued expenses	**(800)**	(163)
Increase (decrease) in interest payable	**34**	(108)
(Decrease) increase in fees due to Adviser[A]	**(762)**	460
(Decrease) increase in fee due to Administrator[A]	**(10)**	37
Increase in other liabilities	**334**	2,770
Net cash (used in) provided by operating activities	**(14,016)**	51,891
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	**108,000**	77,000
Repayments on borrowings	**(97,100)**	(131,000)
Deferred financing fees	**(75)**	(75)
Proceeds from issuance of common stock	**20,932**	19,665
Offering costs for issuance of common stock	**(946)**	(1,111)
Repurchases of common stock		(572)
Distributions paid to common stockholders	**(15,945)**	(14,584)

Net cash provided by (used in) financing activities		**14,866**		(50,677)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**850**		1,214
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**6,152**		3,808
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$**	**7,002**	$	5,022
NON-CASH ACTIVITIES[(B)]	**$**		$	3,921

(A) Refer to Note 4 *Related Party Transactions* for additional information.

(B) Significant non-cash operating activities consisted principally of the following transaction:

In February 2016, our investment in Targus Group International, Inc. was restructured resulting in non-cash activity of $3.9 million and a new investment in Targus Cayman HoldCo Limited, which is listed on the accompanying *Consolidated Schedule of Investments* as of June 30, 2017 and September 30, 2016.

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

S-F-5

Table of Contents

GLADSTONE CAPITAL CORPORATION

CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS

JUNE 30, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company(A)	Industry	Investment(B)	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS(M):					
Proprietary Investments:					
AG Transportation Holdings, LLC	Cargo transport	Secured Second Lien Debt (13.3%, Due 3/2018)(C)	$ 13,000	$ 13,000	$ 13,065
		Member Profit Participation (18.0% ownership)(E)(G)		1,000	
		Profit Participation Warrants (7.0% ownership)(E)(G)		244	
				14,244	13,065
Alloy Die Casting Corp.(R)	Diversified/conglomerate manufacturing	Secured First Lien Debt (13.5%, Due 10/2018)(C)(H)	5,235	5,235	3,665
		Secured First Lien Debt (13.5%, Due 10/2018)(C)(H)	75	75	53
		Secured First Lien Debt (Due 10/2018)(C)(P)	390	390	275
		Preferred Stock (2,192 shares)(E)(G)		2,192	
		Common Stock (270 shares)(E)(G)		18	
				7,910	3,993
B+T Group Acquisition Inc.(R)	Telecommunications	Secured First Lien Debt (13.0%, Due 12/2019)(C)	6,000	6,000	5,940
		Preferred Stock (5,503 shares)(E)(G)(J)		1,799	1,374
				7,799	7,314
Belnick, Inc.	Home and Office Furnishings, Housewares and Durable Consumer Products	Secured Second Lien Debt (11.0%, Due 8/2023)(C)(F)	10,000	10,000	10,025

Canopy Safety Brands, LLC	Personal and non-durable consumer products	Secured First Lien Line of Credit, $500 available (7.7%, Due 9/2019)(C)			
		Secured First Lien Debt (10.7%, Due 9/2021)(C)	6,850	6,850	6,859
		Participation Warrant(E)(G)		500	286
				7,350	7,145
Chinese Yellow Pages Company	Printing and publishing	Secured First Lien Line of Credit, $0 available (8.0%, Due 2/2015)(E)	107	107	
Drumcree, LLC	Broadcasting and entertainment	Secured First Lien Debt (15.0% PIK, Due 8/2017)(E)(F)	6,192	6,177	6,192
Flight Fit N Fun LLC	Leisure, Amusement, Motion Pictures, Entertainment	Secured First Lien Debt (15.2%, Due 9/2020)(C)	7,800	7,800	7,488
		Preferred Stock (700,000 units)(E)(G)		700	759
				8,500	8,247

S-F-6

Table of Contents

Company(A)	Industry	Investment(B)	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS(M) (Continued):					
Francis Drilling Fluids, Ltd.	Oil and gas	Secured Second Lien Debt (11.9% PIK, Due 4/2020)(C)	16,243	16,103	5,685
		Secured Second Lien Debt (10.8% PIK, Due 4/2020)(C)	7,524	7,459	2,634
		Preferred Equity Units (1,656 units)(E)(G)		1,215	
		Common Equity Units (1,656 units)(E)(G)		1	
				24,778	8,319
Funko Acquisition Holdings, LLC(R)	Personal and non-durable consumer products	Preferred Equity Units (260 units)(E)(G)		167	245
		Common Stock (975 units)(E)(G)			
				167	245
GFRC Holdings, LLC	Buildings and real estate	Secured First Lien Line of Credit, $95 available (9.0%, Due 9/2018)(E)	1,105	1,105	1,105
		Secured First Lien Debt (9.0%, Due 9/2018)(E)	1,000	1,000	1,000
		Preferred Stock (1,000 shares)(E)(G)		1,025	869
		Common Stock Warrants (45.0% ownership)(E)(G)			
				3,130	2,974
HB Capital Resources, Ltd.	Diversified/conglomerate service	Secured Second Lien Debt (11.5%, Due 10/2022)(I)	22,000	22,000	22,000
IA Tech, LLC	Diversified/conglomerate service	Secured First Lien Debt (12.2%, Due 6/2021)(C)	23,000	23,000	23,518
Leeds Novamark Capital I, L.P.	Private equity fund healthcare, education and childcare	Limited Partnership Interest (3.5% ownership, $1,581 uncalled capital commitment)(G)(L)(Q)		1,414	1,303
Meridian Rack & Pinion, Inc.(R)	Automobile	Secured First Lien Debt (13.5%, Due 12/2018)(C)	4,140	4,140	3,726
		Preferred Stock (1,449 shares)(E)(G)		1,449	429
				5,589	4,155
Merlin	Healthcare, education,	Secured Second Lien Debt (11.2%, Due	10,000	10,000	10,112

International, Inc.	and childcare	8/2022)(C)			
The Mochi Ice Cream Company(T)	Beverage, Food and Tobacco	Secured Second Lien Debt (11.7%, Due 1/2021)(C)	6,750	6,750	6,885
		Common Stock (450 units)(E)(G)		450	606
				7,200	7,491
NetFortris Corp.	Telecommunications	Secured First Lien Line of Credit, $2,000 available (11.2%, Due 11/2017)(C)			
		Secured First Lien Debt (9.6%, Due 2/2021)(C)	24,000	24,000	24,120
		Common Stock Warrant(E)(G)		1	
				24,001	24,120

Table of Contents

Company[A]	Industry	Investment[B]	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS[M] (Continued):					
Precision International, LLC	Machinery	Secured First Lien Debt (10.0% PIK, Due 9/2021)[C][F]	795	795	789
		Membership Unit Warrant (33.3% ownership)[E][G]			
				795	789
Sea Link International IRB, Inc.	Automobile	Secured Second Lien Debt (11.3%, Due 11/2021)[C][F]	5,000	5,000	5,037
		Secured Second Lien Delayed Draw Term Loan, $2,000 available (11.3%, Due 11/2021)[C][F]			
		Common Equity Units (240,000 units)[E][G]		240	177
				5,240	5,214
Travel Sentry, Inc.	Diversified/conglomerate service	Secured First Lien Debt (10.3%, Due 12/2021)[C]	8,902	8,902	9,047
Triple H Food Processors, LLC	Beverage, Food and Tobacco	Secured First Lien Line of Credit, $1,500 available (8.0%, Due 8/2018)[C]			
		Secured First Lien Debt (10.0%, Due 8/2020)[C]	7,000	7,000	7,166
		Common Stock (250,000 units)[E][G]		250	452
				7,250	7,618
TWS Acquisition Corporation	Healthcare, education and childcare	Secured First Lien Line of Credit, $1,500 available (9.2%, Due 7/2017)[C]			
		Secured First Lien Debt (9.2%, Due 7/2020)[C]	9,432	9,432	9,598
				9,432	9,598
United Flexible, Inc.	Diversified/conglomerate manufacturing	Secured Second Lien Debt (10.7%, 2.0% PIK, Due 2/2022)[C]	17,902	17,815	17,723
		Preferred Stock (538 shares)[E][G]		538	479
		Common Stock (1,158 shares)[E][G]		148	
				18,501	18,202
Vacation Rental Pros Property Management,	Hotels, motels, inns, and gaming	Secured Second Lien Debt (11.2%, 3.0% PIK, Due 6/2023)[C]	7,091	7,091	7,091

LLC					
Vision Government Solutions, Inc.	Diversified/conglomerate service	Secured First Lien Line of Credit, $0 available (10.0%, Due 1/2019)(C)	1,450	1,450	1,399
		Secured First Lien Delayed Draw Term Loan, $900 available (10.0%, Due 1/2019)(C)(F)	1,600	1,600	1,450
		Secured First Lien Debt (10.0%, Due 1/2019)(C)	9,000	9,000	8,261
				12,050	11,110

S-F-8

Table of Contents

Company[(A)]	Industry	Investment[(B)]	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS[(M)] (Continued):					
WadeCo Specialties, Inc.	Oil and gas	Secured First Lien Line of Credit, $425 available (8.2%, Due 4/2018)[(C)]	2,575	2,575	2,510
		Secured First Lien Debt (8.2%, Due 3/2019)[(C)]	10,691	10,671	10,424
		Secured First Lien Debt (12.0%, Due 3/2019)[(C)]	7,000	7,000	6,720
		Preferred Stock (1,000 shares)[(E)(G)]		618	1,554
				20,864	21,208
Subtotal Non-Control/Non-Affiliate Proprietary Investments				**$ 273,491**	**$ 250,095**
Syndicated Investments:					
DataPipe, Inc.	Diversified/conglomerate service	Secured Second Lien Debt (9.2%, Due 9/2019)[(D)]	$ 2,000	$ 1,962	$ 2,005
Keystone Acquisition Corp.	Diversified/conglomerate service	Secured Second Lien Debt (10.5%, Due 5/2025)[(D)]	4,000	3,921	3,960
LDiscovery, LLC	Diversified/conglomerate service	Secured Second Lien Debt (11.2%, Due 12/2023)[(D)]	5,000	4,810	4,700
Medical Solutions Holdings, Inc.	Healthcare, education and childcare	Secured Second Lien Debt (9.5%, Due 12/2023)[(I)]	3,000	2,955	3,000
NetSmart Technologies, Inc.	Healthcare, education and childcare	Secured Second Lien Debt (10.7%, Due 10/2023)[(D)]	3,660	3,607	3,642
New Trident Holdcorp, Inc.	Healthcare, education and childcare	Secured Second Lien Debt (10.7%, Due 7/2020)[(D)]	4,000	3,984	2,700
Edmentum Ultimate Holdings, LLC[(S)]	Healthcare, education and childcare	Unsecured Debt (10.0% PIK, Due 6/2020)[(C)(F)]	3,241	3,241	3,249
		Common Stock (21,429 shares)[(E)(G)]		2,636	
				5,877	3,249
PSC Industrial Holdings Corp.	Diversified/conglomerate service	Secured Second Lien Debt (9.5%, Due 12/2021)[(D)]	3,500	3,450	3,010
SourceHOV LLC	Finance	Secured Second Lien Debt (11.8%, Due 4/2020)[(D)]	5,000	4,879	4,781
	Electronics		519	519	517

The Active Network, Inc.		Secured Second Lien Debt (10.7%, Due 11/2021)(D)			
Vertellus Holdings LLC	Chemicals, plastics and rubber	Secured Second Lien Debt (13.2%, Due 10/2021)(D)	1,099	1,099	923
		Common Stock Units (879,121 units)(D)(G)		3,018	440
				4,117	1,363
W3 Co.	Oil and gas	Common Equity (435 shares)(D)(G)	499	499	139
Subtotal Non-Control/Non-Affiliate Syndicated Investments				**$ 40,580**	**$ 33,066**
Total Non-Control/Non-Affiliate Investments (represented 81.9% of total investments at fair value)				**$ 314,071**	**$ 283,161**
AFFILIATE INVESTMENTS(N):					
Proprietary Investments:					
Edge Adhesives Holdings, Inc.(R)	Diversified/conglomerate manufacturing	Secured First Lien Debt (12.5%, Due 2/2019)(C)	$ 6,200	$ 6,200	$ 5,642
		Secured First Lien Debt (13.8%, Due 2/2019)(C)	1,600	1,600	1,464
		Preferred Stock (2,516 units)(E)(G)		2,516	
				10,316	7,106

S-F-9

Table of Contents

)	Industry	Investment(B)	Principal	Cost
E INVESTMENTS(N) (Continued):				
tners,	Private equity fund aerospace and defense	Class A Membership Units (80 units, $0 Uncalled Commitment)(G)(K)(Q)		1,634
nc.	Diversified natural resources, precious metals and minerals	Secured Second Lien Debt (12.0%, Due 2/2021)(C)	6,000	6,000
		Secured Second Lien Debt (12.0%, Due 2/2021)(C)	8,000	8,000
		Secured Second Lien Debt (12.0%, Due 2/2021)(C)	3,300	3,300
		Preferred Stock (40,000 shares)(E)(G)		800
		Common Stock (152,603 shares)(E)(G)		1,855
				19,955
sitions LC	Diversified/conglomerate manufacturing	Secured First Lien Line of Credit, $0 available (6.7%, 2.0% PIK, Due 3/2018)(C)	2,635	2,632
		Secured First Lien Debt (9.7%, 2.0% PIK, Due 12/2019)(C)	10,886	10,863
		Common Units (921,000 units)(E)(G)		921
				14,416
ffiliate Proprietary Investments				**$ 46,321**
s:				
man nited	Textiles and leather	Secured First Lien Debt (15.0% PIK, Due 12/2019)(C)(F)	2,553	2,553
		Common Stock (526,141 shares)(E)(G)		2,343
				4,896
ate Investments (represented 12.2% of total investments at fair value)				**$ 51,217**
L INVESTMENTS(O):				
y				
s:				
s, Inc.	Automobile	Secured Second Lien Debt (11.0%, Due 2/2019)(E)	$ 6,065	$ 6,065
		Common Stock (33,321 shares)(E)(G)		580
				$ 6,645
LC	Machinery	Secured First Lien Debt (14.0%, Due 12/2017)(E)(F)	4,000	4,000
		Common Equity Units (750 units)(E)(G)		1
				4,001

edia	Printing and publishing	Secured First Lien Line of Credit, $672 available (8.0%, Due 5/2018)(E)(F)		
			1,328	1,328
		Secured First Lien Debt (8.0%, Due 5/2018)(E)(F)(H)	5,000	3,525
		Secured First Lien Debt (4.8%, Due 5/2018)(E)(H)	11,948	8,401
		Secured First Lien Debt (5.5%, Due 5/2018)(E)(H)	10,700	10,700
		Preferred Stock (15,270 shares)(E)(G)(J)		5,275
		Common Stock (1,867 shares)(E)(G)		740
		Common Stock Warrants (72 shares)(E)(G)		
				29,969
rol Proprietary Investments (represented 5.9% of total investments at fair value)				**$ 40,615**
ENTS				**$ 405,903**

S-F-10

Table of Contents

(A) Certain of the securities listed in this schedule are issued by affiliate(s) of the indicated portfolio company. The majority of the securities listed, totaling $302.8 million at fair value, are pledged as collateral to our revolving line of credit, as described further in Note 5 *Borrowings.* Under the Investment Company Act of 1940, as amended, (the 1940 Act), we may not acquire any non-qualifying assets unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. As of June 30, 2017, two of our investments (FedCap Partners, LLC and Leeds Novamark Capital I, L.P.) are considered non-qualifying assets under Section 55 of the 1940 Act. Such non-qualifying assets represent 0.8% of total investments, at fair value, as of June 30, 2017.

(B) Percentages represent cash interest rates (which are generally indexed off of the 30-day London Interbank Offered Rate (LIBOR)) in effect at June 30, 2017, and due dates represent the contractual maturity date. If applicable, paid-in-kind (PIK) interest rates are noted separately from the cash interest rates and any unused line of credit fees are excluded. Secured first lien debt securities generally take the form of first priority liens on substantially all of the assets of the underlying portfolio company businesses.

(C) Fair value was based on an internal yield analysis or on estimates of value submitted by Standard & Poor s Securities Evaluations, Inc. (SPSE).

(D) Fair value was based on the indicative bid price on or near June 30, 2017, offered by the respective syndication agent s trading desk.

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

(F) Debt security has a fixed interest rate.

(G) Security is non-income producing.

(H) Debt security is on non-accrual status.

(I) New investment valued at cost, as it was determined that the price paid during the quarter ended June 30, 2017 best represents fair value as of June 30, 2017.

(J) Aggregates all shares of such class of stock owned without regard to specific series owned within such class, some series of which may or may not be voting shares.

(K) There are certain limitations on our ability to transfer our units owned, withdraw, or resign prior to dissolution of the entity, which must occur no later than May 3, 2020.

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

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

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

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

(P) Debt security does not have a stated current interest rate.

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

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

(S) Investment formerly known as PLATO Learning, Inc.

(T) Investment formerly known as Mikawaya.

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

Table of Contents

GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2016

(DOLLAR AMOUNTS IN THOUSANDS)

Company[A]	Industry	Investment[B]	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS[N]:					
Proprietary Investments:					
AG Transportation Holdings, LLC	Cargo transport	Secured Second Lien Debt (13.3%, Due 3/2018)[D]	$ 13,000	$ 13,000	$ 13,000
		Member Profit Participation (18.0% ownership)[F][H]		1,000	
		Profit Participation Warrants (7.0% ownership)[F][H]		244	
				14,244	13,000
Alloy Die Casting Corp.[T]	Diversified/conglomerate manufacturing	Secured First Lien Debt (13.5%, Due 10/2018)[D]	5,235	5,235	4,973
		Secured First Lien Debt (13.5%, Due 10/2018)[D]	75	75	71
		Secured First Lien Debt (Due 10/2018)[D][Q]	390	390	372
		Preferred Stock (1,742 shares)[F][H]		1,742	
		Common Stock (270 shares)[F][H]		18	
				7,460	5,416
Behrens Manufacturing, LLC[T]	Diversified/conglomerate manufacturing	Secured First Lien Debt (13.0%, Due 12/2018)[R]	4,275	4,275	4,638
		Preferred Stock (1,253 shares)[H][R]		1,253	4,100
				5,528	8,738
B+T Group Acquisition Inc.[T]	Telecommunications	Secured First Lien Debt (13.0%, Due 12/2019)[D]	6,000	6,000	5,790

		Preferred Stock (5,503 shares)(F)(H)(K)		1,799	
				7,799	5,790
Canopy Safety Brands, LLC	Personal and non-durable consumer products	Secured First Lien Line of Credit, $500 available (7.0%, Due 9/2019)(J)			
		Secured First Lien Debt (10.5%, Due 9/2021)(J)	7,000	7,000	7,000
		Participation Warrant(J)		500	500
				7,500	7,500
Chinese Yellow Pages Company	Printing and publishing	Secured First Lien Line of Credit, $0 available (7.3%, Due 2/2015)(F)	108	108	
Drumcree, LLC	Broadcasting and entertainment	Secured First Lien Debt (13.0% PIK, Due 1/2017)(F)(G)	4,836	4,836	4,682
Flight Fit N Fun LLC	Leisure, Amusement, Motion Pictures, Entertainment	Secured First Lien Debt (12.0%, Due 9/2020)(D)	7,800	7,800	7,800
		Preferred Stock (700,000 units)(F)(H)		700	969
				8,500	8,769

Table of Contents

Company[A]	Industry	Investment[B]	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS[N] (Continued):					
Francis Drilling Fluids, Ltd.	Oil and gas	Secured Second Lien Debt (11.4%, Due 4/2020)[D]	15,000	15,000	8,250
		Secured Second Lien Debt (10.8%, Due 4/2020)[D]	7,000	7,000	3,850
		Preferred Equity Units (1,277 units)[F][H]		976	
		Common Equity Units (1,277 units)[F][H]		1	
				22,977	12,100
Funko Acquisition Holdings, LLC[T]	Personal and non-durable consumer products	Preferred Equity Units (260 units)[H][F]		260	358
		Common Stock (975 units)[H][F]			
				260	358
GFRC Holdings, LLC	Buildings and real estate	Secured First Lien Line of Credit, $295 available (9.0%, Due 9/2018)[F]	905	905	905
		Secured First Lien Debt (9.0%, Due 9/2018)[F]	1,000	1,000	1,000
		Preferred Stock (1,000 shares)[F][H]		1,025	754
		Common Stock Warrants (45.0% ownership)[F][H]			
				2,930	2,659
IA Tech, LLC	Diversified/conglomerate service	Secured First Lien Debt (12.0%, Due 6/2021)[D]	23,000	23,000	23,230
LCR Contractors, LLC	Buildings and Real Estate	Secured First Lien Debt (10.0%, Due 1/2021)[D]	8,500	8,500	8,564
Leeds Novamark Capital I, L.P.	Private equity fund healthcare, education and childcare	Limited Partnership Interest (3.5% ownership, $2,004 uncalled capital commitment)[H][M][S]		991	779
Meridian Rack & Pinion, Inc.[T]	Automobile	Secured First Lien Debt (13.5%, Due 12/2018)[D]	4,140	4,140	3,767
		Preferred Stock (1,449 shares)[F][H]		1,449	255

				5,589	4,022
Merlin International, Inc.	Healthcare, education, and childcare	Secured Second Lien Debt (11.0%, Due 8/2022)(J)	10,000	10,000	10,000
Mikawaya	Beverage, Food and Tobacco	Secured Second Lien Debt (11.5%, Due 1/2021)(D)	6,750	6,750	6,649
		Common Stock (450 units)(F)(H)		450	172
				7,200	6,821
Precision International, LLC	Machinery	Secured First Lien Debt (10.0% PIK, Due 9/2021)(F)(G)	600	600	600
		Secured First Lien Mortgage Note (3.0%, Due 9/2017)(F)(G)	1,000	1,000	996
		Membership Unit Warrant (33.3% ownership)(F)(H)			
				1,600	1,596

Table of Contents

Company[(A)]	Industry	Investment[(B)]	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS[(N)] (Continued):					
Travel Sentry, Inc.	Diversified/conglomerate service	Secured First Lien Debt (9.5%, Due 12/2021)[(D)]	9,665	9,665	9,677
Triple H Food Processors	Beverage, Food and Tobacco	Secured First Lien Line of Credit, $1,500 available (7.8%, Due 8/2018)[(D)]			
		Secured First Lien Debt (9.8%, Due 8/2020)[(D)]	7,600	7,600	7,676
		Common Stock (250,000 units)[(F)(H)]		250	525
				7,850	8,201
TWS Acquisition Corporation	Healthcare, education and childcare	Secured First Lien Line of Credit, $1,500 available (9.0%, Due 7/2017)[(D)]			
		Secured First Lien Debt (9.0%, Due 7/2020)[(D)]	10,000	10,000	10,050
				10,000	10,050
United Flexible, Inc.	Diversified/conglomerate manufacturing	Secured Second Lien Debt (10.5%, 2.0% PIK, Due 2/2022)[(D)]	17,632	17,632	17,280
		Preferred Stock (382 shares)[(F)(H)]		382	428
		Common Stock (852 shares)[(F)(H)]		44	36
				18,058	17,744
Vision Government Solutions, Inc.	Diversified/conglomerate service	Secured First Lien Line of Credit, $0 available (7.5%, Due 1/2017)[(D)]	1,450	1,450	1,355
		Secured First Lien Delayed Draw Term Loan, $1,300 available (10.0%, Due 1/2017)[(D)(G)]	1,200	1,200	1,106
		Secured First Lien Debt (9.8%, Due 1/2017)[(D)]	9,000	9,000	8,293
				11,650	10,754
WadeCo Specialties,	Oil and gas	Secured First Lien Line	1,175	1,174	1,127

Inc.		of Credit, $1,125 available (8.0%, Due 4/2017)(D)			
		Secured First Lien Debt (8.0%, Due 3/2019)(D)	11,691	11,691	11,216
		Secured First Lien Debt (12.0%, Due 3/2019)(D)	7,000	7,000	6,637
		Preferred Stock (1,000 shares)(F)(H)		618	
				20,483	18,980
Subtotal Non-Control/Non-Affiliate Proprietary Investments				**$ 216,728**	**$ 199,430**
Syndicated Investments:	Automobile	Secured Second Lien Debt (11.0%, Due 1/2018)(E)			
Autoparts Holdings Limited			$ 700	$ 699	$ 609
DataPipe, Inc.	Diversified/conglomerate service	Secured Second Lien Debt (9.0%, Due 9/2019)(E)	2,000	1,951	1,965
NetSmart Technologies, Inc.	Healthcare, education and childcare	Secured Second Lien Debt (10.5%, Due 10/2023)(E)	2,000	1,952	1,960

Table of Contents

Company[A]	Industry	Investment[B]	Principal	Cost	Fair Value
Syndicated Investments (Continued):					
New Trident Holdcorp, Inc.	Healthcare, education and childcare	Secured Second Lien Debt (10.3%, Due 7/2020)[E]	4,000	3,990	3,280
PLATO Learning, Inc.	Healthcare, education and childcare	Unsecured Debt (10.0% PIK, Due 6/2020)[D][G]	3,000	2,960	3,012
		Common Stock (21,429 shares)[F][H]		2,637	
				5,597	3,012
PSC Industrial Holdings Corp.	Diversified/conglomerate service	Secured Second Lien Debt (9.3%, Due 12/2021)[E]	3,500	3,443	3,273
RP Crown Parent, LLC	Electronics	Secured Second Lien Debt (11.3%, Due 12/2019)[R]	2,000	1,976	2,000
SourceHOV LLC	Finance	Secured Second Lien Debt (11.5%, Due 4/2020)[E]	5,000	4,854	3,000
The Active Network, Inc.	Electronics	Secured Second Lien Debt (9.5%, Due 11/2021)[E]	1,000	996	980
Vertellus Specialties Inc.	Chemicals, plastics and rubber	Secured First Lien Debt (10.5%, Due 10/2019)[E][I]	3,940	3,831	2,541
Vitera Healthcare Solutions, LLC	Healthcare, education and childcare	Secured Second Lien Debt (9.3%, Due 11/2021)[E]	4,500	4,479	4,151
W3 Co.	Oil and gas	Secured Second Lien Debt (9.3%, Due 9/2020)[E]	499	495	200
Subtotal Non-Control/Non-Affiliate Syndicated Investments				**$ 34,263**	**$ 26,971**
Total Non-Control/Non-Affiliate Investments (represented 70.3% of total investments at fair value)				**$ 250,991**	**$ 226,401**
AFFILIATE INVESTMENTS[O]:					
Proprietary Investments:					
	Diversified/conglomerate		$ 6,200	$ 6,200	$ 6,076

Edge Adhesives Holdings, Inc.(T)	manufacturing	Secured First Lien Debt (12.5%, Due 2/2019)(D)			
		Secured First Lien Debt (13.8%, Due 2/2019)(D)	1,600	1,600	1,576
		Preferred Stock (2,516 units)(F)(H)		2,516	
				10,316	7,652
FedCap Partners LLC	Private equity fund aerospace and defense	Class A Membership Units (80 units, $0 Uncalled Commitment)(H)(L)(S)		1,634	1,265
Lignetics, Inc.	Diversified natural resources, precious metals and minerals	Secured Second Lien Debt (12.0%, Due 2/2021)(D)	6,000	6,000	5,850
		Secured Second Lien Debt (12.0%, Due 2/2021)(D)	8,000	8,000	7,800
		Common Stock (152,603 shares)(F)(H)		1,856	1,171
				15,856	14,821
LWO Acquisitions Company LLC	Diversified/conglomerate manufacturing	Secured First Lien Line of Credit, $125 available (6.5%, 2.0% PIK, Due 3/2018)(D)	2,471	2,471	1,977
		Secured First Lien Debt (9.5%, 2.0% PIK, Due 12/2019)(D)	10,723	10,723	8,578
		Common Units (921,000 units)(F)(H)		921	
				14,115	10,555

Table of Contents

Company(A)	Industry	Investment(B)	Principal	Cost	Fair Value
AFFILIATE INVESTMENTS(O) (Continued):					
RBC Acquisition Corp.	Healthcare, education and childcare	Secured First Lien Debt (8.0%, Due 2/2019)(G)(R)	6,954	6,954	7,219
		Secured First Lien Line of Credit, $0 available (6.0%, 3% PIK, Due 12/2016)(G)(R)	4,629	4,629	4,629
		Secured First Lien Debt (8.0%, 4.0% PIK, Due 12/2016)(C)(G)(R)	13,808	13,808	14,582
		Secured First Lien Mortgage Note (Due 12/2017)(Q)(R)	7,704	7,704	7,704
		Preferred Stock (4,999,000 shares)(H)(K)(R)		4,999	3,211
		Common Stock (2,000,000 shares)(H)(R)		370	
				38,464	37,345
Subtotal Affiliate Proprietary Investments				**$ 80,385**	**$ 71,638**
Syndicated Investments:					
Targus Cayman HoldCo Limited	Textiles and leather	Secured First Lien Debt (15.0% PIK, Due 12/2019)(D)(G)	2,285	2,285	2,279
		Common Stock (526,141 shares)(F)(H)		2,343	1,556
				4,628	3,835
Total Affiliate Investments (represented 23.4% of total investments at fair value)				**$ 85,013**	**$ 75,473**
CONTROL INVESTMENTS(P):					
Proprietary Investments:					
Defiance Integrated Technologies, Inc.	Automobile	Secured Second Lien Debt (11.0%, Due 2/2019)(F)	$ 6,225	$ 6,225	$ 6,225
		Common Stock (33,321 shares)(F)(H)		580	3,981

				$ 6,805	$ 10,206
PIC 360, LLC	Machinery	Secured First Lien Debt (14.0%, Due 12/2017)(F)	4,000	4,000	4,000
		Common Equity Units (750 units)(F)		1	1
				4,001	4,001
Sunshine Media Holdings	Printing and publishing	Secured First Lien Line of Credit, $672 available (8.0%, Due 5/2018)(F)(G)	1,328	1,328	1,328
		Secured First Lien Debt (8.0%, Due 5/2018)(F)(G)	5,000	5,000	1,388
		Secured First Lien Debt (4.8%, Due 5/2018)(F)(I)	11,948	11,948	3,317
		Secured First Lien Debt (5.5%, Due 5/2018)(C)(F)(I)	10,700	10,700	
		Preferred Stock (15,270 shares)(F)(H)(K)		5,275	
		Common Stock (1,867 shares)(F)(H)		740	
		Common Stock Warrants (72 shares)(F)(H)			
				34,991	6,033
Total Control Proprietary Investments (represented 6.3% of total investments at fair value)				**$ 45,797**	**$ 20,240**
TOTAL INVESTMENTS(U)				**$ 381,801**	**$ 322,114**

(A) Certain of the securities listed in this schedule are issued by affiliate(s) of the indicated portfolio company. The majority of the securities listed, totaling $282.2 million at fair value, are pledged as collateral to our Credit Facility, as described further in Note 5 *Borrowings.*

S-F-16

Table of Contents

Under the Investment Company Act of 1940, as amended, (the 1940 Act), we may not acquire any non-qualifying assets unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. As of September 30, 2016, two of our investments (FedCap Partners, LLC and Leeds Novamark Capital I, L.P.) are considered non-qualifying assets under Section 55 of the 1940 Act. Such non-qualifying assets represent 6.6% of total investments, at fair value, as of September 30, 2016.

(B) Percentages represent cash interest rates (which are generally indexed off of the 30-day London Interbank Offered Rate (LIBOR)) in effect at September 30, 2016, and due dates represent the contractual maturity date. If applicable, paid-in-kind (PIK) interest rates are noted separately from the cash interest rates and any unused line of credit fees are excluded. Secured first lien debt securities generally take the form of first priority liens on substantially all of the assets of the underlying portfolio company businesses.

(C) Last out tranche (LOT) of secured first lien debt, meaning if the portfolio company is liquidated, the holder of the LOT is generally paid after the other secured first lien debt holders but before all other debt and equity holders.

(D) Fair value was based on an internal yield analysis or on estimates of value submitted by Standard & Poor s Securities Evaluations, Inc. (SPSE).

(E) Fair value was based on the indicative bid price on or near September 30, 2016, offered by the respective syndication agent s trading desk.

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

(G) Debt security has a fixed interest rate.

(H) Investment is non-income producing.

(I) Investment is on non-accrual status.

(J) New investment valued at cost, as it was determined that the price paid during the quarter ended September 30, 2016 best represents fair value as of September 30, 2016.

(K) Aggregates all shares of such class of stock owned without regard to specific series owned within such class, some series of which may or may not be voting shares.

(L) There are certain limitations on our ability to transfer our units owned, withdraw or resign prior to dissolution of the entity, which must occur no later than May 3, 2020.

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

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

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

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

(Q) This investment does not have a stated interest rate that is payable thereon.

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

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

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

(U) Cumulative gross unrealized depreciation for federal income tax purposes is $75.3 million; cumulative gross unrealized appreciation for federal income tax purposes is $8.8 million. Cumulative net unrealized depreciation is $66.5 million, based on a tax cost of $388.6 million.

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

GLADSTONE CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

JUNE 30, 2017

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

NOTE 1. ORGANIZATION

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

Gladstone Business Loan, LLC (Business Loan), a wholly-owned subsidiary of ours, was established on February 3, 2003, for the sole purpose of owning a portion of our portfolio of investments in connection with our Credit Facility (defined in Note 5 *Borrowings*).

Gladstone Financial Corporation (Gladstone Financial), a wholly-owned subsidiary of ours, was established on November 21, 2006, for the purpose of holding a license to operate as a Specialized Small Business Investment Company. Gladstone Financial acquired this license in February 2007. The license enables us to make investments in accordance with the United States Small Business Administration guidelines for specialized small business investment companies. As of June 30, 2017 and September 30, 2016, we held no investments in portfolio companies through Gladstone Financial.

The financial statements of Business Loan and Gladstone Financial are consolidated with ours. We also have significant subsidiaries whose financial statements are not consolidated with ours. Refer to Note 12 *Unconsolidated Significant Subsidiaries* for additional information regarding our unconsolidated significant subsidiaries.

We are externally managed by Gladstone Management Corporation (the Adviser), a Delaware corporation and a U.S. Securities and Exchange Commission (the SEC) registered investment adviser and an affiliate of ours, pursuant to an investment advisory and management agreement (the Advisory Agreement). Administrative services are provided by our affiliate, Gladstone Administration, LLC (the Administrator), a Delaware limited liability company, pursuant to an administration agreement (the Administration Agreement). Refer to Note 4 *Related Party Transactions* for additional information regarding these arrangements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unaudited Interim Financial Statements and Basis of Presentation

We prepare our interim financial statements in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6 and 10 of Regulation S-X. Accordingly, we have not included in this prospectus supplement all of the information and notes required by GAAP for annual financial statements. The accompanying *Consolidated Financial Statements* include our accounts and those of our wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. In accordance with Article 6 of Regulation S-X, we do not consolidate portfolio company investments. Under the investment company rules and regulations pursuant to the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide for Investment Companies, codified in ASC 946, we are precluded from consolidating any entity other than another investment company, except that ASC 946 provides for the consolidation of a controlled operating company that provides substantially all of its services to the investment company or its consolidated subsidiaries. In our opinion, all adjustments, consisting solely of normal recurring accruals, necessary for the fair statement of financial statements for the interim periods have been included. The results of operations for the three and nine months ended June 30, 2017, are not necessarily indicative of results that ultimately may be achieved for the fiscal year. The interim financial statements and notes thereto should be read in conjunction with the financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016, as filed with the SEC on November 21, 2016.

Our accompanying fiscal year-end *Consolidated Statement of Assets and Liabilities* was derived from audited financial statements, but does not include all disclosures required by GAAP.

Use of Estimates

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

Reclassifications

Certain amounts have been reclassified to conform to the current year presentation.

In April 2015, the FASB issued Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03), which simplifies the presentation of debt issuance costs. ASU 2015-03 requires the presentation of debt issuance costs as a deduction from the carrying amount of the related debt liability instead of as a deferred financing cost asset on the balance sheet. In August 2015, the FASB issued Accounting Standards Update 2015-15, *Interest Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements* (ASU 2015-15), which codifies an SEC staff announcement that entities are permitted to defer and present debt issuance costs related to line of credit arrangements as assets. ASU 2015-03 was effective for annual reporting periods beginning after December 15, 2015 and interim periods within those years, and we adopted ASU 2015-03 during the three months ended December 31, 2016. ASU 2015-15 was effective immediately and, as a result, we continue to present debt issuance costs related to line of credit arrangements as assets.

As of December 31, 2016 and September 30, 2016, we had unamortized deferred financing costs related to our mandatorily redeemable preferred stock of $1.6 million. These costs have been reclassified from Deferred financing costs, net, to Mandatorily redeemable preferred stock, net. All periods presented have been retrospectively adjusted.

The following table summarizes the retrospective adjustment and the overall impact on the previously reported consolidated financial statements:

	September 30, 2016	
	As Previously Reported	Retrospective Application
Deferred financing costs, net	$ 3,161	$ 1,521
Mandatorily redeemable preferred stock, net	61,000	59,360

Investment Valuation Policy

Accounting Recognition

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

Board Responsibility

In accordance with the 1940 Act, our Board of Directors has the ultimate responsibility for reviewing and approving, in good faith, the fair value of our investments based on our investment valuation policy, which has been approved by our Board of Directors (the Policy). Such review occurs in three phases. First, prior to its quarterly meetings, our Board of Directors receives written valuation recommendations and supporting materials provided by professionals of the Adviser and Administrator with oversight and direction from our chief valuation officer, who reports directly to our Board of Directors (the Valuation Team). Second, the Valuation Committee of our Board of Directors, comprised entirely of independent directors, meets to review the valuation recommendations and supporting materials. Third, after the Valuation Committee concludes its meeting, it and our chief valuation officer present the Valuation Committee s findings to the entire Board of Directors and, after discussion, the Board of Directors ultimately approves the value of our portfolio of investments in accordance with the Policy.

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

Use of Third Party Valuation Firms

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

Standard & Poor s Securities Evaluation, Inc. (SPSE), a valuation specialist, generally provides estimates of fair value on our proprietary debt investments. The Valuation Team, in accordance with the Policy, generally assigns SPSE s estimates of fair value to our debt investments where we do not have the ability to effectuate a sale of the applicable portfolio company. The Valuation Team corroborates SPSE s estimates of fair value using one or more of the valuation techniques discussed below. The Valuation Team s estimate of value on a specific debt investment may significantly differ from SPSE s. When this occurs, the Valuation Committee and Board of Directors review whether the Valuation Team has followed the Policy and whether the Valuation Team s recommended fair value is reasonable in light of the Policy and other facts and circumstances and then votes to accept or reject the Valuation Team s recommended fair value.

We may engage other independent valuation firms to provide earnings multiple ranges, as well as other information, and evaluate such information for incorporation into the total enterprise value of certain of our investments. Generally, at least once per year, we engage an independent valuation firm to value or review our valuation of our significant equity investments, which includes providing the information noted above. The Valuation Team evaluates such information for incorporation into our total enterprise value, including review of all inputs provided by the independent valuation firm. The Valuation Team then makes a recommendation to our

Table of Contents

Valuation Committee and Board of Directors as to the fair value. Our Board of Directors reviews the recommended fair value, whether it is reasonable in light of the Policy, as well as other relevant facts and circumstances and then votes to accept or reject the Valuation Team s recommended fair value.

Valuation Techniques

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

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

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

Yield Analysis The Valuation Team generally determines the fair value of our debt investments (where we don t have the ability to effectuate a sale of the portfolio company) using the yield analysis, which includes a DCF calculation and the Valuation Team s own assumptions, including, but not limited to, estimated remaining life, current market yield, current leverage, and interest rate spreads. This technique develops a modified discount rate that incorporates risk premiums including, among other things, increased probability of default, increased loss upon default and increased liquidity risk. Generally, the Valuation Team uses the yield analysis to corroborate both estimates of value provided by SPSE and market quotes.

Market Quotes For our syndicate investments for which a limited market exists, fair value is generally based on readily available and reliable market quotations which are corroborated by the Valuation Team (generally by using the yield analysis explained above). In addition, the Valuation Team assesses trading activity for similar syndicated investments and evaluates variances in quotations and other market insights to determine if any available quoted prices are reliable. Typically, the Valuation Team uses the lower indicative bid price (IBP) in the bid-to-ask price range obtained from the respective originating syndication agent s trading desk on or near the valuation date. The Valuation Team may take further steps to consider additional information to validate that price in accordance with the Policy.

Investments in Funds For equity investments in other funds, where we cannot effectuate a sale, the Valuation Team generally determines the fair value of our uninvested capital at par value and of our invested capital at the net asset value (NAV) provided by the fund. The Valuation Team may also determine fair value of our investments in other investment funds based on the capital accounts of the underlying entity.

In addition to the above valuation techniques, the Valuation Team may also consider other factors when determining fair values of our investments, including, but not limited to: the nature and realizable value of the collateral, including external parties guaranties; any relevant offers or letters of intent to acquire the portfolio company; timing of expected loan repayments; and the markets in which the portfolio company operates. If applicable, new and follow-on proprietary debt and equity investments made during the current reporting quarter (the quarter ended June 30, 2017) are generally valued at original cost basis.

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

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

Revenue Recognition Policy

Interest Income Recognition

Interest income, including the amortization of premiums, acquisition costs and amendment fees, the accretion of original issue discounts (OID), and paid-in-kind (PIK) interest, is recorded on the accrual basis to the extent that such amounts are expected to be collected. Generally, when a loan becomes 90 days or more past due or if our qualitative assessment indicates that the debtor is unable to service its debt or other obligations, we will place the loan on non-accrual status and cease recognizing interest income on that loan for financial reporting purposes until the borrower has demonstrated the ability and intent to pay contractual amounts due. However, we remain contractually entitled to this interest. Interest payments received on non-accrual loans may be recognized as income or applied to the cost basis depending upon management s judgment. Generally, non-accrual loans are restored to accrual status when past due principal and interest are paid and, in management s judgment, are likely to remain current, or due to a restructuring, the interest income is deemed to be collectible. At June 30, 2017, certain loans to two portfolio companies, Sunshine Media Holdings and Alloy Die Casting Corp., were on non-accrual status with an aggregate debt cost basis of $27.9 million, or 7.6% of the cost basis of all debt investments in our portfolio, and an aggregate fair value of $7.5 million, or 2.3% of the fair value of all debt investments in our portfolio. At September 30, 2016, certain loans to two portfolio companies, Sunshine Media Holdings and Vertellus Specialties, Inc. were on non-accrual status with an aggregate debt cost basis of $26.5 million, or 7.7% of the cost basis of all debt investments in our portfolio, and an aggregate fair value of $5.9 million, or 1.9% of the fair value of all debt investments in our portfolio.

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

We recorded OID income of $0.1 million during the three and nine months ended June 30, 2017 and 2016. We recorded PIK interest income of $1.3 million and $3.8 million during the three and nine months ended June 30, 2017, respectively, as compared to $0.6 million and $1.6 million during the three and nine months ended June 30, 2016, respectively. We collected $0 and $1.0 million in PIK interest in cash during the three and nine months ended June 30, 2017, respectively, as compared to $0 and $0.1 million during the three and nine months ended June 30, 2016, respectively.

Other Income Recognition

We generally record success fees upon receipt of cash. Success fees are contractually due upon a change of control in a portfolio company, typically from an exit or sale. We recorded success fee income of $0 and $1.5 million during the three and nine months ended June 30, 2017, respectively, as compared to $1.5 million and $2.8 million during the three and nine months ended June 30, 2016, respectively.

Dividend income on equity investments is accrued to the extent that such amounts are expected to be collected and if we have the option to collect such amounts in cash. We recorded $0 and $36 of dividend income during the three and nine months ended June 30, 2017, respectively, as compared to $5 and $0.3 million during the three and nine months ended June 30, 2016, respectively.

During the nine months ended June 30, 2017, we recharacterized $0.2 million of dividend income from our investment in Behrens Manufacturing, LLC (Behrens) recorded during our fiscal year ended September 30, 2016 as a return of capital.

We generally record prepayment fees upon receipt of cash. Prepayment fees are contractually due at the time of an investment s exit, based on the prepayment fee schedule. We recorded $3 and $0.2 million in prepayment fees during the three and nine months ended June 30, 2017, as compared to $0.1 million and $0.2 million during the three and nine months ended June 30, 2016, respectively.

Success fees, prepayment fees, dividend income, and any other income amounts are all recorded in other income in our accompanying *Consolidated Statements of Operations*.

Recent Accounting Pronouncements

In November 2016, the FASB issued Accounting Standards Update 2016-18, Restricted Cash (a consensus of the Emerging Issues Task Force) (ASU 2016-18), which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. We are currently assessing the impact of ASU 2016-18 and do not anticipate a material impact on our financial position, results of operations or cash flows. ASU 2016-18 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted.

In August 2016, the FASB issued Accounting Standards Update 2016-15, Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force) (ASU 2016-15), which is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. We are currently assessing the impact of ASU 2016-15 and do not anticipate a material impact on our cash flows. ASU 2016-15 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted.

Table of Contents

In March 2016, the FASB issued Accounting Standards Update 2016-06, *Contingent Put and Call Options in Debt Instruments* (ASU 2016-06), which clarifies the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related. We assessed the impact of ASU 2016-06 and do not anticipate a material impact on our financial position, results of operations or cash flows. ASU 2016-06 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within those fiscal years, with early adoption permitted.

In January 2016, the FASB issued Accounting Standards Update 2016-01, *Financial Instruments Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01), which changes how entities measure certain equity investments and how entities present changes in the fair value of financial liabilities measured under the fair value option that are attributable to instrument-specific credit risk. We are currently assessing the impact of ASU 2016-01 and do not anticipate a material impact on our financial position, results of operations or cash flows. ASU 2016-01 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted for certain aspects of ASU 2016-01 relating to the recognition of changes in fair value of financial liabilities when the fair value option is elected.

In February 2015, the FASB issued Accounting Standards Update 2015-02, *Amendments to the Consolidation Analysis* (ASU 2015-02), which amends or supersedes the scope and consolidation guidance under existing GAAP. The adoption of ASU 2015-02 did not have a material impact on our financial position, results of operations or cash flows. ASU 2015-02 is effective for annual reporting periods beginning after December 15, 2015 and interim periods within those years, and we adopted ASU 2015-02 effective April 1, 2016. In October 2016, the FASB issued Accounting Standards Update 2016-17, *Interests Held through Related Parties That Are under Common Control* (ASU 2016-17), which amends the consolidation guidance in ASU 2015-02 regarding the treatment of indirect interests held through related parties that are under common control. We assessed the impact of ASU 2016-17 and do not anticipate a material impact on our financial position, results of operations or cash flows. ASU 2016-17 is effective for annual reporting periods beginning after December 15, 2016 and interim periods within those years, with early adoption permitted.

In August 2014, the FASB issued Accounting Standards Update 2014 15, *Presentation of Financial Statements Going Concern (Subtopic 205 40): Disclosure of Uncertainties About an Entity s Ability to Continue as a Going Concern* (ASU 2014-15). ASU 2014-15 requires management to evaluate whether there are conditions or events that raise substantial doubt about the entity s ability to continue as a going concern, and to provide certain disclosures when it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. This guidance relates primarily to certain disclosures to the financial statements. We assessed the impact of ASU 2014-15 and do not anticipate a material impact on our financial position, results of operations or cash flows. ASU 2014-15 is effective for annual periods ending after December 15, 2016 and interim periods thereafter, with early adoption permitted.

In May 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which was amended in March 2016 by FASB Accounting Standards Update 2016-08, *Principal versus Agent Considerations* (ASU 2016-08), in April 2016 by FASB Accounting Standards Update 2016-10, *Identifying Performance Obligations and Licensing* (ASU 2016-10), in May 2016 by FASB Accounting Standards Update 2016-12, *Narrow-Scope Improvements and Practical Expedients* (ASU 2016-12), and in December 2016 by FASB Accounting Standards Update 2016-20, *Technical Corrections and Improvements to Topic 606* (ASU 2016-20). ASU 2014-09, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. The new guidance establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and will expand disclosures about revenue. In July 2015, the FASB issued Accounting Standards Update 2015-14, *Deferral of the Effective Date,* which deferred the effective date of ASU 2014-09. ASU

2014-09, as amended by ASU 2015-14, ASU 2016-08, ASU 2016-10, ASU 2016-12, and ASU 2016-20, is now effective for annual reporting periods beginning after December 15, 2017 and interim periods within those years, with early adoption permitted for annual reporting periods beginning after December 15, 2016 and interim periods within those years. We continue to assess the impact of ASU 2014-09, as amended, and expect to identify similar performance obligations as compared to existing guidance. As a result, we do not anticipate a material change in the timing of revenue recognition or a material impact on our financial position, results of operations, or cash flows from adopting this standard.

NOTE 3. INVESTMENTS

Fair Value

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

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

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

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

When a determination is made to classify our investments within Level 3 of the valuation hierarchy, such determination is based upon the significance of the unobservable factors to the overall fair value measurement. However, Level 3 financial instruments typically include, in addition to the unobservable, or Level 3, inputs, observable inputs (or, components that are actively quoted and can be validated to external sources). The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. As of June 30, 2017 and September 30, 2016, all of our investments were valued using Level 3 inputs and during the three and nine months ended June 30, 2017 and 2016, there were no investments transferred into or out of Levels 1, 2 or 3.

Table of Contents

The following table presents our investments carried at fair value as of June 30, 2017 and September 30, 2016, by caption on our accompanying *Consolidated Statements of Assets and Liabilities* and by security type, all of which are valued using level 3 inputs:

	Total Recurring Fair Value Measurements Reported in *Consolidated Statements of Assets and Liabilities* Using Significant Unobservable Inputs (Level 3)	
	June 30, 2017	**September 30, 2016**
Non-Control/Non-Affiliate Investments		
Secured first lien debt	**$ 141,303**	$ 134,067
Secured second lien debt	**129,496**	80,446
Unsecured debt	**3,249**	3,012
Preferred equity	**5,710**	7,051
Common equity/equivalents	**3,403**	1,825
Total Non-Control/Non-Affiliate Investments	**$ 283,161**	$ 226,401
Affiliate Investments		
Secured first lien debt	**$ 20,993**	$ 54,620
Secured second lien debt	**17,300**	13,650
Preferred equity	**809**	3,211
Common equity/equivalents	**2,939**	3,992
Total Affiliate Investments	**$ 42,041**	$ 75,473
Control Investments		
Secured first lien debt	**$ 9,073**	$ 10,034
Secured second lien debt	**6,065**	6,224
Common equity/equivalents	**5,163**	3,982
Total Control Investments	**$ 20,301**	$ 20,240
Total Investments, at Fair Value	**$ 345,503**	$ 322,114

Table of Contents

In accordance with ASC 820, the following table provides quantitative information about our Level 3 fair value measurements of our investments as of June 30, 2017 and September 30, 2016. The table below is not intended to be all-inclusive, but rather provides information on the significant Level 3 inputs as they relate to our fair value measurements. The weighted average calculations in the table below are based on the principal balances for all debt related calculations and on the cost basis for all equity related calculations for the particular input.

Quantitative Information about Level 3 Fair Value Measurements

	June 30, 2017	**September 30, 2016**	**Valuation Technique/ Methodology**	**Unobservable Input**	**Range / Weighted Average[(D)] as of June 30, 2017**	**Range / Weighted Average[(D)] as of September 30, 2016**
Secured first lien debt[(A)]	**$160,191**	$141,550	Yield Analysis	Discount Rate	8.5% 22.1% / 12.8%	8.1% 18.5% / 12.1%
	11,178	54,630	TEV	EBITDA multiples	3.2x 3.2x / 3.2x	3.2x 5.5x / 2.3x
				EBITDA	$1,327 $1,327 / $1,327	$1,262 $20,269 / $4,619
				Revenue multiples	0.4x 0.4x / 0.4x	0.2x 0.4x / 0.4x
				Revenue	$6,934 $12,682 / $12,293	$4,696 $15,083 / $14,139
		2,541	Market Quote	IBP		64.5% 64.5% / 64.5%
Secured second lien debt[(B)]	**117,558**	72,678	Yield Analysis	Discount Rate	10.9% 21.0% / 13.4%	12.0% 22.0% / 15.1%
	29,238	21,417	Market Quote	IBP	67.5% 100.3% / 93.7%	40.0% 98.3% / 83.7%
	6,065	6,225	TEV	EBITDA multiples	4.7x 4.7x / 4.7x	4.7x 4.7x / 4.7x
				EBITDA	$4,005 $4,005 / $4,005	$2,759 $2,759 / $2,759
Unsecured debt	**3,249**	3,012	Yield Analysis	Discount Rate	9.9% 9.9% / 9.9%	9.9% 9.9% / 9.9%
Preferred and common equity / equivalents[(C)]	**14,580**	18,017	TEV	EBITDA multiples	3.2x 10.5x / 6.1x	3.2x 7.5x / 5.8x
				EBITDA	$1,017 $94,854 / $7,644	$1,132 $86,041 / $7,714
				Revenue multiples	0.4x 1.2x / 0.4x	0.4x 0.4x / 0.4x

				Revenue	$6,934 $69,470 / $14,078	$7,708 $15,083 / $14,009
				Discount Rate	12.2% 12.2% / 12.2%	11.7% 11.7% / 11.7%
	579		Market Quotes	IBP	14.6% 27.9% / 16.5%	
	2,865	2,044	Investments in Funds[D]			
Total Investments, at Fair Value	**$345,503**	**$322,114**				

(A) Fair value as of September 30, 2016 includes one new proprietary debt investment and two restructured proprietary debt investments totaling $12.6 million, which were valued at cost, and two proprietary debt investments totaling $38.8 million, which were valued at the expected exit amount.

(B) Fair value as of June 30, 2017 includes one new proprietary debt investment and one new syndicated debt investment totaling $25.0 million, which were valued at cost. Fair value as of September 30, 2016 includes one new proprietary debt investment for $10.0 million which was valued at cost.

(C) Fair value as of September 30, 2016 includes one new proprietary investment and one restructured proprietary investment totaling $0.5 million, which were valued at cost, and two proprietary investments for $7.3 million, which were valued at the expected payoff amount.

Table of Contents

(D) Fair value as of June 30, 2017 and September 30, 2016 is based on net asset value as a practical expedient and is not subject to leveling within the fair value hierarchy.

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

Changes in Level 3 Fair Value Measurements of Investments

The following tables provide the changes in fair value, broken out by security type, during the three and nine months ended June 30, 2017 and 2016 for all investments for which the Adviser determines fair value using unobservable (Level 3) factors.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

FISCAL YEAR 2017: **Three Months Ended June 30, 2017**	**Secured First Lien Debt**	**Secured Second Lien Debt**	**Unsecured Debt**	**Preferred Equity**	**Common Equity/ Equivalents**	**Total**
Fair Value as of March 31, 2017	**$ 174,033**	**$ 121,097**	**$ 3,185**	**$ 4,666**	**$ 10,536**	**$ 313,517**
Total gains (losses):						
Net realized loss[A]	(14)			(8)	(1)	(23)
Net unrealized (depreciation) appreciation[B]	387	(1,280)	(50)	963	969	989
New investments, repayments and settlements:[C]						
Issuances/originations	3,001	33,128	80	890		37,099
Settlements/repayments	(6,052)	(84)	34			(6,102)
Net proceeds from sales	14			8	1	23
Fair Value as of June 30, 2017	**$ 171,369**	**$ 152,861**	**$ 3,249**	**$ 6,519**	**$ 11,505**	**$ 345,503**

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Nine Months Ended June 30, 2017	**Secured First Lien Debt**	**Secured Second Lien Debt**	**Unsecured Debt**	**Preferred Equity**	**Common Equity/ Equivalents**	**Total**
Fair Value as of September 30, 2016	**$ 198,721**	**$ 100,320**	**$ 3,012**	**$ 10,262**	**$ 9,799**	**$ 322,114**
Total gains (losses):						
Net realized (loss) gain[A]	(4,913)	1		1,465	21	(3,426)
	1,253	(3,262)	(43)	2,016	(2,282)	(2,318)

Net unrealized (depreciation) appreciation[B]						
Reversal of prior period net depreciation (appreciation) on realization[B]	2,114	180		(1,059)	370	1,605
New investments, repayments and settlements:[C]						
Issuances/originations	33,130	63,264	241	1,644	769	99,048
Settlements/repayments	(54,909)	(8,361)	39			(63,231)
Net proceeds from sales	(87)	(1)		(7,809)	(392)	(8,289)
Transfers	(3,940)	720			3,220	
Fair Value as of June 30, 2017	**$ 171,369**	**$ 152,861**	**$ 3,249**	**$ 6,519**	**$ 11,505**	**$ 345,503**

Table of Contents

Investment Activity

Proprietary Investments

As of June 30, 2017 and September 30, 2016, we held 34 and 32 proprietary investments with an aggregate fair value of $309.1 million and $291.3 million, or 89.5% and 90.4% of the total aggregate portfolio, respectively. The following significant proprietary investment transactions occurred during the nine months ended June 30, 2017:

- In November 2016, we completed the sale of substantially all the assets of RBC Acquisition Corp. for net proceeds of $36.3 million, which resulted in a realized loss of $2.3 million. In connection with the sale, we received success fee income of $1.1 million and net receivables of $1.5 million, which are recorded within Other assets, net.

- In November 2016, we invested $5.2 million in Sea Link International IRB, Inc. through secured second lien debt and equity.

- In December 2016, we sold our investment in Behrens, which resulted in success fee income of $0.4 million and a realized gain of $2.5 million. In connection with the sale, we received net cash proceeds of $8.2 million, including the repayment of our debt investment of $4.3 million at par.

- In December 2016, we invested $7.0 million in Vacation Rental Pros Property Management, LLC through secured second lien debt.

- In February 2017, we invested $10.0 million in Belnick, Inc. through secured second lien debt.

- In February 2017, we invested $29.0 million in NetFortris Corp. through secured first lien debt.

- In March 2017, LCR Contractors, LLC paid off at par for net cash proceeds of $8.6 million. In connection with the payoff, we received a prepayment fee of $0.2 million.

- In April 2017, we invested $22.0 million in HB Capital Resources, Ltd. through secured second lien debt.

- In May 2017, we invested an additional $4.1 million in an existing portfolio company, Lignetics, Inc., through secured second lien debt and equity, to support an acquisition.

Syndicated Investments

As of June 30, 2017 and September 30, 2016, we held 13 syndicated investments with an aggregate fair value of $36.4 million and $30.8 million, or 10.5% and 9.6% of the total portfolio at fair value, respectively. The following significant syndicated investment transactions occurred during the nine months ended June 30, 2017:

In October 2016, RP Crown Parent, LLC paid off at par for proceeds of $2.0 million.

In October 2016, our $3.9 million secured first lien debt investment in Vertellus Specialties, Inc. was restructured. As a result of the restructure, we received a new $1.1 million secured second lien debt investment in Vertellus Holdings LLC and common equity with a cost basis of $3.0 million.

In December 2016, Autoparts Holdings Limited paid off at par for proceeds of $0.7 million.

In December 2016, we invested $5.0 million in LDiscovery, LLC through secured second lien debt.

In February 2017, Vitera Healthcare Solutions, LLC paid off at par for proceeds of $4.5 million.

In May 2017, we invested $4.0 million in Keystone Acquisition Corp. through secured second lien debt.

In June 2017, we invested $3.0 million in Medical Solutions Holdings, Inc. through secured second lien debt.

Table of Contents

Investment Concentrations

As of June 30, 2017, our portfolio consisted of investments in 47 portfolio companies located in 23 states in 22 different industries, with an aggregate fair value of $345.5 million. The five largest investments at fair value totaled $109.6 million, or 31.7% of our total investment portfolio as of June 30, 2017, as compared to $112.1 million, or 34.8% of our total investment portfolio as of September 30, 2016. As of June 30, 2017 and September 30, 2016, our average investment by obligor was $8.6 million at cost. The following table outlines our investments by security type as of June 30, 2017 and September 30, 2016:

	June 30, 2017				**September 30, 2016**			
	Cost	**Percentage of Total Investments**	**Fair Value**	**Percentage of Total Investments**	**Cost**	**Percentage of Total Investments**	**Fair Value**	**Percentage of Total Investments**
Secured first lien debt	**$ 196,107**	**48.3%**	**$ 171,369**	**49.6%**	$ 227,439	59.6%	$ 198,721	61.7%
Secured second lien debt	**169,769**	**41.8**	**152,861**	**44.2**	113,796	29.8	100,320	31.2
Unsecured debt	**3,241**	**0.8**	**3,249**	**1.0**	2,995	0.8	3,012	0.9
Total Debt Investments	**369,117**	**90.9**	**327,479**	**94.8**	344,230	90.2	302,053	93.8
Preferred equity	**18,293**	**4.5**	**6,519**	**1.9**	22,988	6.0	10,262	3.2
Common equity/equivalents	**18,493**	**4.6**	**11,505**	**3.3**	14,583	3.8	9,799	3.0
Total Equity Investments	**36,786**	**9.1**	**18,024**	**5.2**	37,571	9.8	20,061	6.2
Total Investments	**$ 405,903**	**100.0%**	**$ 345,503**	**100.0%**	$ 381,801	100.0%	$ 322,114	100.0%

Table of Contents

Our investments at fair value consisted of the following industry classifications at June 30, 2017 and September 30, 2016:

	June 30, 2017		September 30, 2016	
Industry Classification	Fair Value	Percentage of Total Investments	Fair Value	Percentage of Total Investments
Diversified/Conglomerate Service	**$ 79,349**	**23.0%**	$ 48,898	15.2%
Diversified/Conglomerate Manufacturing	**40,624**	**11.8**	50,106	15.6
Healthcare, education, and childcare	**33,603**	**9.7**	70,577	21.9
Telecommunications	**31,434**	**9.1**	5,790	1.8
Oil and gas	**29,666**	**8.6**	31,279	9.7
Automobile	**20,425**	**5.9**	14,837	4.6
Diversified natural resources, precious metals and minerals	**18,746**	**5.4**	14,821	4.6
Beverage, food and tobacco	**15,110**	**4.3**	15,022	4.7
Cargo Transportation	**13,065**	**3.8**	13,000	4.0
Home and Office Furnishings, Housewares and Durable Consumer Products	**10,025**	**2.9**		
Leisure, Amusement, Motion Pictures, Entertainment	**8,247**	**2.4**	8,769	2.7
Personal and non-durable consumer products	**7,389**	**2.1**	7,858	2.4
Hotels, motels, inns, and gaming	**7,091**	**2.1**		
Broadcast and entertainment	**6,192**	**1.8**	4,682	1.5
Printing and publishing	**5,073**	**1.5**	6,033	1.9
Machinery	**4,962**	**1.4**	5,597	1.7
Finance	**4,782**	**1.4**	3,000	0.9
Textiles and leather	**3,304**	**1.0**	3,836	1.2
Buildings and real estate	**2,974**	**0.9**	11,223	3.5
Electronics	**517**	**0.1**	2,980	0.9
Other, < 2.0%	**2,925**	**0.8**	3,806	1.2
Total Investments	**$ 345,503**	**100.0%**	$ 322,114	100.0%

Our investments at fair value were included in the following geographic regions of the U.S. as of June 30, 2017 and September 30, 2016:

	June 30, 2017		September 30, 2016	
Geographic Region	Fair Value	Percentage of Total Investments	Fair Value	Percentage of Total Investments
South	**$ 141,545**	**41.0%**	$ 131,181	40.8%
West	**104,486**	**30.2**	57,786	17.9
Midwest	**58,537**	**16.9**	100,142	31.1
Northeast	**40,935**	**11.9**	33,005	10.2

Total Investments	**$ 345,503**	**100.0%**	$ 322,114	100.0%

The geographic region indicates the location of the headquarters of our portfolio companies. A portfolio company may also have a number of other business locations in other geographic regions.

Table of Contents

Investment Principal Repayments

The following table summarizes the contractual principal repayments and maturity of our investment portfolio by fiscal year, assuming no voluntary prepayments, as of June 30, 2017:

For the remaining three months ending September 30:	2017	$ 6,499
For the fiscal year ending September 30:	2018	56,527
	2019	57,209
	2020	81,213
	2021	60,973
	Thereafter	112,663
	Total contractual repayments	**$ 375,084**
	Equity investments	36,786
	Adjustments to cost basis on debt investments	(5,967)
	Cost basis of investments held at June 30, 2017:	**$ 405,903**

Receivables from Portfolio Companies

Receivables from portfolio companies represent non-recurring costs incurred on behalf of such portfolio companies and are included in other assets on our accompanying *Consolidated Statements of Assets and Liabilities*. We generally maintain an allowance for uncollectible receivables from portfolio companies when the receivable balance becomes 90 days or more past due or if it is determined, based upon management s judgment, that the portfolio company is unable to pay its obligations. We write-off accounts receivable when we have exhausted collection efforts and have deemed the receivables uncollectible. As of June 30, 2017 and September 30, 2016, we had gross receivables from portfolio companies of $0.4 million. The allowance for uncollectible receivables was $36 and $0 at June 30, 2017 and September 30, 2016, respectively.

NOTE 4. RELATED PARTY TRANSACTIONS

Transactions with the Adviser

We have been externally managed by the Adviser pursuant to the Advisory Agreement since October 1, 2004 pursuant to which we pay the Adviser a base management fee and an incentive fee for its services. The Advisory Agreement originally included administrative services; however, it was amended and restated on October 1, 2006. Simultaneously, we entered into the Administration Agreement with the Administrator (discussed further below) to provide those services. With the unanimous approval of our Board of Directors, the Advisory Agreement was later amended in October 2015 to reduce the base management fee payable under the agreement from 2.0% per annum to 1.75% per annum, effective July 1, 2015, with all other terms remaining unchanged. On July 11, 2017, our Board of Directors, including a majority of the directors who are not parties to the Advisory Agreement or interested persons of such party, unanimously approved the annual renewal of the Advisory Agreement through August 31, 2018.

We also pay the Adviser a loan servicing fee for its role of servicer pursuant to our Credit Facility (defined in Note 5 *Borrowings*). The entire loan servicing fee paid to the Adviser by Business Loan is voluntarily, irrevocably and unconditionally credited against the base management fee otherwise payable to the Adviser, since Business Loan is a consolidated subsidiary of ours, and overall, the base management fee (including any loan servicing fee) cannot exceed 1.75% of total assets (as reduced by cash and cash equivalents pledged to creditors) during any given fiscal year pursuant to the Advisory Agreement.

Two of our executive officers, David Gladstone (our chairman and chief executive officer) and Terry Brubaker (our vice chairman and chief operating officer) serve as directors and executive officers of the Adviser, which is

Table of Contents

100% indirectly owned and controlled by Mr. Gladstone. Robert Marcotte (our president) also serves as an executive managing director of the Adviser.

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Average total assets subject to base management fee(A)	**$ 338,286**	$ 312,914	**$ 321,295**	$ 324,419
Multiplied by prorated annual base management fee of 1.75%	**0.4375%**	0.4375%	**1.3125%**	1.3125%
Base management fee(B)	**$ 1,480**	$ 1,369	**$ 4,217**	$ 4,258
Portfolio company fee credit	**(261)**	(319)	**(1,344)**	(553)
Syndicated loan fee credit	**(100)**	(17)	**(122)**	(73)
Net Base Management Fee	**$ 1,119**	$ 1,033	**$ 2,751**	$ 3,632
Loan servicing fee(B)	**1,071**	896	**3,009**	2,876
Credit to base management fee loan servicing fee(B)	**(1,071)**	(896)	**(3,009)**	(2,876)
Net Loan Servicing Fee	**$**	$	**$**	$
Incentive fee(B)	**1,116**	1,187	**3,479**	3,369
Incentive fee credit	**(914)**	(160)	**(2,028)**	(1,110)
Net Incentive Fee	**$ 202**	$ 1,027	**$ 1,451**	$ 2,259
Portfolio company fee credit	**(261)**	(319)	**(1,344)**	(553)
Syndicated loan fee credit	**(100)**	(17)	**(122)**	(73)
Incentive fee credit	**(914)**	(160)	**(2,028)**	(1,110)
Credits to Fees From Adviser other(B)	**$ (1,275)**	$ (496)	**$ (3,494)**	$ (1,736)

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

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

Base Management Fee

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

Additionally, pursuant to the requirements of the 1940 Act, the Adviser makes available significant managerial assistance to our portfolio companies. The Adviser may also provide other services to our portfolio companies under certain agreements and may receive fees for services other than managerial assistance. Such services may include, but are not limited to: (i) assistance obtaining, sourcing or structuring credit facilities, long term loans or additional equity from unaffiliated third parties; (ii) negotiating important contractual financial relationships; (iii) consulting services regarding restructuring of the portfolio company and financial modeling as it relates to raising additional debt and equity capital from unaffiliated third parties; and (iv) primary role in interviewing, vetting and negotiating employment contracts with candidates in connection with adding and retaining key portfolio company management team members. The Adviser voluntarily, unconditionally, and irrevocably credits 100% of these fees against the base management fee that we would otherwise be required to pay to the Adviser; however, pursuant to the terms of the Advisory Agreement, a small percentage of certain of such fees, totaling $11 and $57 for the three and nine months ended June 30, 2017 and $35 and $0.1 million for the three and nine months ended June 30, 2016, respectively, was retained by the Adviser in the form of reimbursement, at cost, for tasks completed by personnel of the Adviser primarily for the valuation of portfolio companies.

Our Board of Directors accepted a non-contractual, unconditional and irrevocable credit from the Adviser to reduce the annual base management fee on syndicated loan participations to 0.5%, to the extent that proceeds resulting from borrowings were used to purchase such syndicated loan participations, for each of the nine months ended June 30, 2017 and 2016.

Incentive Fee

The incentive fee consists of two parts: an income-based incentive fee and a capital gains incentive fee. The income-based incentive fee rewards the Adviser if our quarterly net investment income (before giving effect to any incentive fee) exceeds 1.75% of our net assets (the hurdle rate). The income-based incentive fee with respect to our pre-incentive fee net investment income is generally payable quarterly to the Adviser and is computed as follows:

- no incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate (7.0% annualized);

- 100.0% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875% of our net assets, adjusted appropriately for any share issuances or repurchases during the period, in any calendar quarter (8.75% annualized); and

- 20.0% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.1875% of our net assets, adjusted appropriately for any share issuances or repurchases during the period, in any calendar quarter (8.75% annualized).

The second part of the incentive fee is a capital gains-based incentive fee that will be determined and payable in arrears as of the end of each fiscal year (or upon termination of the Advisory Agreement, as of the termination date) and equals 20.0% of our realized capital gains as of the end of the fiscal year. In determining the capital gains-based incentive fee payable to the Adviser, we calculate the cumulative aggregate realized capital gains and cumulative aggregate realized capital losses since our inception, and the entire portfolio s aggregate unrealized capital depreciation, if any and excluding any unrealized capital appreciation, as of the date of the calculation. For this purpose, cumulative aggregate realized capital gains, if any, equals the sum of the differences between the net sales price of each investment, when sold, and the original cost of such investment since inception. Cumulative aggregate realized capital losses equals the sum of the amounts by which the net sales price of each investment, when sold, is less than the original cost of such investment since inception. The entire portfolio s aggregate unrealized capital depreciation, if any, equals the sum of the difference, between the valuation of each investment as of the applicable calculation date and the original cost of such investment. At the end of the applicable fiscal year, the amount of capital gains that serves as the basis for our calculation of the capital gains-based incentive fee equals the cumulative aggregate realized capital gains less cumulative aggregate realized capital losses, less the entire portfolio s aggregate unrealized capital depreciation, if any. If this number is positive at the end of such fiscal year, then the capital gains-based incentive fee for such year equals 20.0% of such amount, less the aggregate amount of any capital gains-based incentive fees paid in respect of our portfolio in all prior years. No capital gains-based incentive fee has been recorded or paid since our inception through June 30, 2017, as cumulative unrealized capital depreciation has exceeded cumulative realized capital gains net of cumulative realized capital losses.

Table of Contents

Additionally, in accordance with GAAP, a capital gains-based incentive fee accrual is calculated using the aggregate cumulative realized capital gains and losses and aggregate cumulative unrealized capital depreciation included in the calculation of the capital gains-based incentive fee. If such amount is positive at the end of a period, then GAAP requires us to record a capital gains-based incentive fee equal to 20.0% of such amount, less the aggregate amount of actual capital gains-based incentive fees paid in all prior years. If such amount is negative, then there is no accrual for such period. GAAP requires that the capital gains-based incentive fee accrual consider the cumulative aggregate unrealized capital appreciation in the calculation, as a capital gains-based incentive fee would be payable if such unrealized capital appreciation were realized. There can be no assurance that such unrealized capital appreciation will be realized in the future. No GAAP accrual for a capital gains-based incentive fee has been recorded or paid from our inception through June 30, 2017.

Our Board of Directors accepted a non-contractual, unconditional and irrevocable credit from the Adviser to reduce the income-based incentive fee to the extent net investment income did not 100.0% cover distributions to common stockholders for the nine months ended June 30, 2017, and 2016.

Loan Servicing Fee

The Adviser also services the loans held by Business Loan (the borrower under the Credit Facility), in return for which the Adviser receives a 1.5% annual fee payable monthly based on the aggregate outstanding balance of loans pledged under our Credit Facility (defined in Note 5 *Borrowings*). As discussed in the notes to the table above, we treat payment of the loan servicing fee pursuant to our line of credit as a pre-payment of the base management fee under the Advisory Agreement. Accordingly, these loan servicing fees are 100% voluntarily, irrevocably and unconditionally credited back to us by the Adviser.

Transactions with the Administrator

We pay the Administrator pursuant to the Administration Agreement for the portion of expenses the Administrator incurs while performing services for us. The Administrator s expenses are primarily rent and the salaries, benefits and expenses of the Administrator s employees, including, but not limited to, our chief financial officer and treasurer, chief compliance officer, chief valuation officer, and general counsel and secretary (who also serves as the Administrator s president, general counsel and secretary) and their respective staffs. Two of our executive officers, David Gladstone (our chairman and chief executive officer) and Terry Brubaker (our vice chairman and chief operating officer) serve as members of the board of managers and executive officers of the Administrator, which is 100% indirectly owned and controlled by Mr. Gladstone.

Our portion of the Administrator s expenses are generally derived by multiplying the Administrator s total expenses by the approximate percentage of time during the current quarter the Administrator s employees performed services for us in relation to their time spent performing services for all companies serviced by the Administrator. These administrative fees are accrued at the end of the quarter when the services are performed and recorded on our accompanying *Consolidated Statements of Operations* and generally paid the following quarter to the Administrator. On July 11, 2017, our Board of Directors, including a majority of the directors who are not parties to the Advisory Agreement or interested persons of such party, approved the annual renewal of the Administration Agreement through August 31, 2018.

Other Transactions

Gladstone Securities, LLC (Gladstone Securities), a privately-held broker-dealer registered with the Financial Industry Regulatory Authority and insured by the Securities Investor Protection Corporation, which is 100% indirectly owned and controlled by Mr. Gladstone, our chairman and chief executive officer, has provided other services, such as investment banking and due diligence services, to certain of our portfolio companies, for which Gladstone Securities receives a fee. Any such fees paid by portfolio companies to Gladstone Securities do not impact the fees we pay to the Adviser or the non-contractual, unconditional and irrevocable credits against the base management fee or incentive fee. Gladstone Securities received fees from portfolio companies totaling $0.3 million and $0.7 million during the three and nine months ended June 30, 2017, respectively, and $0.3 million and $0.4 million during the three and nine months ended June 30, 2016.

Related Party Fees Due

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

	June 30, 2017		September 30, 2016	
Base management fee due to Adviser	**$**	**9**	$	162
Loan servicing fee due to Adviser		**256**		236
Incentive fee due to Adviser		**195**		824
Total fees due to Adviser		**460**		1,222
Fee due to Administrator		**272**		282
Total Related Party Fees Due	**$**	**732**	$	1,504

In addition to the above fees, other operating expenses due to the Adviser as of June 30, 2017 and September 30, 2016, totaled $14 and $10, respectively. In addition, other net co-investment expenses payable to Gladstone Investment Corporation (for reimbursement purposes) totaled $38 and $8 as of June 30, 2017 and September 30, 2016, respectively. These amounts are generally settled in the quarter subsequent to being incurred and have been included in other assets, net and other liabilities, as appropriate, on the accompanying *Consolidated Statements of Assets and Liabilities* as of June 30, 2017 and September 30, 2016, respectively.

NOTE 5. BORROWINGS

Revolving Credit Facility

On May 1, 2015, we, through Business Loan, entered into a Fifth Amended and Restated Credit Agreement with KeyBank National Association (KeyBank), as administrative agent, lead arranger and a lender (our Credit Facility), which increased the commitment amount from $137.0 million to $140.0 million, extended the revolving period end date by three years to January 19, 2019, decreased the marginal interest rate added to 30-day LIBOR from 3.75% to 3.25% per annum, set the unused commitment fee at 0.50% on all undrawn amounts, expanded the scope of eligible collateral, and amended certain other terms and conditions. If our Credit Facility is not renewed or extended by January 19, 2019, all principal and interest will be due and payable on or before April 19, 2020 (fifteen months after the revolving period end date). Subject to certain terms and conditions, our Credit Facility may be expanded up to a total of $250.0 million through additional commitments of new or existing lenders. We incurred fees of approximately $1.1 million in connection with this amendment, which are being amortized through our Credit Facility s revolving period end date of January 19, 2019.

On June 19, 2015, we through Business Loan entered into certain joinder and assignment agreements with three new lenders to increase borrowing capacity under our Credit Facility by $30.0 million to $170.0 million. We incurred fees of approximately $0.6 million in connection with this expansion, which are being amortized through our Credit

Facility s revolving period end date of January 19, 2019.

On October 9, 2015 and August 18, 2016, we entered into Amendments No. 1 and 2 to our Credit Facility, respectively, each of which clarified various constraints on our ability to draw on available borrowings.

The following tables summarize noteworthy information related to our Credit Facility (at cost):

	June 30, 2017	September 30, 2016
Commitment amount	**$ 170,000**	$ 170,000
Borrowings outstanding, at cost	**82,200**	71,300
Availability[(A)]	**71,048**	31,053

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2017	2016	2017	2016
Weighted average borrowings outstanding, at cost	**$ 72,555**	$ 52,481	**$ 51,398**	$ 59,824
Weighted average interest rate[(B)]	**5.0%**	4.9%	**5.3%**	4.6%
Commitment (unused) fees incurred	**$ 123**	$ 147	**$ 449**	$ 417

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

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

Our Credit Facility also requires that any interest or principal payments on pledged loans be remitted directly by the borrower into a lockbox account with KeyBank. KeyBank is also the trustee of the account and generally remits the collected funds to us once a month.

Our Credit Facility contains covenants that require Business Loan to maintain its status as a separate legal entity, prohibit certain significant corporate transactions (such as mergers, consolidations, liquidations or dissolutions), and restrict material changes to our credit and collection policies without the lenders consent. Our Credit Facility also generally limits distributions to our stockholders on a fiscal year basis to the sum of our net investment income, net capital gains and amounts elected to have been paid during the prior year in accordance with Section 855(a) of the Code. Business Loan is also subject to certain limitations on the type of loan investments it can apply as collateral towards the borrowing base to receive additional borrowing availability under our Credit Facility, including restrictions on geographic concentrations, sector concentrations, loan size, payment frequency and status, average life and lien property. Our Credit Facility further requires Business Loan to comply with other financial and operational covenants, which obligate Business Loan to, among other things, maintain certain financial ratios, including asset and interest coverage and a minimum number of 20 obligors required in the borrowing base.

Additionally, we are subject to a performance guaranty that requires us to maintain (i) a minimum net worth (defined in our Credit Facility to include our mandatorily redeemable preferred stock) of $205.0 million plus 50.0% of all equity and subordinated debt raised after May 1, 2015 less 50% of any equity and subordinated debt retired or redeemed after May 1, 2015, which equates to $225.0 million as of June 30, 2017, (ii) asset coverage with respect to senior securities representing indebtedness of at least 200%, in accordance with Sections 18 and 61 of the 1940 Act, and (iii) our status as a BDC under the 1940 Act and as a RIC under the Code.

As of June 30, 2017, and as defined in the performance guaranty of our Credit Facility, we had a net worth of $275.6 million, asset coverage on our senior securities representing indebtedness of 434.4%, calculated in compliance with the requirements of Sections 18 and 61 of the 1940 Act, and an active status as a BDC and RIC. In addition, we had 32 obligors in our Credit Facility s borrowing base as of June 30, 2017. As of June 30, 2017, we were in compliance with all of our Credit Facility covenants.

Fair Value

We elected to apply the fair value option of ASC 825, *Financial Instruments*, specifically for the Credit Facility, which was consistent with our application of ASC 820 to our investments. Generally, the fair value of

Table of Contents

our Credit Facility is determined using a yield analysis which includes a DCF calculation and also takes into account the Valuation Team s own assumptions, including, but not limited to, the estimated remaining life, counterparty credit risk, current market yield and interest rate spreads of similar securities as of the measurement date. As of June 30, 2017, the discount rate used to determine the fair value of our Credit Facility was 30-day LIBOR, plus 3.15% per annum, plus a 0.54% unused fee. As of September 30, 2016, the discount rate used to determine the fair value of our Credit Facility was 30-day LIBOR, plus 3.25% per annum, plus a 0.50% unused fee. Generally, an increase or decrease in the discount rate used in the DCF calculation may result in a corresponding increase or decrease, respectively, in the fair value of our Credit Facility. As of June 30, 2017 and September 30, 2016, our Credit Facility was valued using Level 3 inputs and any changes in its fair value are recorded in net unrealized depreciation (appreciation) of other on our accompanying *Consolidated Statements of Operations*.

The following tables present our Credit Facility carried at fair value as of June 30, 2017 and September 30, 2016, on our accompanying *Consolidated Statements of Assets and Liabilities* for Level 3 of the hierarchy established by ASC 820 and the changes in fair value of our Credit Facility during the three and nine months ended June 30, 2017 and 2016:

	Total Recurring Fair Value Measurement Reported in *Consolidated Statements of Assets and Liabilities* Using Significant Unobservable Inputs (Level 3)	
	June 30, 2017	**September 30, 2016**
Credit Facility	**$ 82,271**	$ 71,300

Fair Value Measurements Using Significant

Unobservable Data Inputs (Level 3)

	Three Months Ended June 30,	
	2017	**2016**
Fair value as of March 31, 2017 and 2016, respectively	**$ 53,989**	$ 57,300
Borrowings	**37,700**	41,000
Repayments	**(9,600)**	(25,000)
Net unrealized appreciation(A)	**182**	
Fair Value as of June 30, 2017 and 2016, respectively	**$ 82,271**	$ 73,300

	Nine Months Ended June 30,	
	2017	**2016**
Fair value as of September 30, 2016 and 2015, respectively	**$ 71,300**	$ 127,300
Borrowings	**108,000**	77,000
Repayments	**(97,100)**	(131,000)

Net unrealized appreciation[(A)]	**71**	
Fair Value as of June 30, 2017 and 2016, respectively	**$ 82,271**	$ 73,300

(A) Included in net unrealized appreciation (depreciation) of other on our accompanying *Consolidated Statements of Operations* for the three and nine months ended June 30, 2017 and 2016.

The fair value of the collateral under our Credit Facility totaled approximately $302.8 million and $282.0 million as of June 30, 2017 and September 30, 2016, respectively.

NOTE 6. MANDATORILY REDEEMABLE PREFERRED STOCK

In May 2014, we completed a public offering of approximately 2.4 million shares of 6.75% Series 2021 Term Preferred Stock, par value $0.001 per share (Series 2021 Term Preferred Stock), at a public offering price of

S-F-38

$25.00 per share. Gross proceeds totaled $61.0 million and net proceeds, after deducting underwriting discounts, commissions and offering expenses borne by us, were approximately $58.5 million, a portion of which was used to voluntarily redeem all 1.5 million outstanding shares of our then existing 7.125% Series 2016 Term Preferred Stock, par value $0.001 per share and the remainder was used to repay a portion of outstanding borrowings under our Credit Facility. We incurred $2.5 million in total offering costs related to the issuance of our Series 2021 Term Preferred Stock, which are recorded as deferred financing fees on our accompanying *Consolidated Statements of Assets and Liabilities* and are being amortized over the period ending June 30, 2021, the mandatory redemption date.

The shares of our Series 2021 Term Preferred Stock are traded under the ticker symbol GLADO on the NASDAQ Global Select Market. Our Series 2021 Term Preferred Stock is not convertible into our common stock or any other security and provides for a fixed dividend equal to 6.75% per year, payable monthly (which equates in total to approximately $4.1 million per year). We are required to redeem all of the outstanding Series 2021 Term Preferred Stock on June 30, 2021 for cash at a redemption price equal to $25.00 per share plus an amount equal to all unpaid dividends and distributions on such share accumulated to (but excluding) the date of redemption (the Redemption Price). We may additionally be required to mandatorily redeem some or all of the shares of our Series 2021 Term Preferred Stock early, at the Redemption Price, in the event of the following: (1) upon the occurrence of certain events that would constitute a change in control, and (2) if we fail to maintain an asset coverage of at least 200% on our senior securities that are stock (which is currently only our Series 2021 Term Preferred Stock) and the failure remains for a period of 30 days following the filing date of our next SEC quarterly or annual report. We may also voluntarily redeem all or a portion of the Series 2021 Term Preferred Stock at our option at the Redemption Price at any time after June 30, 2017.

The asset coverage on our senior securities that are stock as of June 30, 2017 was 249.6%, calculated in accordance with Sections 18 and 61 of the 1940 Act. If we fail to redeem our Series 2021 Term Preferred Stock pursuant to the mandatory redemption required on June 30, 2021, or in any other circumstance in which we are required to mandatorily redeem our Series 2021 Term Preferred Stock, then the fixed dividend rate will increase by 4.0% for so long as such failure continues. As of June 30, 2017, we have not redeemed, nor have we been required to redeem, any shares of our outstanding Series 2021 Term Preferred Stock.

We paid the following monthly dividends on our Series 2021 Term Preferred Stock for the nine months ended June 30, 2017:

Fiscal Year	**Declaration Date**	**Record Date**	**Payment Date**	**Dividend per Series 2021 Term Preferred Share**
2017	October 11, 2016	October 21, 2016	October 31, 2016	$ 0.1406250
	October 11, 2016	November 17, 2016	November 30, 2016	0.1406250
	October 11, 2016	December 20, 2016	December 30, 2016	0.1406250
	January 10, 2017	January 20, 2017	January 31, 2017	0.1406250
	January 10, 2017	February 16, 2017	February 28, 2017	0.1406250
	January 10, 2017	March 22, 2017	March 31, 2017	0.1406250
	April 11, 2017	April 21, 2017	April 28, 2017	0.1406250
	April 11, 2017	May 19, 2017	May 31, 2017	0.1406250
	April 11, 2017	June 21, 2017	June 30, 2017	0.1406250

Nine Months Ended June 30, 2017:	**$**	**1.2656250**

Table of Contents

We paid the following monthly dividends on our Series 2021 Term Preferred Stock for the nine months ended June 30, 2016:

Fiscal Year	Declaration Date	Record Date	Payment Date		Dividend per Series 2021 Term Preferred Share
2016	October 13, 2015	October 26, 2015	November 4, 2015	$	0.1406250
	October 13, 2015	November 17, 2015	November 30, 2015		0.1406250
	October 13, 2015	December 18, 2015	December 31, 2015		0.1406250
	January 12, 2016	January 22, 2016	February 2, 2016		0.1406250
	January 12, 2016	February 18, 2016	February 29, 2016		0.1406250
	January 12, 2016	March 21, 2016	March 31, 2016		0.1406250
	April 12, 2016	April 22, 2016	May 2, 2016		0.1406250
	April 12, 2016	May 19, 2016	May 31, 2016		0.1406250
	April 12, 2016	June 17, 2016	June 30, 2016		0.1406250
	Nine Months Ended June 30, 2016:			$	**1.2656250**

The tax character of dividends paid by us to our preferred stockholders generally constitute ordinary income to the extent of our current and accumulated earnings and profits.

In accordance with ASC 480, *Distinguishing Liabilities from Equity*, mandatorily redeemable financial instruments should be classified as liabilities in the balance sheet and we have recorded our mandatorily redeemable preferred stock at cost, as of June 30, 2017 and September 30, 2016. The related dividend payments to our mandatorily redeemable preferred stockholders are treated as dividend expense on our statement of operations as of the ex-dividend date. Aggregate preferred stockholder dividends declared and paid on our Series 2021 Term Preferred Stock for the nine months ended June 30, 2017 and 2016, was $3.1 million.

For disclosure purposes, the fair value, based on the last quoted closing price, for our Series 2021 Term Preferred Stock as of June 30, 2017 and September 30, 2016, was approximately $62.4 million. We consider our mandatorily redeemable preferred stock to be a Level 1 liability within the ASC 820 hierarchy.

NOTE 7. REGISTRATION STATEMENT, COMMON EQUITY OFFERINGS AND SHARE REPURCHASES

Registration Statement

We filed Post-Effective Amendment No. 2 to our current universal shelf registration statement (our Registration Statement) on Form N-2 (File No. 333-208637) with the SEC on December 22, 2016, which was declared effective by the SEC on February 6, 2017. Our Registration Statement permits us to issue, through one or more transactions, up to an aggregate of $300.0 million in securities, consisting of common stock, preferred stock, subscription rights, debt securities and warrants to purchase common stock, preferred stock or debt securities. As of June 30, 2017, we have the ability to issue up to $279.1 million in securities under the Registration Statement.

Common Stock Offerings

Pursuant to our current registration statement, in October 2016, we completed a public offering of 2.0 million shares of our common stock at a public offering price of $7.98 per share, which was below our then current NAV per share. In November 2016, the underwriters partially exercised their overallotment option to purchase an additional 173,444 shares of our common stock. Gross proceeds totaled $17.3 million and net proceeds, after deducting underwriting discounts and offering costs borne by us, were approximately $16.4 million.

Pursuant to our prior registration statement, in October 2015, we completed a public offering of 2.0 million shares of our common stock at a public offering price of $8.55 per share, which was below our then current NAV per share. In November 2015, the underwriters exercised their option to purchase an additional 300,000 shares. Gross proceeds totaled $19.7 million and net proceeds, after deducting underwriting discounts and offering costs borne by us, were approximately $18.4 million.

In February 2015, we entered into equity distribution agreements (commonly referred to as at-the-market agreements or the Sales Agreements) with KeyBanc Capital Markets Inc. and Cantor Fitzgerald & Co., each a Sales Agent, under which we had the ability to issue and sell, from time to time, through the Sales Agents, up to an aggregate offering price of $50.0 million shares of our common stock. In May 2017, we terminated the Sales Agreement with KeyBanc Capital Markets Inc. and amended the Sales Agreement with Cantor Fitzgerald & Co. to reference our current registration statement. All other material terms of the Sales Agreement with Cantor Fitzgerald & Co. remained unchanged. We did not sell any shares under the Sales Agreements during the year ended September 30, 2016 or the six months ended March 31, 2017. During the three months ended June 30, 2017, we sold 362,600 shares of our common stock under the Sales Agreement with Cantor Fitzgerald & Co., at a weighted-average price of $9.89 per share and raised $3.6 million of gross proceeds. Net proceeds, after deducting commissions and offering costs borne by us, were approximately $3.4 million. As of June 30, 2017, we had a remaining capacity to sell up to $45.2 million of common stock under the Sales Agreement with Cantor Fitzgerald & Co.

Share Repurchases

In January 2016, our Board of Directors authorized a share repurchase program for up to an aggregate of $7.5 million of the Company s common stock. The program expired on January 31, 2017. During the year ended September 30, 2016, we repurchased 87,200 shares of our common stock at an average share price of $6.53, resulting in aggregate gross purchases of $0.6 million. We did not repurchase any shares during the nine months ended June 30, 2017.

NOTE 8. NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS PER COMMON SHARE

The following table sets forth the computation of basic and diluted net increase (decrease) in net assets resulting from operations per weighted average common share for the three and nine months ended June 30, 2017 and 2016:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Numerator for basic and diluted net increase (decrease) in net assets resulting from operations per common share	**$ 6,163**	$ 5,516	**$ 11,735**	$ (9,328)
Denominator for basic and diluted weighted average common shares	**25,576,149**	23,363,952	**25,288,289**	23,145,842
Basic and diluted net increase (decrease) in net assets resulting from operations per common share	**$ 0.24**	$ 0.24	**$ 0.46**	$ (0.40)

NOTE 9. DISTRIBUTIONS TO COMMON STOCKHOLDERS

To qualify to be taxed as a RIC, we are required to distribute to our stockholders 90.0% of our investment company taxable income. The amount to be paid out as distributions to our stockholders is determined by our Board of Directors quarterly and is based on management s estimate of the fiscal year earnings. Based on that estimate, our Board of Directors declares three monthly distributions to common stockholders each quarter.

The federal income tax characteristics of all distributions will be reported to stockholders on the Internal Revenue Service Form 1099 at the end of each calendar year.

Table of Contents

We paid the following monthly distributions to common stockholders for the nine months ended June 30, 2017 and 2016:

Fiscal Year	Declaration Date	Record Date	Payment Date	Distribution per Common Share
2017	October 11, 2016	October 21, 2016	October 31, 2016	$ 0.07
	October 11, 2016	November 17, 2016	November 30, 2016	0.07
	October 11, 2016	December 20, 2016	December 30, 2016	0.07
	January 10, 2017	January 20, 2017	January 31, 2017	0.07
	January 10, 2017	February 16, 2017	February 28, 2017	0.07
	January 10, 2017	March 22, 2017	March 31, 2017	0.07
	April 11, 2017	April 21, 2017	April 28, 2017	0.07
	April 11, 2017	May 19, 2017	May 31, 2017	0.07
	April 11, 2017	June 21, 2017	June 30, 2017	0.07
	Nine Months Ended June 30, 2017:			**$ 0.63**
2016	October 13, 2015	October 26, 2015	November 4, 2015	$ 0.07
	October 13, 2015	November 17, 2015	November 30, 2015	0.07
	October 13, 2015	December 18, 2015	December 31, 2015	0.07
	January 12, 2016	January 22, 2016	February 2, 2016	0.07
	January 12, 2016	February 18, 2016	February 29, 2016	0.07
	January 12, 2016	March 21, 2016	March 31, 2016	0.07
	April 12, 2016	April 22, 2016	May 2, 2016	0.07
	April 12, 2016	May 19, 2016	May 31, 2016	0.07
	April 12, 2016	June 17, 2016	June 30, 2016	0.07
	Nine Months Ended June 30, 2016:			**$ 0.63**

Aggregate distributions declared and paid to our common stockholders for the nine months ended June 30, 2017 and 2016, were each approximately $15.9 million and $14.6 million, respectively, and were declared based on estimates of investment company taxable income for the respective periods. For our federal income tax reporting purposes, we determine the tax characterization of our common stockholder distributions at fiscal year-end based upon our investment company taxable income for the full fiscal year and distributions paid during the full fiscal year. Therefore, a determination of tax characterization made on a quarterly basis may not be representative of the actual tax characterization of distributions for the full year. If we determined the tax characterization of our distributions as of June 30, 2017, 100% would be from ordinary income and 0% would be a return of capital. For the fiscal year ended September 30, 2016, our current and accumulated earnings and profits (after taking into account our mandatorily redeemable preferred stock dividends), exceeded common stock distributions declared and paid, and, in accordance with Section 855(a) of the Code, we elected to treat $5.5 million of the first common distributions paid in fiscal year 2016 as having been paid in the respective prior year. For the nine months ended June 30, 2017 and the fiscal year ended September 30, 2016, we recorded the following adjustments for book-tax differences to reflect tax character.

	Nine Months Ended June 30, 2017	Year Ended September 30, 2016
(Over) Under distributed net investment income	**$ (4,590)**	$ 5,818
Accumulated net realized gains (losses)	**5,191**	(7,754)
Capital in excess of par value	**(601)**	1,936

Table of Contents

NOTE 10. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

We are party to certain legal proceedings incidental to the normal course of our business. We are required to establish reserves for litigation matters where those matters present loss contingencies that are both probable and estimable. When loss contingencies are not both probable and estimable, we do not establish reserves. Based on current knowledge, we do not believe that loss contingencies, if any, arising from pending investigations, litigation or regulatory matters will have a material adverse effect on our financial condition, results of operations or cash flows. Additionally, based on our current knowledge, we do not believe such loss contingencies are both probable and estimable and therefore, as of June 30, 2017 and September 30, 2016, we have not established reserves for such loss contingencies.

Financial Commitments and Obligations

We have lines of credit, delayed draw term loans, and an uncalled capital commitment with certain of our portfolio companies that have not been fully drawn. Since these commitments have expiration dates and we expect many will never be fully drawn, the total commitment amounts do not necessarily represent future cash requirements. We estimate the fair value of the combined unused lines of credit, the unused delayed draw term loans and the uncalled capital commitment as of June 30, 2017 and September 30, 2016 to be immaterial.

The following table summarizes the amounts of our unused lines of credit, delayed draw term loans and uncalled capital commitment, at cost, as of June 30, 2017 and September 30, 2016, which are not reflected as liabilities in the accompanying *Consolidated Statements of Assets and Liabilities*:

	June 30, 2017	September 30, 2016
Unused line of credit commitments	**$ 7,092**	$ 6,397
Delayed draw term loans	**2,900**	1,300
Uncalled capital commitment	**1,581**	2,004
Total	**$ 11,573**	$ 9,701

S-F-43

Table of Contents

NOTE 11. FINANCIAL HIGHLIGHTS

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Nine Months Ended June 30, 2017	Nine Months Ended June 30, 2016
Per Common Share Data[(A)]:				
Net asset value at beginning of period[(A)]	**$ 8.33**	$ 7.92	**$ 8.62**	$ 9.06
Net investment income[(B)]	**0.21**	0.21	**0.63**	0.63
Net realized and unrealized gain (loss) on investments[(B)]	**0.04**	0.03	**(0.17)**	(1.04)
Net realized and unrealized loss on other[(B)]	**(0.01)**			
Total from operations	**0.24**	0.24	**0.46**	(0.41)
Distributions to common stockholders[(A)(C)]	**(0.21)**	(0.21)	**(0.63)**	(0.63)
Repurchase of common stock		0.01		0.02
Offering costs for issuance of common stock			**(0.04)**	(0.05)
Anti-dilutive (dilutive) effect of common stock issuance[(D)]	**0.02**		**(0.04)**	(0.05)
Other, net[(E)]		(0.01)	**0.01**	0.01
Net asset value at end of period[(A)]	**$ 8.38**	$ 7.95	**$ 8.38**	$ 7.95
Market value at beginning of period	**$ 9.49**	$ 7.45	**$ 8.13**	$ 8.13
Market value at end of period	**9.83**	7.24	**9.83**	7.24
Total return[(F)]	**5.82%**	(0.01)	**29.46%**	(3.04)%
Common shares outstanding at end of period	**25,880,466**	23,344,422	**25,880,466**	23,344,422
Statement of Assets and Liabilities Data:				
Net assets at end of period	**$ 216,983**	$ 185,514	**$ 216,983**	$ 185,514
Average net assets[(G)]	**214,391**	185,959	**213,862**	194,030
Senior Securities Data:				
Borrowings under Credit Facility, at cost	**82,200**	73,300	**82,200**	73,300
Mandatorily redeemable preferred stock, at liquidation preference	**59,624**	61,000	**59,624**	61,000
Ratios/Supplemental Data:				
Ratio of net expenses to average net assets-annualized[(H)(I)]	**7.93**	10.62	**7.76**	10.16
Ratio of net investment income to average net assets-annualized[(J)]	**10.04**	10.55	**9.94**	10.02

(A) Based on actual common shares outstanding at the end of the corresponding period.

(B) Based on weighted average basic per common share data for the corresponding period.

(C) Distributions to common stockholders are determined based on taxable income calculated in accordance with income tax regulations which may differ from income amounts determined under GAAP.

(D) During the nine months ended June 30, 2017 and 2016, the dilution was a result of issuing common shares during the respective periods at a price below the then current NAV per share. During the three months ended June 30, 2017, the anti-dilution was a result of issuing common shares during the period at a price above our current NAV per share, which partially offset the dilution during the nine months ended June 30, 2017.

(E) Represents the impact of the different share amounts (weighted average basic common shares outstanding for the corresponding period and actual common shares outstanding at the end of the corresponding period) in the Per Common Share Data calculations and rounding impacts.

(F) Total return equals the change in the ending market value of our common stock from the beginning of the period, taking into account common stockholder distributions reinvested in accordance with the terms of the dividend reinvestment plan. Total return does not take into account common stockholder distributions that may be characterized as a return of capital. For further information on the estimated character of our distributions to common stockholders, please refer to Note 9 *Distributions to Common Stockholders*.

(G) Average net assets are computed using the average of the balance of net assets at the end of each month of the reporting period.

(H) Ratio of net expenses to average net assets is computed using total expenses, net of credits from the Adviser, to the base management, loan servicing and incentive fees.

(I) Had we not received any credits to the incentive fee due to the Adviser, the ratio of net expenses to average net assets would have been 9.65% and 9.04% for the three and nine months ended June 30, 2017, respectively and 10.97% and 10.92% for the three and nine months ended June 30, 2016, respectively.

(J) Had we not received any credits to the incentive fee due to the Adviser, the ratio of net investment income to average net assets would have been 8.34% and 8.69% for the three and nine months ended June 30, 2017, respectively and 10.21% and 9.26% for the three and nine months ended June 30, 2016, respectively.

NOTE 12. UNCONSOLIDATED SIGNIFICANT SUBSIDIARIES

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

We had two unconsolidated subsidiaries, Defiance Integrated Technologies, Inc. and Sunshine Media Holdings, that met at least one of the significance conditions under Rule 1-02(w) of the SEC s Regulation S-X as of or during at least one of the nine month periods ended June 30, 2017 and 2016. Accordingly, summarized, comparative financial information, in aggregate, is presented below for the nine months ended June 30, 2017 and 2016 for our unconsolidated significant subsidiaries.

	Nine Months Ended June 30,	
Income Statement	**2017**	**2016**
Net sales	**$ 27,489**	$ 29,253
Gross profit	**5,874**	7,545
Net loss	**(1,745)**	(830)

NOTE 13. SUBSEQUENT EVENTS

Portfolio Activity

In July 2017, our loan to SourceHOV, LLC was paid off for net proceeds of $4.8 million, resulting in a realized loss of $0.2 million.

Distributions and Dividends

In July 2017, our Board of Directors declared the following monthly distributions to common stockholders and monthly dividends to and preferred stockholders:

Record Date	**Payment Date**

		Distribution per Common Share	Dividend per Series 2021 Term Preferred Share
July 21, 2017	July 31, 2017	$ 0.07	$ 0.140625
August 21, 2017	August 31, 2017	0.07	0.140625
September 20, 2017	September 29, 2017	0.07	0.140625
	Total for the Quarter:	**$ 0.21**	**$ 0.421875**

Table of Contents

Appendix

GLADSTONE CAPITAL CORPORATION

ARTICLES SUPPLEMENTARY

ESTABLISHING AND FIXING THE RIGHTS AND PREFERENCES

OF TERM PREFERRED SHARES, 6.00% SERIES 2024

Gladstone Capital Corporation, a Maryland corporation (the Corporation), hereby certifies to the State Department of Assessments and Taxation of Maryland (the Department) that:

FIRST: Under a power contained in Article FOURTH of the charter of the Corporation (the Charter), the Board of Directors of the Corporation (the Board of Directors), by duly adopted resolutions, reclassified and designated 20,118 authorized but unissued Term Preferred Shares, 6.75% Series 2021, of the Corporation, and also classified and designated 2,979,882 authorized but unissued Term Preferred Shares of the Corporation without designation as to series, each with a par value of $0.001 per share (collectively, the Shares) as Term Preferred Shares, 6.00% Series 2024, of the Corporation (the Series 2024 TP Shares).

SECOND: Except for such modifications or additions as provided in the following paragraph, a description of the preferences, rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption of the Series 2024 TP Shares is contained under the headings Definitions and Terms Applicable to All Series of Term Preferred Shares in the Articles Supplementary filed with, and accepted for record by, the Department on October 31, 2011, as corrected by the Certificate of Correction filed with, and accepted for record by, the Department on October 29, 2015 (the TP Articles Supplementary).

THIRD: In lieu of or in addition to the preferences, rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption contained under the headings Definitions and Terms Applicable to All Series of Term Preferred Shares in the TP Articles Supplementary, the Series 2024 TP Shares shall have the preferences, rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption set forth on Exhibit A hereto, which Exhibit A shall constitute an Appendix (as such term is defined in the TP Articles Supplementary).

FOURTH: The Shares have been reclassified and designated, or classified and designated, by the Board of Directors under the authority contained in the Charter.

FIFTH: These Articles Supplementary have been approved by the Board of Directors in the manner and by the vote required by law.

SIXTH: The undersigned acknowledges these Articles Supplementary to be the corporate act of the Corporation and, as to all matters or facts required to be verified under oath, the undersigned acknowledges that, to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

[SIGNATURE PAGE FOLLOWS]

Table of Contents

IN WITNESS WHEREOF, the Corporation has caused these Articles Supplementary to be signed in its name and on its behalf by its Chairman of the Board and Chief Executive Officer and attested to by its Secretary on September 20, 2017.

ATTEST		GLADSTONE CAPITAL CORPORATION	
/s/ Michael B. LiCalsi		By:	/s/ David Gladstone
Name:	Michael B. LiCalsi	Name:	David Gladstone
Title:	Internal Counsel and Secretary	Title:	Chairman of the Board and Chief Executive Officer

SA-2

Table of Contents

EXHIBIT A

GLADSTONE CAPITAL CORPORATION

TERM PREFERRED SHARES, 6.00% SERIES 2024

Capitalized terms used herein but not defined herein have the respective meanings therefor set forth in the TP Articles Supplementary.

SECTION 1. *Designation as to Series*.

Term Preferred Shares, 6.00% Series 2024: A series of 3,000,000 shares of Capital Stock classified as Term Preferred Shares is hereby designated as the Term Preferred Shares, 6.00% Series 2024 (the Series 2024 TP Shares). Each share of such Series shall have such preferences, rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption, in addition to those required by applicable law and those that are expressly set forth in the Articles and the TP Articles Supplementary (except as the TP Articles Supplementary may be expressly modified by this Appendix), as are set forth in this Exhibit A. The Series 2024 TP Shares shall constitute a separate series of Capital Stock and of the Term Preferred Shares and each Series 2024 TP Share shall be identical. The following terms and conditions shall apply solely to the Series 2024 TP Shares:

SECTION 2. *Number of Authorized Shares of Series*.

The number of authorized shares is 3,000,000.

SECTION 3. *Date of Original Issue with respect to Series*.

The Date of Original Issue is September 27, 2017.

SECTION 4. *Fixed Dividend Rate Applicable to Series*.

The Fixed Dividend Rate is 6.00%.

SECTION 5. *Liquidation Preference Applicable to Series*.

The Liquidation Preference is $25.00 per share.

SECTION 6. *Term Redemption Date Applicable to Series*.

The Term Redemption Date is September 30, 2024.

SECTION 7. *Dividend Payment Dates Applicable to Series*.

The Dividend Payment Dates are the last Business Day of the month of the Dividend Period.

SECTION 8. *Non-Call Period Applicable to Series*.

The Non-Call Period is the period beginning on the Date of Original of Issue and ending at the close of business on September 30, 2019.

SECTION 9. *Modifications to Certain Definitions Applicable to the Series*.

The following definitions contained under the heading Definitions in the TP Articles Supplementary are hereby modified with respect to the Series 2024 TP Shares as follows:

Redemption Price shall mean the Term Redemption Price, the Mandatory Redemption Price, the Optional Redemption Price or the Change of Control Redemption Price.

The following definition contained in the last line of Section 2.2(g)(i) in the TP Articles Supplementary is hereby modified with respect to the Series 2024 TP Shares as follows:

The *Default Rate* on a Series of Term Preferred Shares for any calendar day shall be equal to the Fixed Dividend Rate for such Series plus four percent (4%) per annum.

Table of Contents

SECTION 10. *Additional Definitions Applicable to the Series*.

The following terms shall have the following meanings (with terms defined in the singular having comparable meanings when used in the plural and vice versa), unless the context otherwise requires:

Change of Control Triggering Event means the occurrence of any of the following: (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or more series of related transactions, of all or substantially all of the Corporation s assets and the assets of the Corporation s subsidiaries, taken as a whole, to any Person, other than the Corporation or one of its subsidiaries; (2) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any Person becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the Corporation s outstanding Voting Stock or other Voting Stock into which the Corporation s Voting Stock is reclassified, consolidated, exchanged or changed, measured by voting power rather than number of shares; (3) the Corporation consolidates with, or merges with or into, any Person, or any Person consolidates with, or merges with or into, the Corporation, in any such event pursuant to a transaction in which any of the Corporation s outstanding Voting Stock or the Voting Stock of such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the shares of the Corporation s Voting Stock outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Stock of the surviving Person or any direct or indirect parent company of the surviving Person immediately after giving effect to such transaction; or (4) the adoption of a plan relating to the Corporation s liquidation or dissolution. Notwithstanding the foregoing, a transaction will not be deemed to involve a Change of Control Triggering Event under clause (2) above if (i) the Corporation becomes a direct or indirect wholly-owned subsidiary of a holding company and (ii)(A) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Corporation s Voting Stock immediately prior to that transaction or (B) immediately following that transaction no Person (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company.

Dividend Period means, with respect to each Series 2024 TP Share, in the case of the first Dividend Period, the period beginning on the Date of Original Issue for such Series and ending on and including October 31, 2017 and for each subsequent Dividend Period, the period beginning on and including the first calendar day of the month following the month in which the previous Dividend Period ended and ending on and including the last calendar day of such month.

Voting Stock means, with respect to any specified Person that is a corporation as of any date, the capital stock of such Person that is at the time entitled to vote generally in the election of the directors of such Person.

SECTION 11. *Modifications to Terms of Term Preferred Shares Applicable to the Series*.

The following provisions contained under the heading Terms Applicable to All Series of Term Preferred Shares in the TP Articles Supplementary are hereby modified with respect to the Series 2024 TP Shares as follows:

(a) Notwithstanding the requirement in Section 2.5(a), (b) or (c) of the TP Articles Supplementary or in Section 12(a)(i) below that the Redemption Price per Term Preferred Share includes an amount equal to all unpaid dividends and distributions on such share accumulated to (but excluding) the Redemption Date, if such Redemption Date occurs after the applicable record date for a dividend but on or prior to the related Dividend Payment Date, the dividend payable on such Dividend Payment Date in respect of such Term Preferred Shares shall be payable on such Dividend Payment Date to the holders of record of such Term Preferred Shares at the close of business on the applicable record date, and shall not be payable as part of the Redemption Price for such Term Preferred Shares.

(b) Notwithstanding the first sentence of Section 2.5(b)(ii) of the TP Articles Supplementary, in the event that shares of Preferred Stock are redeemed pursuant to Section 2.5(b) of the TP Articles Supplementary, the Corporation may at its sole option, but is not required to, redeem a sufficient number of shares of any Series of Term Preferred Shares pursuant to Section 2.5(b) that, when aggregated with other shares of Preferred Stock redeemed by the Corporation, would result, if deemed to have occurred immediately prior to the opening of business on the Asset Coverage Cure Date, in the Corporation having Asset Coverage on such Asset Coverage Cure Date of up to and including 240%.

(c) Notwithstanding anything to the contrary in the TP Articles Supplementary, if the Redemption Date is the Term Redemption Date, the deposit of Deposit Securities shall be made no later than 15 calendar days prior to the Term Redemption Date.

SECTION 12. *Additional Terms and Provisions Applicable to the Series*.

The following provisions shall also apply to the Series 2024 TP Shares:

(a) *Mandatory Redemption upon Change of Control*.

(i) If a Change of Control Triggering Event occurs with respect to the Series 2024 TP Shares, unless the Corporation has exercised its option to redeem such Series 2024 TP Shares pursuant to Section 2.5(c) of the TP Articles Supplementary, the Corporation shall redeem all of the outstanding Series 2024 TP Shares (the Change of Control Redemption) at a price per share equal to the Liquidation Preference per Series 2024 TP Share, plus an amount equal to all unpaid dividends on such Series 2024 TP Share accumulated to (but excluding) the Redemption Date (whether or not earned or declared by the Corporation, but excluding interest thereon) (the Change of Control Redemption Price).

(ii) If the Corporation shall be required to redeem all of the outstanding Series 2024 TP Shares pursuant to paragraph (i) above, the Corporation shall deliver a Notice of Redemption, by overnight delivery, by first class mail, postage prepaid or by Electronic Means to Holders thereof, or request the Redemption and Paying Agent, on behalf of the Corporation, to promptly do so by overnight delivery, by first class mail, postage prepaid or by Electronic Means. Such Notice of Redemption shall be provided not more than forty-five (45) calendar days prior to the Redemption Date; provided, however, that such Notice of Redemption will, if mailed prior to the date of consummation of the Change of Control Triggering Event, state that the Change of Control Redemption is conditioned on the Change of Control Triggering Event occurring and, provided further, that if, by the date that is three Business Days prior to the date fixed for redemption in such Notice of Redemption, the Change of Control Triggering Event shall not have occurred, the Redemption Date shall be extended until a date that is no more than three Business Days after the date on which the Change of Control Triggering Event occurs.

(iii) Upon the date of the deposit of Deposit Securities for the Change of Control Redemption, all rights of the Holders of the Series 2024 TP Shares so called for redemption shall cease and terminate except the right of the Holders thereof to receive the Change of Control Redemption Price and such Series 2024 TP Shares shall no longer be deemed Outstanding for any purpose whatsoever (other than (A) the transfer thereof prior to the applicable Redemption Date and (B) the accumulation of dividends thereon in accordance with the terms thereof up to (but excluding) the applicable Redemption Date, which accumulated dividends, unless previously or contemporaneously declared and paid as contemplated by the last sentence of Section 2.5(d)(vi) of the TP Articles Supplementary, shall be payable only as part of the Change of Control Redemption Price on the Redemption Date). The Corporation shall be entitled to receive, promptly after the Redemption Date, any Deposit Securities in excess of the aggregate Change of Control Redemption Price of the Series 2024 TP Shares called for redemption on the Redemption Date. Any Deposit Securities so deposited that are unclaimed at the end of ninety (90) calendar days from the Redemption Date shall, to the extent permitted by law, be repaid to the Corporation, after which the Holders of the Series 2024 TP Shares so called for redemption shall look only to the Corporation for payment of the Change of Control Redemption Price. The Corporation shall be entitled to receive, from time to time after the Redemption Date, any interest on the Deposit Securities so deposited.

Table of Contents

(b) *Information Rights*. During any period in which the Corporation is not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act and any Series 2024 TP Shares are outstanding, the Corporation shall provide holders of Series 2024 TP Shares, without cost, copies of the SEC Reports that the Corporation would have been required to file with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Exchange Act if the Corporation were subject to such provisions.

SA-6

Table of Contents

GLADSTONE CAPITAL CORPORATION

ARTICLES SUPPLEMENTARY

ESTABLISHING AND FIXING THE RIGHTS AND PREFERENCES

OF TERM PREFERRED SHARES

Table of Contents

Table of Contents

GLADSTONE CAPITAL CORPORATION

ARTICLES SUPPLEMENTARY

ESTABLISHING AND FIXING THE RIGHTS AND PREFERENCES

OF TERM PREFERRED SHARES

Gladstone Capital Corporation (the Corporation), a Maryland corporation, certifies to the State Department of Assessments and Taxation of Maryland that:

RECITALS

FIRST: The Corporation is authorized under Article FOURTH of the Corporation s Articles of Amendment and Restatement to the Articles of Incorporation of the Corporation (which, as amended or hereafter restated or amended from time to time, are herein called the Articles), to issue up to Fifty Million (50,000,000) shares of capital stock, with a par value of one tenth of one cent ($0.001) per share (Capital Stock).

SECOND: Pursuant to Article FOURTH of the Articles, all 50,000,000 such shares of Capital Stock were initially classified as Common Stock (as defined in the Articles); and

THIRD: Pursuant to the authority expressly vested in the Board of Directors of the Corporation (the Board of Directors which term as used herein shall include any duly authorized committee of the Board of Directors) by Article FOURTH of the Articles, the Board of Directors has, by resolution, reclassified from the unissued Common Stock and authorized the issuance of 4,000,000 Preferred Shares, par value $0.001 per share, such class of stock to be classified as Term Preferred Shares, and such Term Preferred Shares to be issued in one or more series.

FOURTH: The preferences, voting powers, restrictions, limitations as to dividends, qualifications, and terms and conditions of redemption, of each Series of Term Preferred Shares are set forth in these Articles Supplementary, as modified, amended or supplemented from time to time in any Appendix (each an Appendix and collectively the Appendices) to these Articles Supplementary specifically relating to such Series (each such Series being referred to herein as a Series of Term Preferred Shares , Term Preferred Shares of a Series or a Series and shares of all such Series being referred to herein individually as a Term Preferred Share and collectively as the Term Preferred Shares).

FIFTH: These Articles Supplementary shall become effective as of 4:59 p.m. Eastern time on October 31, 2011.

DEFINITIONS

1.1 *Definitions*. Unless the context or use indicates another or different meaning or intent and except with respect to any Series as specifically provided in the Appendix applicable to such Series, each of the following terms when used in these Articles Supplementary shall have the meaning ascribed to it below, whether such term is used in the singular or plural and regardless of tense:

1940 Act means the Investment Company Act of 1940, as amended, or any successor statute.

1940 Act Asset Coverage means asset coverage, as defined for purposes of Sections 18(h) and 61 of the 1940 Act, of at least 200% with respect to all outstanding senior securities of the Corporation, including all outstanding Term Preferred Shares (or such other asset coverage as may in the future be specified in or under the 1940 Act or by rule, regulation or order of United States Securities and Exchange Commission as the minimum asset coverage for senior securities of a Business Development Company).

SB-3

Table of Contents

Adviser means Gladstone Management Corporation, a Delaware corporation, or such other entity as shall be then serving as the investment adviser of the Corporation, and shall include, as appropriate, any sub-adviser duly appointed by the Adviser.

Appendices and *Appendix* shall have the respective meanings as set forth in the Recitals of these Articles Supplementary.

Articles shall have the meaning as set forth in the Recitals of these Articles Supplementary.

Articles Supplementary means these Gladstone Capital Corporation Articles Supplementary Establishing and Fixing the Rights and Preferences of Term Preferred Shares, as they may be amended from time to time in accordance with their terms.

Asset Coverage means asset coverage of a class of senior security, as defined for purposes of Sections 18(h) and 61 of the 1940 Act as in effect on the date hereof, determined for the Corporation and its majority-owned subsidiaries (as such term is defined in the 1940 Act) on a consolidated basis and on the basis of values calculated as of a time within 48 hours (only including Business Days) next preceding the time of such determination.

Asset Coverage Cure Date means, with respect to the failure by the Corporation to maintain Asset Coverage as of the close of business on the last Business Day of a Calendar Quarter (as required by Section 2.4(a)), the date that is thirty (30) calendar days following the Filing Date with respect to such Calendar Quarter.

Board of Directors shall have the meaning as set forth in the Recitals of these Articles Supplementary.

Business Day means any calendar day on which the New York Stock Exchange is open for trading.

Business Development Company shall have the meaning set forth in Section 2(a)(48) of the 1940 Act, or any successor provision.

By-Laws means the By-Laws of the Corporation as amended or restated from time to time.

Calendar Quarter shall mean any of the three month periods ending March 31, June 30, September 30, or December 31, of each year.

Capital Stock shall have the meaning as set forth in the Recitals of these Articles Supplementary.

Code means the Internal Revenue Code of 1986, as amended.

Common Stock means the shares of common stock, with a par value of one tenth of one cent ($0.001) per share, of the Corporation.

Corporation shall have the meaning as set forth in the Preamble to these Articles Supplementary.

Custodian means a bank, as defined in Section 2(a)(5) of the 1940 Act, that has the qualifications prescribed in paragraph 1 of Section 26(a) of the 1940 Act, or such other entity as shall be providing custodian services to the Corporation as permitted by the 1940 Act or any rule, regulation, or order thereunder, and shall include, as appropriate, any similarly qualified sub-custodian duly appointed by the Custodian.

Custodian Agreement means, with respect to any Series, the Custodian Agreement by and among the Custodian and the Corporation with respect to such Series.

Table of Contents

Date of Original Issue means, with respect to any Series, the date specified as the Date of Original Issue for such Series in the Appendix for such Series.

Default shall have the meaning as set forth in Section 2.2(g)(i).

Default Period shall have the meaning as set forth in Section 2.2(g)(i).

Default Rate shall have the meaning as set forth in Section 2.2(g)(i).

Deposit Securities means, as of any date, any United States dollar-denominated security or other investment of a type described below that either (i) is a demand obligation payable to the holder thereof on any Business Day or (ii) has a maturity date, mandatory redemption date or mandatory payment date, on its face or at the option of the holder, preceding the relevant Redemption Date, Dividend Payment Date or other payment date in respect of which such security or other investment has been deposited or set aside as a Deposit Security:

(i) cash or any cash equivalent;

(ii) any U.S. Government Obligation;

(iii) any Short-Term Money Market Instrument;

(iv) any investment in any money market fund registered under the 1940 Act that qualifies under Rule 2a-7 under the 1940 Act, or similar investment vehicle described in Rule 12d1-1(b)(2) under the 1940 Act, that invests principally in Short-Term Money Market Instruments or U.S. Government Obligations or any combination thereof; or

(v) any letter of credit from a bank or other financial institution that has a credit rating from at least one rating agency that is the highest applicable rating generally ascribed by such rating agency to bank deposits or short-term debt of similar banks or other financial institutions as of the date of these Articles Supplementary (or such rating s future equivalent).

Dividend Default shall have the meaning as set forth in Section 2.2(g)(i).

Dividend Payment Date means, with respect to any Series, each of the Dividend Payment Dates for such Series set forth in the Appendix for such Series.

Dividend Period means, with respect to any Series, the Dividend Period for such Series set forth in the Appendix for such Series.

Dividend Rate means, with respect to any Series and as of any date, the Fixed Dividend Rate for that Series as adjusted, if a Default Period shall be in existence on such date, in accordance with the provisions of Section 2.2(g).

Electronic Means means email transmission, facsimile transmission or other similar electronic means of communication providing evidence of transmission (but excluding online communications systems covered by a separate agreement) acceptable to the sending party and the receiving party, in any case if operative as between any two parties, or, if not operative, by telephone (promptly confirmed by any other method set forth in this definition), which, in the case of notices to the Redemption and Paying Agent and the Custodian, shall be sent by such means to each of its representatives set forth in the Redemption and Paying Agent Agreement and the Custodian Agreement, respectively.

Exchange Act means the U.S. Securities Exchange Act of 1934, as amended.

Table of Contents

Filing Date means, with respect to any Calendar Quarter, the date of filing of the Corporation s SEC Report with respect to such Calendar Quarter.

Fixed Dividend Rate means, with respect to any Series, the rate per annum specified as the Fixed Dividend Rate for such Series in the Appendix for such Series.

Holder means, with respect to the Term Preferred Shares of any Series or any other security issued by the Corporation, a Person in whose name such security is registered in the registration books of the Corporation maintained by the Redemption and Paying Agent or otherwise.

Liquidation Preference means, with respect to any Series, the amount specified as the liquidation preference per share for that Series in the Appendix for such Series.

Mandatory Redemption Price shall have the meaning as set forth in Section 2.5(b)(i)(A).

Market Value of any asset of the Corporation means, for securities for which market quotations are readily available, the market value thereof determined by an independent third-party pricing service designated from time to time by the Board of Directors. Market Value of any asset shall include any interest accrued thereon. The pricing service values portfolio securities at the mean between the quoted bid and asked price or the yield equivalent when quotations are readily available. Securities for which quotations are not readily available are valued at fair value as determined by the pricing service using methods that include consideration of: yields or prices of securities of comparable quality, type of issue, coupon, maturity and rating; indications as to value from dealers; and general market conditions. The pricing service may employ electronic data processing techniques or a matrix system, or both, to determine recommended valuations.

Non-Call Period means, with respect to any Series, the period (if any) during which such Series shall not be subject to redemption at the option of the Corporation, as set forth in the Appendix for such Series.

Notice of Redemption shall have the meaning as set forth in Section 2.5(d).

Optional Redemption Date shall have the meaning as set forth in Section 2.5(c)(i).

Optional Redemption Premium means, with respect to any Series, the premium (expressed as a percentage of the Liquidation Preference of the shares of such Series), if any, payable by the Corporation upon the redemption of Term Preferred Shares of such Series at the option of the Corporation, as set forth in the Appendix for such Series.

Optional Redemption Price shall have the meaning as set forth in Section 2.5(c)(i).

Outstanding means, as of any date with respect to Term Preferred Shares of any Series, the number of Term Preferred Shares of such Series theretofore issued by the Corporation except (without duplication):

(i) any shares of such Series theretofore cancelled or redeemed or delivered to the Redemption and Paying Agent for cancellation or redemption in accordance with the terms hereof;

(ii) any shares of such Series as to which the Corporation shall have given a Notice of Redemption and irrevocably deposited with the Redemption and Paying Agent sufficient Deposit Securities to redeem such shares in accordance with Section 2.5 hereof;

(iii) any shares of such Series as to which the Corporation shall be the Holder or the beneficial owner; and

(iv) any shares of such Series represented by any certificate in lieu of which any new certificate has been executed and delivered by the Corporation.

Table of Contents

Person means and includes an individual, a partnership, a trust, a corporation, a limited liability company, an unincorporated association, a joint venture or other entity or a government or any agency or political subdivision thereof.

Preferred Stock means any Capital Stock of the Corporation classified as preferred stock, including shares of each Series of Term Preferred Shares, shares of any other series of such preferred stock now or hereafter issued by the Corporation, and any other shares of Capital Stock hereafter authorized and issued by the Corporation of a class having priority over any other class as to distribution of assets or payments of dividends.

Redemption and Paying Agent means, with respect to any Series, BNY Mellon Shareowner Services, LLC and its successors or any other redemption and paying agent appointed by the Corporation with respect to such Series.

Redemption and Paying Agent Agreement means, with respect to any Series, the Redemption and Paying Agent Agreement or other similarly titled agreement by and among the Redemption and Paying Agent for such Series and the Corporation with respect to such Series.

Redemption Date shall have the meaning as set forth in Section 2.5(d).

Redemption Default shall have the meaning as set forth in Section 2.2(g)(i).

Redemption Price shall mean the Term Redemption Price, the Mandatory Redemption Price or the Optional Redemption Price, as applicable.

SEC Report means, with respect to any Calendar Quarter, the Corporation s Annual Report on Form 10-K or Quarterly Report on Form 10-Q filed by the Corporation with the Securities and Exchange Commission with respect to such Calendar Quarter (or, in the case of the Calendar Quarter that is the last Calendar Quarter in the Corporation s fiscal year, with respect to the fiscal year that includes such Calendar Quarter).

Securities Depository shall mean The Depository Trust Company and its successors and assigns or any other securities depository selected by the Corporation that agrees to follow the procedures required to be followed by such securities depository as set forth in these Articles Supplementary with respect to the Term Preferred Shares.

Series shall have the meaning as set forth in the Recitals of these Articles Supplementary.

Short-Term Money Market Instruments means the following types of instruments if, on the date of purchase or other acquisition thereof by the Corporation, the remaining term to maturity thereof is not in excess of 180 days:

(i) commercial paper rated A-1 if such commercial paper matures in 30 days or A-1+ if such commercial paper matures in over 30 days;

(ii) demand or time deposits in, and banker s acceptances and certificates of deposit of (A) a depository institution or trust company incorporated under the laws of the United States of America or any state thereof or the District of Columbia or (B) a United States branch office or agency of a foreign depository institution (provided that such branch office or agency is subject to banking regulation under the laws of the United States, any state thereof or the District of Columbia); and

(iii) overnight funds.

Term Preferred Shares shall have the meaning as set forth in the Recitals of these Articles Supplementary.

Term Redemption Date means, with respect to any Series, the date specified as the Term Redemption Date in the Appendix for such Series.

Term Redemption Price shall have the meaning as set forth in Section 2.5(a).

U.S. Government Obligations means direct obligations of the United States or of its agencies or instrumentalities that are entitled to the full faith and credit of the United States and that, other than United States Treasury Bills, provide for the periodic payment of interest and the full payment of principal at maturity or call for redemption.

Voting Period shall have the meaning as set forth in Section 2.6(b)(i).

With respect to any Series, any additional definitions specifically set forth in the Appendix relating to such Series and any amendments to any definitions specifically set forth in the Appendix relating to such Series, as such Appendix may be amended from time to time, shall be incorporated herein and made part hereof by reference thereto, but only with respect to such Series.

1.2 *Interpretation*. The headings preceding the text of Articles and Sections included in these Articles Supplementary are for convenience only and shall not be deemed part of these Articles Supplementary or be given any effect in interpreting these Articles Supplementary. The use of the masculine, feminine or neuter gender or the singular or plural form of words herein shall not limit any provision of these Articles Supplementary. The use of the terms including or include shall in all cases herein mean including, without limitation or include, without limitation, respectively. Reference to any Person includes such Person s successors and assigns to the extent such successors and assigns are permitted by the terms of any applicable agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually. Reference to any agreement (including these Articles Supplementary), document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof. Except as otherwise expressly set forth herein, reference to any law means such law as amended, modified, codified, replaced or re-enacted, in whole or in part, including rules, regulations, enforcement procedures and any interpretations promulgated thereunder.

Underscored references to Articles or Sections shall refer to those portions of these Articles Supplementary. The use of the terms hereunder, hereof, hereto and words of similar import shall refer to these Articles Supplementary as a whole and not to any particular Article, Section or clause of these Articles Supplementary.

TERMS APPLICABLE TO ALL SERIES OF

TERM PREFERRED SHARES

Except for such changes and amendments hereto with respect to a Series of Term Preferred Shares that are specifically contemplated by the Appendix relating to such Series, each Series of Term Preferred Shares shall have the following terms:

2.1 *Number of Shares; Ranking*.

(a) The number of authorized shares constituting any Series of Term Preferred Shares shall be as set forth with respect to such Series in the Appendix hereto relating to such Series. No fractional Term Preferred Shares shall be issued.

(b) The Term Preferred Shares of each Series shall rank on parity with shares of each other Series of Term Preferred Shares and with shares of any other series of Preferred Stock as to the payment of dividends and the distribution of assets upon dissolution, liquidation or winding up of the affairs of the Corporation. The Term

Table of Contents

Preferred Shares of each Series shall have preference with respect to the payment of dividends and as to distribution of assets upon dissolution, liquidation or winding up of the affairs of the Corporation over the Common Stock as set forth herein.

(c) No Holder of Term Preferred Shares shall have, solely by reason of being such a Holder, any preemptive or other right to acquire, purchase or subscribe for any Term Preferred Shares or shares of Common Stock or other securities of the Corporation which it may hereafter issue or sell.

2.2 *Dividends and Distributions*.

(a) The Holders of any Term Preferred Shares of any Series shall be entitled to receive, when, as and if declared by, or under authority granted by, the Board of Directors, out of funds legally available therefor and in preference to dividends and distributions on the Common Stock, cumulative cash dividends and distributions on each share of such Series, calculated separately for each Dividend Period for such Series at the Dividend Rate in effect from time to time for such Series during such Dividend Period, computed on the basis of a 360-day year consisting of twelve 30-day months, on an amount equal to the Liquidation Preference for a share of such Series, and no more. Dividends and distributions on the Term Preferred Shares of any Series shall accumulate from the Date of Original Issue with respect to such Series and shall be payable monthly in arrears as provided in Section 2.2(f). Dividends payable on any Term Preferred Shares of any Series for any period of less than a full monthly Dividend Period, upon any redemption of such shares on any Redemption Date other than on a Dividend Payment Date, or, in the case of the first Dividend Period, more than a full monthly period, shall be computed on the basis of a 360-day year consisting of twelve 30-day months and the actual number of days elapsed for any period of less than, or, in the case of the first Dividend Period, greater than, one month.

(b) Dividends on shares of each Series of Term Preferred Shares with respect to any Dividend Period shall be declared to the Holders of record of such shares as their names shall appear on the registration books of the Corporation at the close of business on the applicable record date, which shall be such date designated by the Board of Directors that is not more than twenty (20) nor less than ten (10) calendar days prior to the Dividend Payment Date with respect to such Dividend Period, and shall be paid as provided further in Section 2.2(f) hereof.

(c) (i) No full dividends and distributions shall be declared or paid on shares of a Series of Term Preferred Shares for any Dividend Period or part thereof unless full cumulative dividends and distributions due through the most recent dividend payment dates therefor for all outstanding shares of Preferred Stock (including shares of other Series of Term Preferred Shares) have been or contemporaneously are declared and paid through the most recent dividend payment dates therefor. If full cumulative dividends and distributions due have not been declared and paid on all outstanding Preferred Stock of any series, any dividends and distributions being declared and paid on a Series of Term Preferred Shares will be declared and paid as nearly pro rata as possible in proportion to the respective amounts of dividends and distributions accumulated but unpaid on each such series of Preferred Stock on the relevant dividend payment date for such series. No Holders of Term Preferred Shares shall be entitled to any dividends and distributions, whether payable in cash, property or shares, in excess of full cumulative dividends and distributions as provided in this Section 2.2(c)(i) on such Term Preferred Shares.

(ii) For so long as any Term Preferred Shares are Outstanding, the Corporation shall not: (x) declare any dividend or other distribution (other than a dividend or distribution paid in shares of Common Stock) in respect of the Common Stock, (y) call for redemption, redeem, purchase or otherwise acquire for consideration any Common Stock, or (z) pay any proceeds of the liquidation of the Corporation in respect of the Common Stock, unless, in each case,
(A) immediately thereafter, the Corporation shall have 1940 Act Asset Coverage after deducting the amount of such dividend or distribution or redemption or purchase price or liquidation proceeds, (B) all cumulative dividends and

distributions on all Term Preferred Shares and all other Preferred Stock ranking on a parity with the Term Preferred Shares due on or prior to the date of the applicable dividend, distribution, redemption, purchase or acquisition shall have been declared and paid (or shall have been declared and Deposit

Securities or sufficient funds (in accordance with the terms of such Preferred Stock) for the payment thereof shall have been deposited irrevocably with the paying agent for such Preferred Stock) and (C) the Corporation shall have deposited Deposit Securities pursuant to and in accordance with the requirements of Section 2.5(d)(ii) hereof with respect to Outstanding Term Preferred Shares of any Series to be redeemed pursuant to Section 2.5(a) or Section 2.5(b) hereof for which a Notice of Redemption shall have been given or shall have been required to be given in accordance with the terms hereof on or prior to the date of the applicable dividend, distribution, redemption, purchase or acquisition.

(iii) Any dividend payment made on shares of a Series of Term Preferred Shares shall first be credited against the dividends and distributions accumulated with respect to the earliest Dividend Period for such Series for which dividends and distributions have not been paid.

(d) Not later than 12:00 noon, New York City time, on the Dividend Payment Date for a Series of Term Preferred Shares, the Corporation shall deposit with the Redemption and Paying Agent Deposit Securities having an aggregate Market Value on such date sufficient to pay the dividends and distributions that are payable on such Dividend Payment Date in respect of such Series. The Corporation may direct the Redemption and Paying Agent with respect to the investment or reinvestment of any such Deposit Securities prior to the Dividend Payment Date, provided that such investment consists exclusively of Deposit Securities and provided further that the proceeds of any such investment will be available as same day funds at the opening of business on such Dividend Payment Date.

(e) All Deposit Securities paid to the Redemption and Paying Agent for the payment of dividends payable on a Series of Term Preferred Shares shall be held in trust for the payment of such dividends by the Redemption and Paying Agent for the benefit of the Holders of such Series entitled to the payment of such dividends pursuant to Section 2.2(f). Any moneys paid to the Redemption and Paying Agent in accordance with the foregoing but not applied by the Redemption and Paying Agent to the payment of dividends, including interest earned on such moneys while so held, will, to the extent permitted by law, be repaid to the Corporation as soon as possible after the date on which such moneys were to have been so applied, upon request of the Corporation.

(f) Dividends on shares of a Series of Term Preferred Shares shall be paid on each Dividend Payment Date for such Series to the Holders of shares of such Series as their names appear on the registration books of the Corporation at the close of business on the applicable record date for such dividend, which record date shall be determined as set forth in Section 2.2(b) Dividends in arrears on shares of a Series of Term Preferred Shares for any past Dividend Period may be declared and paid at any time, without reference to any regular Dividend Payment Date, to the Holders of shares of such Series as their names appear on the registration books of the Corporation on such date, not exceeding twenty (20) nor less than ten (10) calendar days preceding the payment date thereof, as may be fixed by the Board of Directors. No interest or sum of money in lieu of interest will be payable in respect of any dividend payment or payments on shares of any Series of Term Preferred Shares which may be in arrears.

(g) (i) The Dividend Rate on a Series of Term Preferred Shares shall be adjusted to the Default Rate (as defined below) in the following circumstances. Subject to the cure provisions below, a Default Period with respect to a Series of Term Preferred Shares shall commence on any date the Corporation fails to deposit with the Redemption and Paying Agent by 12:00 noon, New York City time, on (A) a Dividend Payment Date for such Series, Deposit Securities that will provide funds available to the Redemption and Paying Agent on such Dividend Payment Date sufficient to pay the full amount of any dividend on such Series payable on such Dividend Payment Date (a Dividend Default) or (B) an applicable Redemption Date for such Series, Deposit Securities that will provide funds available to the Redemption and Paying Agent on such Redemption Date sufficient to pay the full amount of the Redemption Price payable in respect of such Series on such Redemption Date (a Redemption Default and together with a Dividend Default, hereinafter referred to as Default). Subject to the cure provisions of Section 2.2(g)(ii) below, a Default Period with respect to a Dividend Default or a Redemption Default on a Series of Term Preferred Shares shall end on the Business Day on which,

SB-10

by 12:00 noon, New York City time, an amount equal to all unpaid dividends on such Series and any unpaid Redemption Price on such Series shall have been deposited irrevocably in trust in same-day funds with the Redemption and Paying Agent. In the case of any Default on a Series of Term Preferred Shares, the Dividend Rate for such Series for each calendar day during the Default Period will be equal to the Default Rate. The Default Rate on a Series of Term Preferred Shares for any calendar day shall be equal to the Fixed Dividend Rate for such Series plus two percent (2%) per annum.

(ii) No Default Period for a Series of Term Preferred Shares with respect to any Default on such Series shall be deemed to commence if the amount of any dividend or any Redemption Price due in respect of such Series (if such Default is not solely due to the willful failure of the Corporation) is deposited irrevocably in trust, in same-day funds, with the Redemption and Paying Agent by 12:00 noon, New York City time, on a Business Day that is not later than three (3) Business Days after the applicable Dividend Payment Date or Redemption Date for such Series with respect to which such Default occurred, together with an amount equal to the Default Rate on such Series applied to the amount and period of such non-payment on such Series, based on the actual number of calendar days comprising such period divided by 360.

2.3 *Liquidation Rights*.

(a) In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, the Holders of Term Preferred Shares shall be entitled to receive out of the assets of the Corporation available for distribution to shareholders, after satisfying claims of creditors but before any distribution or payment shall be made in respect of the Common Stock, a liquidation distribution equal to the Liquidation Preference for such shares, plus an amount equal to all unpaid dividends and distributions on such shares accumulated to (but excluding) the date fixed for such distribution or payment on such shares (whether or not earned or declared by the Corporation, but excluding interest thereon), and such Holders shall be entitled to no further participation in any distribution or payment in connection with any such liquidation, dissolution or winding up.

(b) If, upon any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, the assets of the Corporation available for distribution among the Holders of all Outstanding Term Preferred Shares and any other outstanding Preferred Stock shall be insufficient to permit the payment in full to such Holders of the Liquidation Preference of such Term Preferred Shares plus accumulated and unpaid dividends and distributions on such shares as provided in Section 2.3(a) above and the amounts due upon liquidation with respect to such other Preferred Stock, then such available assets shall be distributed among the Holders of such Term Preferred Shares and such other Preferred Stock ratably in proportion to the respective preferential liquidation amounts to which they are entitled. In connection with any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, unless and until the Liquidation Preference on each Outstanding Term Preferred Share plus accumulated and unpaid dividends and distributions on such shares as provided in Section 2.3(a) above have been paid in full to the Holders of such shares, no dividends, distributions or other payments will be made on, and no redemption, purchase or other acquisition by the Corporation will be made by the Corporation in respect of, shares of the Common Stock.

(c) Neither the sale of all or substantially all of the property or business of the Corporation, nor the merger, consolidation or reorganization of the Corporation into or with any other business or statutory trust, corporation or other entity, nor the merger, consolidation or reorganization of any other business or statutory trust, corporation or other entity into or with the Corporation shall be a dissolution, liquidation or winding up, whether voluntary or involuntary, for the purpose of this Section 2.3.

2.4 *Coverage Test*.

(a) *Asset Coverage Requirement*. For so long as any shares of a Series of Term Preferred Shares are Outstanding, the Corporation shall have Asset Coverage of at least 200% as of the close of business on the last

Table of Contents

Business Day of a Calendar Quarter, such Asset Coverage to be determined exclusively by reference to the asset coverage ratio reported as of the last Business Day of such Calendar Quarter in the Corporation s SEC Report with respect to such Calendar Quarter. If the Corporation shall fail to maintain such Asset Coverage as of any time as of which such compliance is required to be determined as aforesaid, the provisions of Section 2.5(b)(i) shall be applicable, which provisions shall constitute the sole remedy for the Corporation s failure to comply with the provisions of this Section 2.4(a).

(b) *Calculation of Asset Coverage*. For purposes of determining whether the requirements of Section 2.4(a) are satisfied, (i) no Term Preferred Shares of any Series or other Preferred Stock shall be deemed to be Outstanding for purposes of any computation required by Section 2.4(a) if, prior to or concurrently with such determination, either (x) sufficient Deposit Securities or other sufficient funds (in accordance with the terms of such Series or other Preferred Stock) to pay the full redemption price for such Series or other Preferred Stock (or the portion thereof to be redeemed) shall have been deposited in trust with the paying agent for such Series or other Preferred Stock and the requisite notice of redemption for such Series or other Preferred Stock (or the portion thereof to be redeemed) shall have been given or (y) sufficient Deposit Securities or other sufficient funds (in accordance with the terms of such Series or other Preferred Stock) to pay the full redemption price for such Series or other Preferred Stock (or the portion thereof to be redeemed) shall have been segregated by the Custodian and the Corporation from the assets of the Corporation, by means of appropriate identification on the Custodian s books and records or otherwise in accordance with the Custodian s normal procedures, and (ii) the Deposit Securities or other sufficient funds that shall have been deposited with the applicable paying agent and/or segregated by the Custodian, as applicable, as provided in clause (i) of this sentence shall not be included as assets of the Corporation for purposes of such computation.

2.5 *Redemption*. Each Series of Term Preferred Shares shall be subject to redemption by the Corporation as provided below:

(a) *Term Redemption*. The Corporation shall redeem all shares of a Series of Term Preferred Shares on the Term Redemption Date for such Series, at a price per share equal to the Liquidation Preference per share of such Series plus an amount equal to all unpaid dividends and distributions on such share of such Series accumulated to (but excluding) the Term Redemption Date for such Series (whether or not earned or declared by the Corporation, but excluding interest thereon) (the Term Redemption Price).

(b) *Asset Coverage Mandatory Redemption*.

(i) If the Corporation fails to comply with the Asset Coverage requirement as provided in Section 2.4(a) as of the last Business Day of any Calendar Quarter and such failure is not cured as of the Asset Coverage Cure Date, the Corporation shall, to the extent permitted by the 1940 Act and Maryland law, by the close of business on such Asset Coverage Cure Date, fix a redemption date and proceed to redeem in accordance with the terms of such Preferred Stock, a sufficient number of shares of Preferred Stock, which at the Corporation s sole option (to the extent permitted by the 1940 Act and Maryland law) may include any number or proportion of Term Preferred Shares of any Series, to enable it to meet the requirements of Section 2.5(b)(ii). In the event that any shares of a Series of Term Preferred Shares then Outstanding are to be redeemed pursuant to this Section 2.5(b)(i), the Corporation shall redeem such shares at a price per share equal to the Liquidation Preference per share of such Series plus an amount equal to all unpaid dividends and distributions on such share of such Series accumulated to (but excluding) the date fixed for such redemption by the Board of Directors (whether or not earned or declared by the Corporation, but excluding interest thereon) (the Mandatory Redemption Price).

(ii) On the Redemption Date for a redemption contemplated by Section 2.5(b)(i), the Corporation shall redeem, out of funds legally available therefor, such number of shares of Preferred Stock (which may include at the sole option of the

Corporation any number or proportion of Term Preferred Shares of any Series) as shall be equal to the lesser of (x) the minimum number of shares of Preferred Stock, the redemption of which, if deemed to have occurred immediately prior to the opening of business on the Asset Coverage Cure Date, would result in

Table of Contents

the Corporation having Asset Coverage on such Asset Coverage Cure Date of at least 200% (provided, however, that if there is no such minimum number of Term Preferred Shares and other shares of Preferred Stock the redemption or retirement of which would have such result, all Term Preferred Shares and other shares of Preferred Stock then outstanding shall be redeemed), and (y) the maximum number of shares of Preferred Stock that can be redeemed out of funds expected to be legally available therefor in accordance with the Articles and applicable law. Notwithstanding the foregoing, in the event that shares of Preferred Stock are redeemed pursuant to this Section 2.5(b), the Corporation may at its sole option, but is not required to, redeem a sufficient number of shares of any Series of Term Preferred Shares pursuant to this Section 2.5(b) that, when aggregated with other shares of Preferred Stock redeemed by the Corporation, would result, if deemed to have occurred immediately prior to the opening of business on the Asset Coverage Cure Date, in the Corporation having Asset Coverage on such Asset Coverage Cure Date of up to and including 285%. The Corporation shall effect such redemption on the date fixed by the Corporation therefor, which date shall not be later than ninety (90) calendar days after such Asset Coverage Cure Date, except that if the Corporation does not have funds legally available for the redemption of all of the required number of Term Preferred Shares and other shares of Preferred Stock which have been designated to be redeemed or the Corporation otherwise is unable to effect such redemption on or prior to ninety (90) calendar days after such Asset Coverage Cure Date, the Corporation shall redeem those Term Preferred Shares and other shares of Preferred Stock which it was unable to redeem on the earliest practicable date on which it is able to effect such redemption. If fewer than all of the Outstanding Term Preferred Shares of a Series are to be redeemed pursuant to this Section 2.5(b), the number of Term Preferred Shares of such Series to be redeemed shall be redeemed (A) pro rata among the Outstanding shares of such Series, (B) by lot or (C) in such other manner as the Board of Directors may determine to be fair and equitable.

(c) *Optional Redemption*.

(i) Subject to the provisions of Section 2.5(c)(ii), on any Business Day following the expiration of the Non-Call Period (if any) for a Series of Term Preferred Shares (any such Business Day referred to in this sentence, an Optional Redemption Date), the Corporation may redeem in whole or from time to time in part the Outstanding Term Preferred Shares of such Series, at a redemption price per Term Preferred Share (the Optional Redemption Price) equal to (x) the Liquidation Preference per Term Preferred Share of such Series plus (y) an amount equal to all unpaid dividends and distributions on such Term Preferred Share of such Series accumulated to (but excluding) the Optional Redemption Date (whether or not earned or declared by the Corporation, but excluding interest thereon) plus (z) the Optional Redemption Premium per share (if any) with respect to an optional redemption of Term Preferred Shares of such Series that is effected on such Optional Redemption Date.

(ii) If fewer than all of the outstanding shares of a Series of Term Preferred Shares are to be redeemed pursuant to Section 2.5(c)(i), the shares of such Series to be redeemed shall be selected either (A) pro rata among such Series, (B) by lot or (C) in such other manner as the Board of Directors may determine to be fair and equitable. Subject to the provisions of these Articles Supplementary and applicable law, the Board of Directors will have the full power and authority to prescribe the terms and conditions upon which Term Preferred Shares will be redeemed pursuant to this Section 2.5(c) from time to time.

(iii) The Corporation may not on any date deliver a Notice of Redemption pursuant to Section 2.5(d) in respect of a redemption contemplated to be effected pursuant to this Section 2.5(c) unless on such date the Corporation has available Deposit Securities for the Optional Redemption Date contemplated by such Notice of Redemption having a Market Value not less than the amount (including any applicable premium) due to Holders of Term Preferred Shares by reason of the redemption of such Term Preferred Shares on such Optional Redemption Date.

(d) *Procedures for Redemption*.

(i) If the Corporation shall determine or be required to redeem, in whole or in part, Term Preferred Shares of a Series pursuant to Section 2.5(a), (b) or (c), the Corporation shall deliver a notice of redemption (the "Notice of Redemption"), by overnight delivery, by first class mail, postage prepaid or by Electronic Means to Holders thereof, or request the Redemption and Paying Agent, on behalf of the Corporation, to promptly do so by overnight delivery, by first class mail, postage prepaid or by Electronic Means. A Notice of Redemption shall be provided not more than forty-five (45) calendar days prior to the date fixed for redemption in such Notice of Redemption (the Redemption Date). Each such Notice of Redemption shall state: (A) the Redemption Date; (B) the Series and number of Term Preferred Shares to be redeemed; (C) the CUSIP number for Term Preferred Shares of such Series; (D) the applicable Redemption Price on a per share basis; (E) if applicable, the place or places where the certificate(s) for such shares (properly endorsed or assigned for transfer, if the Board of Directors requires and the Notice of Redemption states) are to be surrendered for payment of the Redemption Price; (F) that dividends on the Term Preferred Shares to be redeemed will cease to accumulate from and after such Redemption Date; and (G) the provisions of these Articles Supplementary under which such redemption is made. If fewer than all Term Preferred Shares held by any Holder are to be redeemed, the Notice of Redemption delivered to such Holder shall also specify the number of Term Preferred Shares to be redeemed from such Holder or the method of determining such number. The Corporation may provide in any Notice of Redemption relating to a redemption contemplated to be effected pursuant to these Articles Supplementary that such redemption is subject to one or more conditions precedent and that the Corporation shall not be required to effect such redemption unless each such condition has been satisfied at the time or times and in the manner specified in such Notice of Redemption. No defect in the Notice of Redemption or delivery thereof shall affect the validity of redemption proceedings, except as required by applicable law.

(ii) If the Corporation shall give a Notice of Redemption, then at any time from and after the giving of such Notice of Redemption and prior to 12:00 noon, New York City time, on the Redemption Date (so long as any conditions precedent to such redemption have been met or waived by the Corporation), the Corporation shall (A) deposit with the Redemption and Paying Agent Deposit Securities having an aggregate Market Value on the date thereof no less than the Redemption Price of the Term Preferred Shares to be redeemed on the Redemption Date and (B) give the Redemption and Paying Agent irrevocable instructions and authority to pay the applicable Redemption Price to the Holders of the Term Preferred Shares called for redemption on the Redemption Date. The Corporation may direct the Redemption and Paying Agent with respect to the investment of any Deposit Securities consisting of cash so deposited prior to the Redemption Date, provided that the proceeds of any such investment shall be available at the opening of business on the Redemption Date as same day funds.

(iii) Upon the date of the deposit of such Deposit Securities, all rights of the Holders of the Term Preferred Shares so called for redemption shall cease and terminate except the right of the Holders thereof to receive the Redemption Price thereof and such Term Preferred Shares shall no longer be deemed Outstanding for any purpose whatsoever (other than (A) the transfer thereof prior to the applicable Redemption Date and (B) the accumulation of dividends thereon in accordance with the terms hereof up to (but excluding) the applicable Redemption Date, which accumulated dividends, unless previously or contemporaneously declared and paid as contemplated by the last sentence of Section 2.5(d)(vi) below, shall be payable only as part of the applicable Redemption Price on the Redemption Date). The Corporation shall be entitled to receive, promptly after the Redemption Date, any Deposit Securities in excess of the aggregate Redemption Price of the Term Preferred Shares called for redemption on the Redemption Date. Any Deposit Securities so deposited that are unclaimed at the end of ninety (90) calendar days from the Redemption Date shall, to the extent permitted by law, be repaid to the Corporation, after which the Holders of the Term Preferred Shares so called for redemption shall look only to the Corporation for payment of the Redemption Price thereof. The Corporation shall be entitled to receive, from time to time after the Redemption Date, any interest on the Deposit Securities so deposited.

(iv) On or after the Redemption Date, each Holder of Term Preferred Shares in certificated form (if any) that are subject to redemption shall surrender the certificate(s) evidencing such Term Preferred Shares to the Corporation at the place designated in the Notice of Redemption and shall then be entitled to receive the Redemption Price for such Term Preferred Shares, without interest, and in the case of a redemption of fewer than all the Term Preferred Shares represented by such certificate(s), a new certificate representing the Term Preferred Shares that were not redeemed.

(v) Notwithstanding the other provisions of this Section 2.5, except as otherwise required by law, the Corporation shall not redeem any Term Preferred Shares unless all accumulated and unpaid dividends and distributions on all Outstanding Term Preferred Shares and other series of Preferred Shares ranking on a parity with the Term Preferred Shares with respect to dividends and distributions for all applicable past dividend periods (whether or not earned or declared by the Corporation) (x) shall have been or are contemporaneously paid or (y) shall have been or are contemporaneously declared and Deposit Securities or sufficient funds (in accordance with the terms of such Preferred Stock) for the payment of such dividends and distributions shall have been or are contemporaneously deposited with the Redemption and Paying Agent or other applicable paying agent for such Preferred Stock in accordance with the terms of such Preferred Stock, provided, however, that the foregoing shall not prevent the purchase or acquisition of Outstanding Term Preferred Shares pursuant to an otherwise lawful purchase or exchange offer made on the same terms to Holders of all Outstanding Term Preferred Shares and any other series of Preferred Stock for which all accumulated and unpaid dividends and distributions have not been paid.

(vi) To the extent that any redemption for which Notice of Redemption has been provided is not made by reason of the absence of legally available funds therefor in accordance with the Articles and applicable law, such redemption shall be made as soon as practicable to the extent such funds become available. No Redemption Default shall be deemed to have occurred if the Corporation shall fail to deposit in trust with the Redemption and Paying Agent the Redemption Price with respect to any shares where (1) the Notice of Redemption relating to such redemption provided that such redemption was subject to one or more conditions precedent and (2) any such condition precedent shall not have been satisfied at the time or times and in the manner specified in such Notice of Redemption. Notwithstanding the fact that a Notice of Redemption has been provided with respect to any Term Preferred Shares, dividends may be declared and paid on such Term Preferred Shares in accordance with their terms if Deposit Securities for the payment of the Redemption Price of such Term Preferred Shares shall not have been deposited in trust with the Redemption and Paying Agent for that purpose.

(e) *Redemption and Paying Agent as Trustee of Redemption Payments by Corporation*. All Deposit Securities transferred to the Redemption and Paying Agent for payment of the Redemption Price of Term Preferred Shares called for redemption shall be held in trust by the Redemption and Paying Agent for the benefit of Holders of Term Preferred Shares so to be redeemed until paid to such Holders in accordance with the terms hereof or returned to the Corporation in accordance with the provisions of Section 2.5(d)(iii) above.

(f) *Compliance With Applicable Law*. In effecting any redemption pursuant to this Section 2.5, the Corporation shall use its best efforts to comply with all applicable conditions precedent to effecting such redemption under the 1940 Act and any applicable Maryland law, but shall effect no redemption except in accordance with the 1940 Act and any applicable Maryland law.

(g) *Modification of Redemption Procedures*. Notwithstanding the foregoing provisions of this Section 2.5, the Corporation may, in its sole discretion and without a shareholder vote, modify the procedures set forth above with respect to notification of redemption for the Term Preferred Shares, provided that such modification does not materially and adversely affect the Holders of the Term Preferred Shares or cause the Corporation to violate any applicable law, rule or regulation; and provided further that no such modification shall in any way alter the rights or obligations of the Redemption and Paying Agent without its prior consent.

2.6 *Voting Rights*.

(a) *One Vote Per Term Preferred Share*. Except as otherwise provided in the Articles or as otherwise required by law, (i) each Holder of Term Preferred Shares shall be entitled to one vote for each Term Preferred Share held by such Holder on each matter submitted to a vote of shareholders of the Corporation, and (ii) the holders of outstanding shares of Preferred Stock, including Outstanding Term Preferred Shares, and of outstanding shares of Common Stock shall vote together as a single class; provided, however, that the holders of outstanding shares of Preferred Stock, including Outstanding Term Preferred Shares, shall be entitled, as a class, to the exclusion of the Holders of all other securities and classes of Capital Stock of the Corporation, to elect two Directors of the Corporation at all times. Subject to Section 2.6(b), the Holders of outstanding shares of Common Stock and Preferred Stock, including Term Preferred Shares, voting together as a single class, shall elect the balance of the Directors.

(b) *Voting For Additional Directors*.

(i) *Voting Period*. During any period in which any one or more of the conditions described in clauses (A) or (B) of this Section 2.6(b)(i) shall exist (such period being referred to herein as a Voting Period), the number of Directors constituting the Board of Directors shall be automatically increased by the smallest number that, when added to the two Directors elected exclusively by the Holders of Preferred Stock, including Term Preferred Shares, would constitute a majority of the Board of Directors as so increased by such smallest number; and the Holders of Preferred Shares, including Term Preferred Shares, shall be entitled, voting as a class on a one-vote-per-share basis (to the exclusion of the Holders of all other securities and classes of capital stock of the Corporation), to elect such smallest number of additional Directors, together with the two Directors that such Holders are in any event entitled to elect. A Voting Period shall commence:

(A) if, at the close of business on any dividend payment date for any outstanding Preferred Share including any Outstanding Term Preferred Share, accumulated dividends (whether or not earned or declared) on such outstanding share of Preferred Stock equal to at least two (2) full years dividends shall be due and unpaid and sufficient cash or specified securities shall not have been deposited with the Redemption and Paying Agent or other applicable paying agent for the payment of such accumulated dividends; or

(B) if at any time Holders of shares of Preferred Stock are otherwise entitled under the 1940 Act to elect a majority of the Board of Directors.

Upon the termination of a Voting Period, the voting rights described in this Section 2.6(b)(i) shall cease, subject always, however, to the revesting of such voting rights in the Holders of shares of Preferred Stock upon the further occurrence of any of the events described in this Section 2.6(b)(i).

(ii) *Notice of Special Meeting*. As soon as practicable after the accrual of any right of the Holders of shares of Preferred Stock to elect additional Directors as described in Section 2.6(b)(i), the Corporation shall call a special meeting of such Holders and notify the Redemption and Paying Agent and/or such other Person as is specified in the terms of such Preferred Stock to receive notice (i) by mailing or delivery by Electronic Means or (ii) in such other manner and by such other means as are specified in the terms of such Preferred Stock, a notice of such special meeting to such Holders, such meeting to be held not less than ten (10) nor more than thirty (30) calendar days after the date of the delivery by Electronic Means or mailing of such notice. If the Corporation fails to call such a special meeting, it may be called at the expense of the Corporation by any such Holder on like notice. The record date for determining the Holders of shares of Preferred Stock entitled to notice of and to vote at such special meeting shall be the close of business on the fifth (5th) Business Day preceding the calendar day on which such notice is mailed. At any such special meeting and at each meeting of Holders of shares of Preferred Stock held during a Voting Period at which Directors are to be elected, such Holders, voting together as a class (to the exclusion of the Holders of all other securities and classes of capital stock of the Corporation), shall be entitled to elect the number of Directors prescribed in Section 2.6(b)(i) on a one-vote-per-share basis.

(iii) *Terms of Office of Existing Directors*. The terms of office of the incumbent Directors of the Corporation at the time of a special meeting of Holders of the shares of Preferred Stock to elect additional Directors in accordance with

Section 2.6(b)(i) shall not be affected by the election at such meeting by the Holders of Term Preferred Shares and such other Holders of shares of Preferred Stock of the number of Directors that they are entitled to elect, and the Directors so elected by the Holders of Term Preferred Shares and such other Holders of shares of Preferred Stock, together with the two (2) Directors elected by the Holders of shares of Preferred Stock in accordance with Section 2.6(a) hereof and the remaining Directors elected by the holders of the shares of Common Stock and Preferred Stock, shall constitute the duly elected Directors of the Corporation.

(iv) *Terms of Office of Certain Directors to Terminate Upon Termination of Voting Period*. Simultaneously with the termination of a Voting Period, the terms of office of the additional Directors elected by the Holders of the shares of Preferred Stock pursuant to Section 2.6(b)(i) shall terminate, the remaining Directors shall constitute the Directors of the Corporation and the voting rights of the Holders of shares of Preferred Stock to elect additional Directors pursuant to Section 2.6(b)(i) shall cease, subject to the provisions of the last sentence of Section 2.6(b)(i).

(c) *Holders of Term Preferred Shares to Vote on Certain Matters*.

(i) *Certain Amendments Requiring Approval of Term Preferred Shares*. Except as otherwise permitted by the terms of these Articles Supplementary, so long as any Term Preferred Shares are Outstanding, the Corporation shall not, without the affirmative vote or consent of the Holders of at least two-thirds (2/3) of the Term Preferred Shares of all Series Outstanding at the time, voting together as a separate class, amend, alter or repeal the provisions of the Articles, or these Articles Supplementary, whether by merger, consolidation or otherwise, so as to materially and adversely affect any preference, right or power of such Term Preferred Shares or the Holders thereof; provided, however, that (i) a change in the capitalization of the Corporation in accordance with Section 2.8 hereof shall not be considered to materially and adversely affect the rights and preferences of the Term Preferred Shares, and (ii) a division of a Term Preferred Share shall be deemed to affect such preferences, rights or powers only if the terms of such division materially and adversely affect the Holders of the Term Preferred Shares. For purposes of the foregoing, no matter shall be deemed to adversely affect any preference, right or power of a Term Preferred Share of such Series or the Holder thereof unless such matter (i) alters or abolishes any preferential right of such Term Preferred Share, or (ii) creates, alters or abolishes any right in respect of redemption of such Term Preferred Share (other than as a result of a division of a Term Preferred Share). So long as any Term Preferred Shares are Outstanding, the Corporation shall not, without the affirmative vote or consent of at least 662/3% of the Holders of the Term Preferred Shares Outstanding at the time, voting as a separate class, file a voluntary application for relief under Federal bankruptcy law or any similar application under state law for so long as the Corporation is solvent and does not foresee becoming insolvent.

(ii) *1940 Act Matters*. Unless a higher percentage is provided for in the Articles, the affirmative vote of the Holders of at least a majority of the outstanding shares of Preferred Stock, including Term Preferred Shares Outstanding at the time, voting as a separate class, shall be required (A) to approve the Corporation ceasing to be a Businesses Development Company, or to approve the Corporation s withdrawal of its election as a Businesses Development Company, or (B) to approve any plan of reorganization (as such term is used in the 1940 Act) adversely affecting such shares. For purposes of the foregoing, the vote of a majority of the outstanding shares of Preferred Stock means the vote at an annual or special meeting duly called of (i) sixty-seven percent (67%) or more of such shares present at a meeting, if the Holders of more than fifty percent (50%) of such shares are present or represented by proxy at such meeting, or (ii) more than fifty percent (50%) of such shares, whichever is less.

(iii) *Certain Amendments Requiring Approval of Specific Series of Term Preferred Shares*. Except as otherwise permitted by the terms of these Articles Supplementary, so long as any Term Preferred Shares of a Series are Outstanding, the Corporation shall not, without the affirmative vote or consent of the Holders of at least two-thirds (2/3) of the Term Preferred Shares of such Series, Outstanding at the time, voting as a separate class, amend, alter or repeal the provisions of the Appendix relating to such Series, whether by merger, consolidation or otherwise, so as to materially and adversely affect any preference, right or power set forth in such Appendix of the Term Preferred Shares of such Series or the Holders thereof; provided, however, that (i) a change in the capitalization of the Corporation in accordance with Section 2.8 hereof shall not be considered to materially and adversely affect the rights and preferences of the Term Preferred Shares of such Series, and (ii) a division of a Term Preferred Share shall be deemed to affect such preferences, rights or powers only if the terms of such division materially and adversely affect the Holders of the Term Preferred Shares of such Series; and provided, further, that no amendment, alteration or repeal of the obligation of the Corporation to (x) pay the Term Redemption Price on the Term Redemption Date for a Series, or (y) accumulate dividends at the Dividend Rate (as set forth in these Articles Supplementary and the applicable Appendix hereto) for a Series shall be effected without, in each case, the prior unanimous vote or consent of the Holders of such Series of Term Preferred Shares. For purposes of the foregoing, no matter shall be deemed to adversely affect any preference, right or power of a Term Preferred Share of a Series or the Holder thereof unless such matter (i) alters or abolishes any preferential right of such Term Preferred Share, or (ii) creates, alters or abolishes any right in respect of redemption of such Term Preferred Share.

(d) *Voting Rights Set Forth Herein Are Sole Voting Rights*. Unless otherwise required by law or the Articles, the Holders of Term Preferred Shares shall not have any relative rights or preferences or other special rights with respect to voting other than those specifically set forth in this Section 2.6.

(e) *No Cumulative Voting*. The Holders of Term Preferred Shares shall have no rights to cumulative voting.

(f) *Voting for Directors Sole Remedy for Corporation s Failure to Declare or Pay Dividends*. In the event that the Corporation fails to declare or pay any dividends on any Series of Term Preferred Shares on the Dividend Payment Date therefor, the exclusive remedy of the Holders of the Term Preferred Shares shall be the right to vote for Directors pursuant to the provisions of this Section 2.6. Nothing in this Section 2.6(f) shall be deemed to affect the obligation of the Corporation to accumulate and, if permitted by applicable law, the Articles and these Articles Supplementary, pay dividends at the Default Rate in the circumstances contemplated by Section 2.2(g) hereof.

(g) *Holders Entitled to Vote*. For purposes of determining any rights of the Holders of Term Preferred Shares to vote on any matter, whether such right is created by these Articles Supplementary, by the Articles, by statute or otherwise, no Holder of Term Preferred Shares shall be entitled to vote any Term Preferred Share and no Term Preferred Share shall be deemed to be Outstanding for the purpose of voting or determining the number of shares required to constitute a quorum if, prior to or concurrently with the time of determination of shares entitled to vote or the time of the actual vote on the matter, as the case may be, the requisite Notice of Redemption with respect to such Term Preferred Share shall have been given in accordance with these Articles Supplementary and Deposit Securities for the payment of the Redemption Price of such Term Preferred Share shall have been deposited in trust with the Redemption and Paying Agent for that purpose. No Term Preferred Share held by the Corporation shall have any voting rights or be deemed to be outstanding for voting or for calculating the voting percentage required on any other matter or other purposes.

2.7 *Issuance of Additional Preferred Stock*.

So long as any Term Preferred Shares are Outstanding, the Corporation may, without the vote or consent of the Holders thereof, authorize, establish and create and issue and sell shares of one or more series of a class of senior securities of the Corporation representing stock under Sections 18 and 61 of the 1940 Act, ranking on a parity with Term Preferred Shares as to the payment of dividends and the distribution of assets upon dissolution, liquidation or the winding up of the affairs of the Corporation, in addition to then Outstanding Series of Term Preferred Shares, including additional Series of Term Preferred Shares, and authorize, issue and sell additional shares of any such series of Preferred Stock then outstanding or so established and created, including additional Term Preferred Shares of any Series, in each case in accordance with applicable law, provided that the Corporation shall, immediately after giving effect to the issuance of such additional shares of Preferred Stock and to its receipt and application of the proceeds thereof, including to the redemption of shares of Preferred Stock with such proceeds, have Asset Coverage (calculated in the same manner as is contemplated by Section 2.4(b) hereof) of at least 200%.

Table of Contents

2.8 *Status of Redeemed or Repurchased Term Preferred Shares*.

Term Preferred Shares that at any time have been redeemed or purchased by the Corporation shall, after such redemption or purchase, have the status of authorized but unissued shares of Capital Stock.

2.9 *Global Certificate*.

Prior to the commencement of a Voting Period, (i) all shares of any Series of Term Preferred Shares Outstanding from time to time shall be represented by one global certificate for such Series registered in the name of the Securities Depository or its nominee and (ii) no registration of transfer of shares of such Series of Term Preferred Shares shall be made on the books of the Corporation to any Person other than the Securities Depository or its nominee. The foregoing restriction on registration of transfer shall be conspicuously noted on the face or back of the global certificates.

2.10 *Notice*.

All notices or communications hereunder, unless otherwise specified in these Articles Supplementary, shall be sufficiently given if in writing and delivered in person, by telecopier, by Electronic Means or by overnight mail or delivery or mailed by first-class mail, postage prepaid. Notices delivered pursuant to this Section 2.10 shall be deemed given on the date received or, if mailed by first class mail, on the date five (5) calendar days after which such notice is mailed.

2.11 *Termination*.

In the event that no shares of a Series of Term Preferred Shares are Outstanding, all rights and preferences of the shares of such Series established and designated hereunder shall cease and terminate, and all obligations of the Corporation under these Articles Supplementary with respect to such Series shall terminate.

2.12 *Appendices*.

The designation of each Series of Term Preferred Shares shall be set forth in an Appendix to these Articles Supplementary. The Board of Directors may, by resolution duly adopted, without shareholder approval (except as otherwise provided by these Articles Supplementary or required by applicable law) (1) amend the Appendix to these Articles Supplementary relating to a Series so as to reflect any amendments to the terms applicable to such Series including an increase in the number of authorized shares of such Series and (2) add additional Series of Term Preferred Shares by including a new Appendix to these Articles Supplementary relating to such Series.

2.13 *Actions on Other than Business Days*.

Unless otherwise provided herein, if the date for making any payment, performing any act or exercising any right, in each case as provided for in these Articles Supplementary, is not a Business Day, such payment shall be made, act performed or right exercised on the next succeeding Business Day, with the same force and effect as if made or done on the nominal date provided therefor, and, with respect to any payment so made, no dividends, interest or other amount shall accrue for the period between such nominal date and the date of payment.

2.14 *Modification*.

The Board of Directors, without the vote of the Holders of Term Preferred Shares, may interpret, supplement or amend the provisions of these Articles Supplementary or any Appendix hereto to supply any omission, resolve any inconsistency or ambiguity or to cure, correct or supplement any defective or inconsistent provision, including any provision that becomes defective after the date hereof because of impossibility of performance or any provision that is inconsistent with any provision of any other Capital Stock of the Corporation.

Table of Contents

2.15 *No Additional Rights*.

Unless otherwise required by law or the Articles, the Holders of Term Preferred Shares shall not have any relative rights or preferences or other special rights other than those specifically set forth in these Articles Supplementary.

[Signature Page Begins on the Following Page]

Table of Contents

IN WITNESS WHEREOF, Gladstone Capital Corporation has caused these presents to be signed as of October 31, 2011 in its name and on its behalf by its President or a Vice President and witnessed by its Secretary or Assistant Secretary.

GLADSTONE CAPITAL CORPORATION

/s/ George Stelljes III
Name: George Stelljes III
Title: President and Chief Investment Officer

WITNESS:

/s/ Terry Lee Brubaker
Name: Terry Lee Brubaker
Title: Secretary and Chief Operating Officer

The undersigned President or a Vice President of Gladstone Capital Corporation, who executed on behalf of the Corporation the foregoing Articles Supplementary of which this Certificate is made a part, hereby acknowledges in the name and on behalf of said Corporation the foregoing Articles Supplementary to be the corporate act of the Corporation, and states under penalties of perjury that to the best of his knowledge, information and belief the matters and facts set forth therein with respect to the authorization and approval thereof are true in all material respects.

/s/ George Stelljes III
Name: George Stelljes III
Title: President and Chief Investment Officer

[Signature Page to the Articles Supplementary Establishing and Fixing the Rights and Preferences of Term Preferred Shares]

Table of Contents

Filed pursuant to Rule 497
File No. 333-208637

PROSPECTUS

$300,000,000

COMMON STOCK

PREFERRED STOCK

SUBSCRIPTION RIGHTS

WARRANTS

DEBT SECURITIES

We may offer, from time to time, up to $300,000,000 aggregate initial offering price of our common stock, $0.001 par value per share, preferred stock, $0.001 par value per share, subscription rights, warrants representing rights to purchase shares of our common or preferred stock, or debt securities, or concurrent, separate offerings of these securities, which we refer to in this prospectus collectively as our Securities, in one or more offerings. The Securities may be offered at prices and on terms to be disclosed in one or more supplements to this prospectus. In the case of our common stock and warrants or rights to acquire such common stock hereunder, the offering price per share of our common stock by us, less any underwriting commissions or discounts, will not be less than the net asset value per share of our common stock at the time of the offering except (i) in connection with a rights offering to our existing common stockholders, (ii) with the consent of the holders of the majority of our outstanding stock, or (iii) under such other circumstances as the U.S. Securities and Exchange Commission (SEC) may permit. You should read this prospectus and the applicable prospectus supplement carefully before you invest in our Securities.

We operate as a closed-end, non-diversified management investment company and have elected to be treated as a business development company under the Investment Company Act of 1940, as amended. For federal income tax purposes, we have elected to be treated as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended. Our investment objectives are to: (1) achieve and grow current income by investing in debt securities of established businesses that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time; and (2) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities of established businesses that we believe can grow over time to permit us to sell our equity investments for capital gains.

Our Securities may be offered directly to one or more purchasers, including existing stockholders in a rights offering, through agents designated from time to time by us, to or through underwriters or dealers, at the market to or through a market maker into an existing trading market or otherwise directly to one or more purchasers or through agents or through a combination of methods of sale. The prospectus supplement relating to the offering will identify any agents or underwriters involved in the sale of our Securities, and will disclose any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters or among our underwriters or the basis upon which such amount may be calculated. See *Plan of Distribution.* We may not sell any of our Securities through agents, underwriters or dealers without delivery of a prospectus supplement describing the method and terms of the offering of such Securities. Our common stock is traded on The NASDAQ Global Select Market (NASDAQ) under the symbol GLAD. As of December 21, 2016, the last reported sales price for our common stock was $9.44. Our 6.75% Series 2021 Term Preferred Stock, or our Series 2021 Term Preferred Stock, is also traded on the NASDAQ under the symbol GLADO. As of December 21, 2016, the last reported sales price for our Series 2021 Term Preferred Stock was $25.40.

Please read this prospectus and the accompanying prospectus supplement, if any, before investing, and keep it for future reference. It concisely sets forth important information about us that a prospective investor ought to know before investing in our securities. We file annual, quarterly and current reports, proxy statements and other information about us with the SEC. This information is available free of charge by contacting us at 1521 Westbranch Drive, Suite 100, McLean, Virginia 22102, or by calling us collect at (703) 287-5800 or on our website at *www.gladstonecapital.com* . Information contained on our website is not incorporated by reference into this prospectus, and you should not consider that information to be part of this prospectus. The SEC also maintains a website at *www.sec.gov* that contains such information. This prospectus may not be used to consummate sales of securities unless accompanied by a prospectus supplement.

The securities in which we invest generally would be rated below investment grade if they were rated by rating agencies. Below investment grade securities, which are often referred to as junk, have predominantly speculative characteristics with respect to the issuer s capacity to pay interest and repay principal. They may also be difficult to value and are illiquid.

An investment in our Securities involves certain risks, including, among other things, risks relating to investments in securities of small, private and developing businesses. We describe some of these risks in the section entitled Risk Factors, which begins on page 12. Common shares of closed-end investment companies frequently trade at a discount to their net asset value and this may increase the risk of loss to purchasers of our Securities. You should carefully consider these risks together with all of the other information contained in this prospectus and any prospectus supplement before making a decision to purchase our Securities.

The SEC has not approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is February 6, 2017

TABLE OF CONTENTS

We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained or incorporated by reference in this prospectus or any accompanying supplement to this prospectus. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus or the accompanying prospectus supplement as if we had authorized it. This prospectus and any prospectus supplement do not constitute an offer to sell or a solicitation of any offer to buy any security other than the registered securities to which they relate, nor do they constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The information contained in this prospectus and any prospectus supplement is accurate as of the dates on their respective covers only. Our business, financial condition, results of operations and prospects may have changed since such dates.

This prospectus is part of a registration statement that we have filed with the SEC using the shelf registration process. Under the shelf registration process, we may offer, from time to time, up to $300,000,000 of our Securities on terms to be determined at the time of the offering. This prospectus provides you with a general description of the Securities that we may offer. Each time we use this prospectus to offer Securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. To the extent required by law, we will amend or supplement the information contained in this prospectus and any accompanying prospectus supplement to reflect any material changes to such information subsequent to the date of the prospectus and any accompanying prospectus supplement and prior to the completion of any offering pursuant to the prospectus and any accompanying prospectus supplement. Please carefully read this prospectus and any accompanying prospectus supplement together with the additional information described under *Additional Information* and *Risk Factors* before you make an investment decision.

Table of Contents

PROSPECTUS SUMMARY

The following summary highlights some of the information in this prospectus. It is not complete and may not contain all the information that you may want to consider. You should read the entire prospectus and any prospectus supplement carefully, including the section entitled Risk Factors. Except where the context suggests otherwise, the terms we, us, our, the Company and Gladstone Capital refer to Gladstone Capital Corporation; Adviser refers to Gladstone Management Corporation; Administrator refers to Gladstone Administration, LLC; Gladstone Commercial refers to Gladstone Commercial Corporation; Gladstone Investment refers to Gladstone Investment Corporation; Gladstone Land refers to Gladstone Land Corporation; Gladstone Securities refers to Gladstone Securities, LLC; and Gladstone Companies refers to the Adviser and its affiliated companies.

General

We were incorporated under the General Corporation Laws of the State of Maryland on May 30, 2001 and completed our initial public offering on August 24, 2001. We are externally managed and operate as a closed-end, non-diversified management investment company and have elected to be treated as a business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act). For federal income tax purposes, we have elected to be treated as a regulated investment company (RIC) under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code). We intend to continue to qualify as a RIC for federal income tax purposes and obtain favorable RIC tax treatment by meeting certain requirements, including minimum distribution requirements. We were established for the purpose of investing in debt and equity securities of established private businesses operating in the United States (U.S.).

Gladstone Financial Corporation (Gladstone Financial), a wholly-owned subsidiary of ours, was established on November 21, 2006, for the purpose of holding a license to operate as a Specialized Small Business Investment Company. Gladstone Financial (previously known as Gladstone SSBIC Corporation) acquired this license in February 2007. The license enables us, through this subsidiary, to make investments in accordance with the United States Small Business Administration guidelines for specialized small business investment companies. As of September 30, 2016, we have not made any investments in portfolio companies through Gladstone Financial.

Our Investment Objectives and Strategy

We were established for the purpose of investing in debt and equity securities of established private businesses operating in the U.S. Our investment objectives are to: (1) achieve and grow current income by investing in debt securities of established lower middle market companies (which we generally define as companies with annual earnings before interest, taxes, depreciation and amortization of $3 million to $15 million) that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time; and (2) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities of established businesses that we believe can grow over time to permit us to sell our equity investments for capital gains. To achieve our objectives, our investment strategy is to invest in several categories of debt and equity securities, with each investment generally ranging from $8 million to $30 million, although investment size may vary, depending upon our total assets or available capital at the time of investment. We lend to borrowers that need funds for growth capital, to finance acquisitions, or to recapitalize or refinance their existing debt facilities. We seek to avoid investing in high-risk, early-stage enterprises. Our targeted portfolio companies are generally considered too small for the larger capital marketplace. We expect that our investment portfolio over time will consist of approximately 90.0% in debt investments and 10.0% in equity investments, at cost. As of September 30, 2016, our investment portfolio was made up of approximately 90.2% debt investments and 9.8% equity investments, at cost.

1

Table of Contents

We invest by ourselves or jointly with other funds and/or management of the portfolio company, depending on the opportunity. If we are participating in an investment with one or more co-investors, our investment is likely to be smaller than if we were investing alone.

In July 2012, the SEC granted us an exemptive order that expands our ability to co-invest with certain of our affiliates under certain circumstances and any future BDC or closed-end management investment company that is advised (or sub-advised if it controls the fund) by our external investment adviser, or any combination of the foregoing, subject to the conditions in the SEC s order. We believe this ability to co-invest will continue to enhance our ability to further our investment objectives and strategies.

In general, our investments in debt securities have a term of no more than seven years, accrue interest at variable rates (based on the one month London Interbank Offered Rate (LIBOR)) and, to a lesser extent, at fixed rates. We seek debt instruments that pay interest monthly or, at a minimum, quarterly, and which may include a yield enhancement, such as a success fee or deferred interest provision and are primarily interest only with all principal and any accrued but unpaid interest due at maturity. Generally, success fees accrue at a set rate and are contractually due upon a change of control of the business. Some debt securities have deferred interest whereby some portion of the interest payment is added to the principal balance so that the interest is paid, together with the principal, at maturity. This form of deferred interest is often called paid-in-kind (PIK) interest. Typically, our equity investments take the form of preferred or common stock, limited liability company interests, or warrants or options to purchase the foregoing. Often, these equity investments occur in connection with our original investment, recapitalizing a business, or refinancing existing debt.

As of September 30, 2016, our investment portfolio consisted of investments in 45 companies located in 22 states in 20 different industries with an aggregate fair value of $322.1 million. Since our initial public offering in 2001 through September 30, 2016, we have invested in over 206 different companies, while making 164 consecutive monthly or quarterly cash distributions to common stockholders totaling approximately $276.3 million or $16.06 per share. We expect that our investment portfolio will primarily include the following four categories of investments in private companies operating in the United States (U.S.):

Senior Secured Debt Securities: We seek to invest a portion of our assets in senior secured debt securities also known as senior loans, secured first lien loans, lines of credit and senior notes. Using its assets as collateral, the borrower typically uses senior debt to cover a substantial portion of the funding needs of its business. The senior secured debt security usually takes the form of first priority liens on all, or substantially all, of the assets of the business. Senior secured debt securities may include investments sourced from the syndicated loan market.

Senior Secured Subordinated Debt Securities: We seek to invest a portion of our assets in secured second lien debt securities, also known as senior subordinated loans and senior subordinated notes. These secured second lien debts rank junior to the borrowers senior debt and may be secured by a first priority lien on a portion of the assets of the business and may be designated as second lien notes (including our participation and investment in syndicated second lien loans). Additionally, we may receive other yield enhancements, such as success fees, in connection with these senior secured subordinated debt securities.

Junior Subordinated Debt Securities: We seek to invest a portion of our assets in junior subordinated debt securities, also known as subordinated loans, subordinated notes and mezzanine loans. These junior subordinated debts may be secured by certain assets of the borrower or unsecured loans. Additionally, we may receive other yield enhancements in addition to or in lieu of success fees, such as warrants to buy common and preferred stock or limited liability interests in connection with these junior subordinated debt securities.

Table of Contents

Preferred and Common Equity/Equivalents: In some cases we will purchase equity securities which consist of preferred and common equity or limited liability company interests, or warrants or options to acquire such securities, and are in combination with our debt investment in a business. Additionally, we may receive equity investments derived from restructurings on some of our existing debt investments. In some cases, we will own a significant portion of the equity and in other cases we may have voting control of the businesses in which we invest.

Additionally, pursuant to the 1940 Act, we must maintain at least 70.0% of our total assets in qualifying assets, which generally include each of the investment types listed above. Therefore, the 1940 Act permits us to invest up to 30.0% of our assets in other non-qualifying assets. See *Regulation as a BDC Qualifying Assets* for a discussion of the types of qualifying assets in which we are permitted to invest pursuant to Section 55(a) of the 1940 Act.

Because the majority of the loans in our portfolio consist of term debt in private companies that typically cannot or will not expend the resources to have their debt securities rated by a credit rating agency, we expect that most, if not all, of the debt securities we acquire will be unrated. Investors should assume that these loans would be rated below what is today considered investment grade quality. Investments rated below investment grade are often referred to as high yield securities or junk bonds and may be considered higher risk, as compared to investment-grade debt instruments. In addition, many of the debt securities we hold typically do not amortize prior to maturity.

Our Investment Adviser and Administrator

We are externally managed by our affiliated investment adviser, Gladstone Management Corporation (the Adviser), under an investment advisory and management agreement (the Advisory Agreement) and another of our affiliates, Gladstone Administration, LLC, (the Administrator together with the Adviser and the Affiliated Public Funds (defined below), the Gladstone Companies)) provides administrative services to us pursuant to a contractual agreement (the Administration Agreement). Each of the Adviser and Administrator are privately-held companies that are indirectly owned and controlled by David Gladstone, our chairman and chief executive officer. Mr. Gladstone and Terry Brubaker, our vice chairman and chief operating officer, also serve on the board of directors of the Adviser, the board of managers of the Administrator, and serve as executive officers of the Adviser and the Administrator. The Administrator employs, among others, our chief financial officer and treasurer, chief valuation officer, chief compliance officer, general counsel and secretary (who also serves as the president of the Administrator) and their respective staffs. The Adviser and Administrator have extensive experience in our lines of business and also provide investment advisory and administrative services, respectively, to our affiliates, including, but not limited to: Gladstone Commercial Corporation (Gladstone Commercial), a publicly-traded real estate investment trust; Gladstone Investment Corporation (Gladstone Investment), a publicly-traded BDC and RIC; and Gladstone Land Corporation, a publicly-traded real estate investment trust (Gladstone Land, with Gladstone Commercial, and Gladstone Investment, collectively the Affiliated Public Funds). In the future, the Adviser and Administrator may provide investment advisory and administrative services, respectively, to other funds and companies, both public and private.

The Adviser was organized as a corporation under the laws of the State of Delaware on July 2, 2002, and is a registered investment adviser under the Investment Advisers Act of 1940, as amended. The Administrator was organized as a limited liability company under the laws of the State of Delaware on March 18, 2005. The Adviser and Administrator are headquartered in McLean, Virginia, a suburb of Washington, D.C. The Adviser also has offices in other states. We have been externally managed by the Adviser pursuant to the Advisory Agreement since October 1, 2004 pursuant to which we pay the Adviser a base management fee and an incentive fee for its services.

Table of Contents

THE OFFERING

We may offer, from time to time, up to $300,000,000 of our Securities, on terms to be determined at the time of the offering. Our Securities may be offered at prices and on terms to be disclosed in one or more prospectus supplements. In the case of an offering of our common stock and warrants or rights to acquire such common stock hereunder in any offering, the offering price per share, exclusive of any underwriting commission or discount, will not be less than the net asset value (NAV) per share of our common stock at the time of the offering except (i) in connection with a rights offering to our existing stockholders, (ii) with the consent of the majority of our common stockholders, or (iii) under such other circumstances as the SEC may permit. If we were to sell shares of our common stock below our then current NAV per share, such sales would result in an immediate dilution to the NAV per share. This dilution would occur as a result of the sale of shares at a price below the then current NAV per share of our common stock and a proportionately greater decrease in a stockholder s interest in our earnings and assets and voting interest in us than the increase in our assets resulting from such issuance.

Our Securities may be offered directly to one or more purchasers, including existing stockholders in a rights offering, by us or through agents designated from time to time by us, or to or through underwriters or dealers. The prospectus supplement relating to the offering will disclose the terms of the offering, including the name or names of any agents or underwriters involved in the sale of our Securities by us, the purchase price, and any fee, commission or discount arrangement between us and our agents or underwriters or among our underwriters or the basis upon which such amount may be calculated. See *Plan of Distribution.* We may not sell any of our Securities through agents, underwriters or dealers without delivery of a prospectus supplement describing the method and terms of the offering of our Securities.

Set forth below is additional information regarding the offering of our Securities:

Common Stock Trading Symbol (NASDAQ)	GLAD
6.75% Series 2021 Term Preferred Stock (the Series 2021 Term Preferred Stock) Trading Symbol (NASDAQ)	GLADO
Use of Proceeds	Unless otherwise specified in a prospectus supplement, we intend to use the net proceeds from the sale of our Securities first to pay down existing short-term debt, then to make investments in small and mid-sized companies in accordance with our investment objectives, with any remaining proceeds to be used for other general corporate purposes. See *Use of Proceeds.*
Dividends and Distributions	We have paid monthly distributions to the holders of our common stock since October 2003 (and prior to that quarterly distributions since January 2002) and generally intend to continue to do so. In May 2014 we issued, and in June 2014 we made our first distribution on our Series

2021 Term Preferred Stock and have paid monthly distributions thereafter. The amount of monthly distributions on our capital stock is generally determined by our Board of Directors on a quarterly basis and is based on management s estimate of the fiscal year s taxable income. See *Price Range of Common Stock and*

4

Distributions. Because our distributions to common stockholders are based on estimates of taxable income that may differ from actual results, future distributions payable to our common stockholders may also include, and past distributions have included, a return of capital. Such return of capital distributions may increase an investor s tax liability for capital gains upon the sale of our shares by reducing the investor s tax basis for such shares. See *Risk Factors Risks Related to an Investment in Our Securities Distributions to our stockholders have included and may in the future include a return of capital.* Certain additional amounts may be deemed as distributed to common stockholders for income tax purposes and may also constitute a return of capital. Other types of securities we might offer will likely pay distributions in accordance with their terms.

Taxation

We intend to continue to elect to be treated for federal income tax purposes as a RIC. So long as we continue to qualify, we generally will pay no corporate-level federal income taxes on any ordinary income or capital gains that we distribute to our stockholders. To maintain our RIC status, we must meet specified source-of-income and asset diversification requirements and distribute, for each of our taxable years, at least 90.0% of our taxable ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of assets legally available for distribution. See *Material U.S. Federal Income Tax Considerations.*

Trading at a Discount

Common shares of closed-end investment companies frequently trade at a discount to their NAV. The possibility that our common shares may trade at a discount to our NAV is separate and distinct from the risk that our NAV per common share may decline. We cannot predict whether our common shares will trade above, at or below NAV, although during the past three years, our common stock has often traded, and at times significantly, below NAV.

Certain Anti-Takeover Provisions

Our Board of Directors is divided into three classes of directors serving staggered three-year terms. This structure is intended to provide us with a greater likelihood of continuity of management, which may be necessary for us to realize the full value of our investments. A classified board of directors also may serve to deter hostile takeovers or proxy contests, as may certain provisions of Maryland law and other measures we have adopted. See *Certain Provisions of Maryland Law and of Our Charter and Bylaws.*

Dividend Reinvestment Plan

Our transfer agent, Computershare, Inc., offers a dividend reinvestment plan for our common stockholders. This is an opt in dividend reinvestment plan, meaning that stockholders may elect to have their cash dividends automatically reinvested in additional shares of our common stock. Stockholders who do not so elect will receive their dividends in cash. Stockholders who receive distributions in the form of stock will be subject to the same federal, state and local tax consequences as stockholders who elect to receive their distributions in cash. See *Dividend Reinvestment Plan.* There

	is no dividend reinvestment plan for our Series 2021 Term Preferred Stock.
Management Arrangements	Gladstone Management Corporation serves as the investment adviser, and Gladstone Administration, LLC serves as the Administrator. For a description of the Adviser, the Administrator, the Gladstone Companies and the contractual arrangements with these companies, see *Management Certain Transactions.*

6

Table of Contents

FEES AND EXPENSES

The following table is intended to assist you in understanding the costs and expenses that an investor in this offering will bear directly or indirectly. We caution you that some of the percentages indicated in the table below are estimates and may vary. Except where the context suggests otherwise, whenever this prospectus contains a reference to fees or expenses paid by us or Gladstone Capital, or that we will pay fees or expenses, stockholders will indirectly bear such fees or expenses as investors in Gladstone Capital. The following percentages are annualized and have been calculated based on actual expenses incurred in the quarter ended September 30, 2016 and average net assets attributable to common stockholders for the quarter ended September 30, 2016.

Stockholder Transaction Expenses:	
Sales load (as a percentage of offering price)(1)	%
Offering expenses (as a percentage of offering price)(1)	%
Dividend reinvestment plan expenses(2)	None
Total stockholder transaction expenses(1)	%
Annual expenses (as a percentage of net assets attributable to common stock)(3):	
Base management fee(4)	2.99%
Loan servicing fee(5)	2.13%
Incentive fee (20% of realized capital gains and 20% of pre-incentive fee net investment income)(6)	2.40%
Interest payments on borrowed funds(7)	2.13%
Dividend expense on mandatorily redeemable preferred stock(8)	2.34%
Other expenses(9)	1.49%
Total annual expenses(10)	13.48%

(1) The amounts set forth in this table do not reflect the impact of any sales load, sales commission or other offering expenses borne by Gladstone Capital and its stockholders. The prospectus supplement relating to an offering of securities pursuant to this prospectus will disclose the estimated offering price and the estimated offering expenses and total stockholder transaction expenses borne by Gladstone Capital and its stockholders as a percentage of the offering price. In the event that securities to which this prospectus relates are sold to or through underwriters, the prospectus supplement will also disclose the applicable sales load.

(2) The expenses of the reinvestment plan are included in stock record expenses, a component of other expenses. The participants in the dividend reinvestment plan will bear a pro rata share of brokerage commissions incurred with respect to open market purchases, if any. See *Dividend Reinvestment Plan* for information on the dividend reinvestment plan.

(3) The percentages presented in this table are gross of credits to any fees.

(4) In accordance with the investment advisory and management agreement (the Advisory Agreement), our annual base management fee is 1.75% (0.4375% quarterly) of our average gross assets, which are defined as total assets of Gladstone Capital, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings. In accordance with the requirements of the SEC, the table above shows Gladstone Capital s base management fee as a percentage of average net assets attributable to common shareholders. For purposes of the table, the gross base management fee has been converted to 2.99% of the average net assets as of September 30, 2016 by dividing the total dollar amount of the management fee by Gladstone Capital s average net assets. The base management fee for the quarter ended September 30, 2016 before application of any credits was $1.4 million.

Under the Advisory Agreement, the Adviser has provided and continues to provide managerial assistance to our portfolio companies. It may also provide services other than managerial assistance to our portfolio companies and receive fees therefor. Such services may include, but are not limited to: (i) assistance obtaining, sourcing or structuring credit facilities, long term loans or additional equity from unaffiliated

third parties; (ii) negotiating important contractual financial relationships; (iii) consulting services regarding restructuring of the portfolio company and financial modeling as it relates to raising additional debt and equity capital from unaffiliated third parties; and (iv) primary role in interviewing, vetting and negotiating employment contracts with candidates in connection with adding and retaining key portfolio company management team members. Generally, at the end of each quarter, 100.0% of these fees are voluntarily, irrevocably and unconditionally credited against the base management fee that we would otherwise be required to pay to the Adviser; however, a small percentage of certain of such fees, primarily for valuation of the portfolio company, is retained by the Adviser in the form of reimbursement at cost for certain tasks completed by personnel of the Adviser. For the quarter ended September 30, 2016, the base management fee credit was $0.3 million. See *Management Certain Transactions.*

(5) In addition, the Adviser services, administers and collects on the loans held by Gladstone Business Loan, LLC (Business Loan), in return for which the Adviser receives a 1.5% annual loan servicing fee payable monthly by Business Loan based on the monthly aggregate balance of loans held by Business Loan in accordance with our Fifth Amended and Restated Credit Agreement, with KeyBank National Association (KeyBank), as administrative agent, lead arranger and a lender, as amended (the Credit Facility). For the three months ended September 30, 2016, the total loan servicing fee was $1.0 million. The entire loan servicing fee paid to the Adviser by Business Loan is generally voluntarily, irrevocably and unconditionally credited against the base management fee otherwise payable to the Adviser since Business Loan is a consolidated subsidiary of the Company, and overall, the base management fee (including any loan servicing fee) cannot exceed 1.75% of total assets (as reduced by cash and cash equivalents pledged to creditors) during any given fiscal year pursuant to the Advisory Agreement. See *Management Certain Transactions Investment Advisory and Management Agreement* and footnote 6 below.

(6) In accordance with our Advisory Agreement, the incentive fee consists of two parts: an income-based fee and a capital gains-based fee. The income-based fee is payable quarterly in arrears, and equals 20.0% of the excess, if any, of our pre-incentive fee net investment income that exceeds a 1.75% quarterly (7.0% annualized) hurdle rate of our net assets, subject to a catch-up provision measured as of the end of each calendar quarter. The catch-up provision requires us to pay 100.0% of our pre-incentive fee net investment income with respect to that portion of such income, if any, that exceeds the hurdle rate but is less than 125.0% of the quarterly hurdle rate (or 2.1875%) in any calendar quarter (8.75% annualized). The catch-up provision is meant to provide the Adviser with 20.0% of our pre-incentive fee net investment income as if a hurdle rate did not apply when our pre-incentive fee net investment income exceeds 125.0% of the quarterly hurdle rate in any calendar quarter (8.75% annualized). The income-based incentive fee is computed and paid on income that may include interest that is accrued but not yet received in cash. Our pre-incentive fee net investment income used to calculate this part of the income-based incentive fee is also included in the amount of our gross assets used to calculate the 1.75% base management fee (see footnote 4 above). The capital gains-based incentive fee equals 20.0% of our net realized capital gains since our inception, if any, computed net of all realized capital losses and unrealized capital depreciation since our inception, less any prior payments, and is payable at the end of each fiscal year. We have not recorded any capital gains-based incentive fee from our inception through September 30, 2016. The income-based incentive fee for the quarter ended September 30, 2016 was $1.1 million.

From time to time, the Adviser has voluntarily, irrevocably and unconditionally agreed to waive a portion of the incentive fees, to the extent net investment income did not cover 100.0% of the distributions to common stockholders during the period. For the quarter ended September 30, 2016, the incentive fee credit was $0.3 million. There can be no guarantee that the Adviser will continue to credit any portion of the fees under the Advisory Agreement in the future.

Examples of how the incentive fee would be calculated are as follows:

Assuming pre-incentive fee net investment income of 0.55%, there would be no income-based incentive fee because such income would not exceed the hurdle rate of 1.75%.

Table of Contents

Assuming pre-incentive fee net investment income of 2.00%, the income-based incentive fee would be as follows:

= 100% × (2.00% - 1.75%)

= 0.25%

Assuming pre-incentive fee net investment income of 2.30%, the income-based incentive fee would be as follows:

= (100% × (catch-up : 2.1875% - 1.75%)) + (20% × (2.30% - 2.1875%))

= (100% × 0.4375%) + (20% × 0.1125%)

= 0.4375% + 0.0225%

= 0.46%

Assuming net realized capital gains of 6% and realized capital losses and unrealized capital depreciation of 1%, the capital gains-based incentive fee would be as follows:

= 20% × (6% - 1%)

= 20% × 5%

= 1%

For a more detailed discussion of the calculation of the two-part incentive fee, see *Management Certain Transactions Investment Advisory and Management Agreement*.

(7) Includes amortization of deferred financing costs. As of September 30, 2016, we had $71.3 million in borrowings outstanding on our Credit Facility.

(8) Includes amortization of deferred financing costs related to our Series 2021 Term Preferred Stock, as well as amounts paid to preferred stockholders during the three months ended September 30, 2016. See *Description of Our Securities Preferred Stock Series 2021 Term Preferred Stock* for additional information.

(9) Includes our overhead expenses, including payments under the administration agreement based on our projected allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations under the administration agreement. See *Management Certain Transactions Administration Agreement*.

(10) Total annualized gross expenses, based on actual amounts incurred for the quarter ended September 30, 2016, would be $25.8 million. After all voluntary, unconditional, and irrevocable credits described in footnote 4, footnote 5 and footnote 6 above are applied to the base management fee and the loan servicing fee, total annualized expenses after fee credits, based on actual amounts incurred for the quarter ended September 30, 2016, would be $19.4 million or 10.16% as a percentage of net assets.

Examples

The following examples demonstrate the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our Securities. In calculating the following expense amounts, we have assumed that our quarterly operating expenses would remain at the levels set forth in the table above and are gross of credits to any fees. The amounts set forth below do not reflect the impact of sales load or offering expenses to be borne by Gladstone Capital or its stockholders. In the prospectus supplement relating to an offering of securities pursuant to this prospectus, the examples below will be restated to reflect the impact of the estimated offering expenses borne by Gladstone Capital and its stockholders and, in the event that securities to which this prospectus relates are sold to or through underwriters, the impact of the applicable sales load. **The examples below and the expenses in the table above should not be considered a representation of our future expenses, and actual expenses (including the cost of debt, incentive fees, if any, and other expenses) may be greater or less than those shown. While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%.**

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 investment:				
assuming a 5% annual return consisting entirely of ordinary income(1)(2)	$ 123	$ 344	$ 533	$ 897
assuming a 5% annual return consisting entirely of capital gains(2)(3)	$ 132	$ 365	$ 561	$ 926

(1) While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. Additionally, we have assumed that the entire amount of such 5% annual return would constitute ordinary income as we have not historically realized positive capital gains (computed net of all realized capital losses) on our investments. Because the assumed 5% annual return is significantly below the hurdle rate of 7% (annualized) that we must achieve under the investment advisory and management agreement to trigger the payment of an income-based incentive fee, we have assumed, for purposes of this example, that no income-based incentive fee would be payable if we realized a 5% annual return on our investments.

(2) While the example assumes reinvestment of all dividends and distributions at NAV, participants in our dividend reinvestment plan will receive a number of shares of our common stock, determined by dividing the total dollar amount of the dividend payable to a participant by the average cost of shares of our common stock purchased in the open market in the period beginning on or before the payment date of the distribution and ending when the plan agent has expended for such purchases all of the cash that would have been otherwise payable to participants. See *Dividend Reinvestment Plan* for additional information regarding our dividend reinvestment plan.

(3) For purposes of this example, we have assumed that the entire amount of such 5% annual return would constitute capital gains and that no accumulated capital losses or unrealized depreciation exist that would have to be overcome first before a capital gains based incentive fee is payable.

Table of Contents

ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form N-2 under the Securities Act of 1933, as amended, which we refer to as the Securities Act, with respect to the Securities offered by this prospectus. This prospectus, which is a part of the registration statement, does not contain all of the information set forth in the registration statement or exhibits and schedules thereto. For further information with respect to our business and our Securities, reference is made to the registration statement, including the amendments, exhibits and schedules thereto.

We also certain file reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. Such reports, proxy statements and other information, as well as the registration statement and the amendments, exhibits and schedules thereto, can be inspected at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Information about the operation of the public reference facilities may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy statements and other information regarding registrants, including us, that file such information electronically with the SEC. The address of the SEC s website is *http://www.sec.gov*. Copies of such material may also be obtained from the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. Our common stock is listed on the NASDAQ and our corporate website is located at *www.gladstonecapital.com*. The information contained on, or accessible through, our website is not a part of this prospectus.

We make available free of charge on our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC.

We also furnish to our stockholders annual reports, which include annual financial information that has been examined and reported on, with an opinion expressed, by our independent registered public accounting firm. See *Experts*.

Table of Contents

RISK FACTORS

You should carefully consider the risks described below and all other information contained in this prospectus and the applicable prospectus supplement before making a decision to purchase our Securities. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties not presently known to us, or not presently deemed material by us, may also impair our operations and performance.

If any of the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected. If that happens, the trading price of our Securities and NAV of our common stock could decline, and you may lose all or part of your investment.

Risks Related to the Economy

Capital markets may experience periods of disruption and instability. Such market conditions may materially and adversely affect debt and equity capital markets in the U.S. and abroad, which may have a negative impact on our business and operations.

From time to time, capital markets may experience periods of disruption and instability. For example, between 2007 and 2009, the global capital markets experienced an extended period of disruption as evidenced by a lack of liquidity in the debt capital markets, write-offs in the financial services sector, the re-pricing of credit risk and the failure of certain major financial institutions. Despite actions of the U.S. federal government and foreign governments, these events contributed to worsening general economic conditions that materially and adversely impacted the broader financial and credit markets and reduced the availability of debt and equity capital for the market as a whole and financial services firms in particular. Uncertainty surrounding the U.S., European Union (E.U.) and geopolitical unrest in the Middle East, combined with continued volatility of oil prices, among other factors, have caused disruption in capital markets. These market conditions have historically and could again have a material adverse effect on debt and equity capital markets in the U.S. and Europe, which could have a materially negative impact on our business, financial condition and results of operations. We and other companies in the financial services sector may have to access, if available, alternative markets for debt and equity capital. In such circumstances, equity capital may be difficult to raise because subject to some limited exceptions, as a BDC, we are generally not able to issue additional shares of our common stock at a price less than net asset value without general approval by our stockholders, which we currently have until early February 2017, and subsequent approval of the specific issuance by our Board of Directors. In addition, our ability to incur additional indebtedness or issue additional preferred stock is limited by applicable regulations such that our asset coverage, as defined in the 1940 Act, must equal at least 200% immediately after each time we incur indebtedness under our Credit Facility or issue additional preferred stock. Any inability to raise capital could have a negative effect on our business, financial condition and results of operations.

The illiquidity of our investments may make it difficult for us to sell such investments if required. As a result, we may realize significantly less than the value at which we have recorded our investments.

Given the volatility and dislocation that the capital markets have historically experienced, many BDCs have faced, and may in the future face, a challenging environment in which to raise capital. We may in the future have difficulty accessing debt and equity capital, and a severe disruption in the global financial markets or deterioration in credit and financing conditions could have a material adverse effect on our business, financial condition and results of operations. In addition, significant changes in the capital markets have had, and may in the future have, a negative effect on the valuations of our investments and on the potential for liquidity events involving our investments. An inability to raise capital, and any required sale of our investments for liquidity purposes, could have a material adverse impact on our business, financial condition or results of operations.

Rising interest rates may adversely affect the value of our portfolio investments which could have an adverse effect on our business, financial condition and results of operations.

Our debt investments may be based on floating rates. General interest rate fluctuations may have a substantial negative impact on our investments, the value of our common stock and our rate of return on invested capital. A reduction in the interest rates on new investments relative to interest rates on current investments could also have an adverse impact on our net interest income. An increase in interest rates could decrease the value of any investments we hold which earn fixed interest rates, including subordinated loans, and senior and junior secured debt securities and loans, and also could increase our interest expense, thereby decreasing our net income. Also, an increase in market interest rates, which are currently at low levels relative to historical rates, may lead prospective purchasers of our common stock to expect a higher distribution yield and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our common stock and preferred stock to decrease.

A further downgrade of the U.S. credit rating and uncertainty regarding financial stability of several countries in the E.U. could negatively impact our business, financial condition and earnings.

Although U.S. lawmakers passed legislation to raise the federal debt ceiling and S&P Global Ratings (formerly Standard & Poor s Ratings Services) affirmed its AA+ long-term sovereign credit rating from August 2011 on the U.S. and revised the outlook on the long-term rating from negative to stable in June of 2013, U.S. debt ceiling and budget deficit concerns together with signs of deteriorating sovereign debt conditions in Europe continue to present the possibility of a credit-rating downgrade, economic slowdowns, or a recession for the U.S. The impact of any further downgrades to the U.S. government s sovereign credit rating or downgraded sovereign credit ratings of European countries or the Russian Federation, or their perceived creditworthiness could adversely affect the U.S. and global financial markets and economic conditions. In addition the June 23, 2016 referendum vote in which voters in the United Kingdom approved an exit from the E.U., although non-binding, initially disrupted capital markets and could cause further detrimental impact on the global economic recovery as it is passed into law. These developments, along with any further European sovereign debt issues, could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms. Additionally, on December 14, 2016, the Federal Reserve reached a decision to raise the federal funds rate by 0.25 points with additional gradual increases to come over the next year. This increase in the federal funds rate and any future increases due to other key economic indicators may cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms. Other factors that may cause interest rates and borrowing costs to rise may include, but not be limited to, unemployment rate or inflation and future changes to U.S. economic policy. Any continued adverse economic conditions could have a material adverse effect on our business, financial condition and results of operations.

We may experience fluctuations in our quarterly and annual results based on the impact of inflation in the U.S.

The majority of our portfolio companies are in industries that are directly impacted by inflation, such as consumer goods and services and manufacturing. Our portfolio companies may not be able to pass on to customers increases in their costs of operations which could greatly affect their operating results, impacting their ability to repay our loans. In addition, any projected future decreases in our portfolio companies operating results due to inflation could adversely impact the fair value of those investments. Any decreases in the fair value of our investments could result in future unrealized losses and therefore reduce our net assets resulting from operations.

The recent volatility of oil and natural gas prices could impair certain of our portfolio companies operations and ability to satisfy obligations to their respective lenders and investors, including us, which could negatively impact our *financial condition.*

Our portfolio includes a concentration of companies in the oil and gas industry with the fair value of these investments representing approximately $31.3 million, or 9.7% of our total portfolio at fair value as of

September 30, 2016. These businesses provide services to oil and gas companies and are indirectly impacted by the prices of, and demand for, oil and natural gas, which have recently experienced volatility, including significant decline in prices, and such volatility could continue or increase in the future. A substantial or extended decline in oil and natural gas demand or prices may adversely affect the business, financial condition, cash flows, liquidity or results of operations of these portfolio companies and might impair their ability to meet capital expenditure obligations and financial commitments. A prolonged or continued decline in oil prices could therefore have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Our Investments

We operate in a highly competitive market for investment opportunities.

There has been increased competitive pressure in the BDC and investment company marketplace for senior and senior subordinated debt, resulting in lower yields for increasingly riskier investments. A large number of entities compete with us and make the types of investments that we seek to make in lower middle market companies. We compete with public and private buyout funds, commercial and investment banks, commercial financing companies, and, to the extent that they provide an alternative form of financing, hedge funds. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which would allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC. The competitive pressures we face could have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time and we can offer no assurance that we will be able to identify and make investments that are consistent with our investment objective. We do not seek to compete based on the interest rates we offer, and we believe that some of our competitors may make loans with interest rates that will be comparable to or lower than the rates we offer. We may lose investment opportunities if we do not match our competitors pricing, terms, and structure. However, if we match our competitors pricing, terms, and structure, we may experience decreased net interest income and increased risk of credit loss.

Our investments in lower middle market portfolio companies are extremely risky and could cause you to lose all or a part of your investment.

Investments in lower middle market portfolio companies are subject to a number of significant risks including the following:

Lower middle market companies are likely to have greater exposure to economic downturns than larger businesses. Our portfolio companies may have fewer resources than larger businesses, and thus any economic downturns or recessions are more likely to have a material adverse effect on them. If one of our portfolio companies is adversely impacted by a recession, its ability to repay our loan or engage in a liquidity event, such as a sale, recapitalization or initial public offering would be diminished.

Lower middle market companies may have limited financial resources and may not be able to repay the loans we make to them. Our strategy includes providing financing to portfolio companies that typically do not have readily available access to financing. While we believe that this provides an attractive opportunity for us to generate profits, this may make it difficult for the portfolio companies to repay their loans to us upon maturity. A borrower s ability to repay its loan may be adversely affected by numerous factors, including the failure to meet its business plan, a downturn in its industry, or negative economic conditions. Deterioration in a borrower s financial condition and prospects usually will be accompanied by deterioration in the value of any collateral and a reduction in the likelihood of us realizing on any guaranties we may have obtained from the borrower s management. As of September 30, 2016, two portfolio companies were either fully or partially on non-accrual status with

Table of Contents

an aggregate debt cost basis of approximately $26.5 million, or 7.7% of the cost basis of all debt investments in our portfolio. While we are working with the portfolio companies to improve their profitability and cash flows, there can be no assurance that our efforts will prove successful. Although we will sometimes seek to be the senior, secured lender to a borrower, in most of our loans we expect to be subordinated to a senior lender, and our interest in any collateral would, accordingly, likely be subordinate to another lender s security interest.

Lower middle market companies typically have narrower product lines and smaller market shares than large businesses. Because our target portfolio companies are lower middle market businesses, they will tend to be more vulnerable to competitors actions and market conditions, as well as general economic downturns. In addition, our portfolio companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing, and other capabilities and a larger number of qualified managerial, and technical personnel.

There is generally little or no publicly available information about these businesses. Because we seek to invest in privately owned businesses, there is generally little or no publicly available operating and financial information about our potential portfolio companies. As a result, we rely on our officers, the Adviser and its employees, Gladstone Securities and consultants to perform due diligence investigations of these portfolio companies, their operations, and their prospects. We may not learn all of the material information we need to know regarding these businesses through our investigations.

Lower middle market companies generally have less predictable operating results. We expect that our portfolio companies may have significant variations in their operating results, may from time to time be exposed to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position, may otherwise have a weak financial position, or may be adversely affected by changes in the business cycle. Our portfolio companies may not meet net income, cash flow, and other coverage tests typically imposed by their senior lenders. A borrower s failure to satisfy financial or operating covenants imposed by senior lenders could lead to defaults and, potentially, foreclosure on its senior credit facility, which could additionally trigger cross-defaults in other agreements. If this were to occur, it is possible that the borrower s ability to repay our loan would be jeopardized.

Lower middle market companies are more likely to be dependent on one or two persons. Typically, the success of a lower middle market business also depends on the management talents and efforts of one or two persons or a small group of persons. The death, disability, or resignation of one or more of these persons could have a material adverse impact on our borrower and, in turn, on us.

Lower middle market companies may have limited operating histories. While we intend to target stable companies with proven track records, we may make loans to new companies that meet our other investment criteria. Portfolio companies with limited operating histories will be exposed to all of the operating risks that new businesses face and may be particularly susceptible to, among other risks, market downturns, competitive pressures and the departure of key executive officers.

Debt securities of lower middle market companies private companies typically are not rated by a credit rating agency. Typically a lower middle market private business cannot or will not expend the resources to have their debt securities rated by a credit rating agency. We expect that most, if not all, of the debt securities we acquire will be unrated. Investors should assume that these loans would be at rates below what is today considered investment grade quality. Investments rated below investment grade are often referred to as high yield securities or junk bonds and may be considered high risk as compared to investment-grade debt instruments.

Because the loans we make and equity securities we receive when we make loans are not publicly traded, there is uncertainty regarding the value of our privately held securities that could adversely affect our determination of our net asset value (NAV).

Our portfolio investments are, and we expect will continue to be, in the form of securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded may not be readily determinable. Our Board of Directors has ultimate responsibility for reviewing and approving, in good faith, the fair value of our investments, based on our investment valuation policy (which has been approved by our Board of Directors) (the Policy). Our Board of Directors reviews valuation recommendations that are provided by the professionals of the Adviser and Administrator, with oversight and direction from our chief valuation officer, an employee of the Administrator who reports directly to our Board of Directors, (collectively, the Valuation Team). In valuing our investment portfolio, several techniques are used, including, a total enterprise value approach, a yield analysis, market quotes, and independent third party assessments. Currently, Standard & Poor s Securities Evaluation, Inc. provides estimates of fair value on our proprietary debt investments and we use another independent valuation firm to provide valuation inputs for our significant equity investments, including earnings multiple ranges, as well as other information. In addition to these techniques, other factors are considered when determining fair value of our investments, including but limited to: the nature and realizable value of the collateral, including external parties guaranties; any relevant offers or letters of intent to acquire the portfolio company; and the markets in which the portfolio company operates. If applicable, new and follow-on proprietary debt and equity investments made during the current three month reporting period ended September 30, 2016 are generally valued at original cost basis. For additional information on our valuation policies, procedures and processes, refer to Note 2 *Summary of Significant Accounting Policies* in the notes to our accompanying *Consolidated Financial Statements* included elsewhere in this Prospectus.

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

Our NAV would be adversely affected if the fair value of our investments that are approved by our Board of Directors are higher than the values that we ultimately realize upon the disposal of such securities.

Our most recent NAV was calculated on September 30, 2016 and our NAV when calculated effective December 31, 2016 and thereafter may be higher or lower.

As of September 30, 2016, our NAV per share was $8.62, which was based on the fair value our investments that were reviewed and approved by the Valuation Committee and Board of Directors in connection with financial statements that were audited by our independent registered public accounting firm. NAV per share as of December 31, 2016 may be higher or lower than $8.62 based on potential changes in valuations, our issuance of a total of 2,173,444 shares of common stock, inclusive of an overallotment option, in October 2016, or dividends paid and earnings for the quarter then ended. Our Board of Directors determines the fair value of our portfolio investments on a quarterly basis and if our December 31, 2016 fair value is less than the September 30, 2016 fair value, we will record an unrealized loss on our investment portfolio. If the fair value is greater, we will record an unrealized gain on our investment portfolio. Upon publication of our next quarterly NAV per share determination (generally in our next Quarterly Report on Form 10-Q), the market price of our common stock may fluctuate materially.

Table of Contents

The valuation process for certain of our portfolio holdings creates a conflict of interest.

A substantial portion of our portfolio investments are made in the form of securities that are not publicly traded. As a result, our Board of Directors determines the fair value of these securities in good faith pursuant to the Policy. In connection with that determination, the Valuation Team prepares portfolio company valuations based upon the most recent portfolio company financial statements available and projected financial results of each portfolio company. The participation of the Adviser s investment professionals in our valuation process, and the pecuniary interest in the Adviser by Mr. Gladstone, may result in a conflict of interest as the management fees that we pay the Adviser are based on our gross assets less cash.

The lack of liquidity of our privately held investments may adversely affect our business.

We will generally make investments in private companies whose securities are not traded in any public market. Substantially all of the investments we presently hold and the investments we expect to acquire in the future are, and will be, subject to legal and other restrictions on resale and will otherwise be less liquid than publicly traded securities. The illiquidity of our investments may make it difficult for us to quickly obtain cash equal to the value at which we record our investments if the need arises. This could cause us to miss important investment opportunities. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may record substantial realized losses upon liquidation. We may also face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we, the Adviser, or our respective officers, employees or affiliates have material non-public information regarding such portfolio company.

Due to the uncertainty inherent in valuing these securities, the Valuation Team s determinations of fair value may differ materially from the values that could be obtained if a ready market for these securities existed. Our NAV could be materially affected if the Valuation Team s determinations regarding the fair value of our investments that are ultimately approved by our Board of Directors are materially different from the values that we ultimately realize upon our disposal of such securities.

When we are a debt or minority equity investor in a portfolio company, which we expect will generally be the case, we may not be in a position to control the entity, and its management may make decisions that could decrease the value of our investment.

We anticipate that most of our investments will continue to be either debt or minority equity investments in our portfolio companies. Therefore, we are and will remain subject to the risk that a portfolio company may make business decisions with which we disagree, and the shareholders and management of such company may take risks or otherwise act in ways that do not serve our best interests. As a result, a portfolio company may make decisions that could decrease the value of our portfolio holdings.

In addition, we will generally not be in a position to control any portfolio company by investing in its debt securities. This is particularly true when we invest in syndicated loans, which are loans made by a larger group of investors whose investment objectives may not be completely aligned with ours. As of September 30, 2016, syndicated loans made up approximately 10.2% of our portfolio at cost, or $38.9 million. We therefore are subject to the risk that other lenders in these investments may make decisions that could decrease the value of our portfolio holdings.

We typically invest in transactions involving acquisitions, buyouts and recapitalizations of companies, which will subject us to the risks associated with change in control transactions.

Our strategy, in part, includes making debt and equity investments in companies in connection with acquisitions, buyouts and recapitalizations, which subjects us to the risks associated with change in control transactions. Change in control transactions often present a number of uncertainties. Companies undergoing change in control transactions often face challenges retaining key employees and maintaining relationships with customers and suppliers. While we hope to avoid many of these difficulties by participating in transactions where the management team is retained and by conducting thorough due diligence in advance of our decision to invest, if our portfolio companies experience one or more of these problems, we may not realize the value that we expect in connection with our investments, which would likely harm our operating results and financial condition.

Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies.

We invest primarily in debt securities issued by our portfolio companies. In some cases portfolio companies will be permitted to have other debt that ranks equally with, or senior to, the debt securities in which we invest. By their terms, such debt instruments may provide that the holders thereof are entitled to receive payment of interest and principal on or before the dates on which we are entitled to receive payments in respect of the debt securities in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization, or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying such senior creditors, such portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with debt securities in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization, or bankruptcy of a portfolio company.

We may be unable to invest a significant portion of the net proceeds from an offering, from exiting an investment, prepayment of an investment, or other capital source on acceptable terms, which could harm our financial condition and operating results.

Delays in investing the net proceeds raised in an offering or from exiting an investment, prepayment of an investment or other capital source may cause our performance to be worse than that of other fully invested BDCs or other lenders or investors pursuing comparable investment strategies. We cannot assure you that we will be able to identify any investments that meet our investment objective or that any investment that we make will produce a positive return. We may be unable to invest the net proceeds from any offering, from exiting an investment, prepayment of an investment or other capital source on acceptable terms within the time period that we anticipate or at all, which could harm our financial condition and operating results.

Prepayments of our investments by our portfolio companies could adversely impact our results of operations and reduce our return on equity.

In addition to risks associated with delays in investing our capital, we are also subject to the risk that investments we make in our portfolio companies may be repaid prior to maturity. For the year ended September 30, 2016, we received prepayments of investments of $99.7 million. We will first use any proceeds from prepayments to repay any borrowings outstanding on our Credit Facility. In the event that funds remain after repayment of our outstanding borrowings, then we will generally reinvest these proceeds in government securities, pending their future investment in new debt and/or equity securities. These government securities will typically have substantially lower yields than the debt securities being prepaid and we could experience significant delays in reinvesting these amounts. As a result, our results of operations could be materially adversely affected if one or more of our portfolio companies elect to prepay amounts owed to us. Additionally, prepayments could negatively impact our return on equity, which could result in a decline in the market price of our common stock.

Higher taxation of our portfolio companies may impact our quarterly and annual operating results.

Additional taxation at the federal, state or municipality level may have an adverse effect on our portfolio companies earnings and reduce their ability to repay our loans to them, thus affecting our quarterly and annual operating results.

Our portfolio is concentrated in a limited number of companies and industries, which subjects us to an increased risk of significant loss if any one of these companies does not repay us or if the industries experience downturns.

As of September 30, 2016, we had investments in 45 portfolio companies, of which there were five investments that comprised approximately $112.1 million, or 34.8% of our total investment portfolio, at fair value. A consequence of a concentration in a limited number of investments is that the aggregate returns we realize may be substantially adversely affected by the unfavorable performance of a small number of such investments or a substantial write-down of any one investment. Beyond our regulatory and income tax diversification requirements, we do not have fixed guidelines for industry concentration and our investments could potentially be concentrated in relatively few industries. In addition, while we do not intend to invest 25.0% or more of our total assets in a particular industry or group of industries at the time of investment, it is possible that as the values of our portfolio companies change, one industry or a group of industries may comprise in excess of 25.0% of the value of our total assets. As a result, a downturn in an industry in which we have invested a significant portion of our total assets could have a materially adverse effect on us. As of September 30, 2016, our largest industry concentrations of our total investments at fair value were in healthcare, education and childcare companies, representing 21.9%; diversified/conglomerate manufacturing companies, representing 15.6%; and diversified/conglomerate service companies, representing 15.2%. Therefore, we are susceptible to the economic circumstances in these industries, and a downturn in one or more of these industries could have a material adverse effect on our results of operations and financial condition.

Our investments are typically long term and will require several years to realize liquidation events.

Since we generally make five to seven year term loans and hold our loans and related warrants or other equity positions until the loans mature, you should not expect realization events, if any, to occur over the near term. In addition, we expect that any warrants or other equity positions that we receive when we make loans may require several years to appreciate in value and we cannot give any assurance that such appreciation will occur.

The disposition of our investments may result in contingent liabilities.

Currently, all of our investments involve private securities. In connection with the disposition of an investment in private securities, we may be required to make representations about the business and financial affairs of the underlying portfolio company typical of those made in connection with the sale of a business. We may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate or with respect to certain potential liabilities. These arrangements may result in contingent liabilities that ultimately yield funding obligations that must be satisfied through our return of certain distributions previously made to us.

There may be circumstances where our debt investments could be subordinated to claims of other creditors or we could be subject to lender liability claims.

Even though we have structured some of our investments as senior loans, if one of our portfolio companies were to go bankrupt, depending on the facts and circumstances, including the extent to which we actually provided managerial assistance to that portfolio company, a bankruptcy court might re-characterize our debt investments and subordinate all, or a portion, of our claims to that of other creditors. Holders of debt instruments ranking senior to our investments typically would be entitled to receive payment in full before we receive any distributions. After repaying such senior creditors, such portfolio company may not have any remaining assets to use to repay its obligation to us. We may also be subject to lender liability claims for actions taken by us with respect to a borrower s business or in instances in which we exercised control over the borrower. It is possible that we could become subject to a lender s liability claim, including as a result of actions taken in rendering significant managerial assistance.

Portfolio company litigation or other litigation or claims against us or our personnel could result in additional costs and the diversion of management time and resources.

In the course of investing in and often providing significant managerial assistance to certain of our portfolio companies, certain persons employed by the Adviser may serve as directors on the boards of such companies. To the extent that litigation arises out of our investments in these companies, even if without merit, we or such employees may be named as defendants in such litigation, which could result in additional costs, including defense costs, and the diversion of management time and resources. Additionally, other litigations or claims against us or our personnel could result in additional costs, including defense costs, and the diversion of management time and resources.

We may not realize gains from our equity investments and other yield enhancements.

When we make a subordinated loan, we may receive warrants to purchase stock issued by the borrower or other yield enhancements, such as success fees. Our goal is to ultimately dispose of these equity interests and realize gains upon our disposition of such interests. We expect that, over time, the gains we realize on these warrants and other yield enhancements will offset any losses we experience on loan defaults. However, any warrants we receive may not appreciate in value and, in fact, may decline in value and any other yield enhancements, such as success fees, may not be realized. Accordingly, we may not be able to realize gains from our equity interests or other yield enhancements and any gains we do recognize may not be sufficient to offset losses we experience on our loan portfolio.

Any unrealized depreciation we experience on our investment portfolio may be an indication of future realized losses, which could reduce our income available for distribution.

As a BDC we are required to carry our investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by or under the direction of our Board of Directors. We will record decreases in the market values or fair values of our investments as unrealized depreciation. Since our inception, we have, at times, incurred a cumulative net unrealized depreciation of our portfolio. Any unrealized depreciation in our investment portfolio could result in realized losses in the future and ultimately in reductions of our income available for distribution to stockholders in future periods.

Risks Related to Our External Financing

In addition to regulatory limitations on our ability to raise capital, our Credit Facility contains various covenants which, if not complied with, could accelerate our repayment obligations under the facility, thereby materially and adversely affecting our liquidity, financial condition, results of operations and ability to pay distributions.

We will have a continuing need for capital to finance our investments. As of September 30, 2016, we had $71.3 million in borrowings outstanding under our Credit Facility, which provides for maximum borrowings of $170.0 million, with a revolving period end date of January 19, 2019. Our Credit Facility permits us to fund additional loans and investments as long as we are within the conditions set forth in the credit agreement. Our Credit Facility contains covenants that require our wholly-owned subsidiary Business Loan to maintain its status as a separate legal entity, prohibit certain significant corporate transactions (such as mergers, consolidations, liquidations or dissolutions) and restrict material changes to our credit and collection policies without lenders consent. The Credit Facility also limits distributions to our stockholders on a fiscal year basis to the sum of our net investment income, net capital gains and amounts deemed to have been paid during the prior year in accordance with Section 855(a) of the Code. We are also subject to certain limitations on the type of loan investments we can make, including restrictions on geographic concentrations, sector concentrations, loan size, interest rate type, payment frequency and status, average life and lien property. Our Credit Facility further requires us to comply with other financial and operational covenants, which obligate us to, among other things, maintain certain financial ratios, including asset and interest coverage, and a minimum number of 20 obligors in the borrowing base. Additionally, we are subject to a performance guaranty that requires us to maintain (i) a minimum net worth (defined in our Credit Facility to include our mandatorily redeemable preferred stock) of $205.0 million plus 50.0% of all equity and subordinated debt raised after May 1, 2015 less 50% of any equity and subordinated debt retired or redeemed after May 1, 2015, which equates to $214.5 million as of September 30, 2016, (ii) asset coverage with respect to senior securities representing indebtedness of at least 200%, in accordance with Section 18 of the 1940 Act and (iii) our status as a BDC under the 1940 Act and as a RIC under the Code. As of September 30, 2016, and as defined in the performance guaranty of our Credit Facility, we were in compliance with all of our Credit Facility covenants; however, our continued compliance depends on many factors, some of which are beyond our control.

Given the continued uncertainty in the capital markets, the cumulative unrealized depreciation in our portfolio may increase in future periods and threaten our ability to comply with the minimum net worth covenant and other covenants under our Credit Facility. Our failure to satisfy these covenants could result in foreclosure by our lenders, which would accelerate our repayment obligations under the facility and thereby have a material adverse effect on our business, liquidity, financial condition, results of operations and ability to pay distributions to our stockholders.

Any inability to renew, extend or replace our Credit Facility on terms favorable to us, or at all, could adversely impact our liquidity and ability to fund new investments or maintain distributions to our stockholders.

The revolving period end date of our Credit Facility is January 19, 2019 (the Revolving Period End Date) and if our Credit Facility is not renewed or extended by the Revolving Period End Date, all principal and interest will be due and payable on or before May 1, 2020. Subject to certain terms and conditions, our Credit Facility may be expanded to a total of $250.0 million through the addition of other lenders to the facility. However, if additional lenders are unwilling to join the facility on its terms, we will be unable to expand the facility and thus will continue to have limited availability to finance new investments under our Credit Facility. There can be no guarantee that we will be able to renew, extend or replace our Credit Facility upon its Revolving Period End Date on terms that are favorable to us, if at all. Our ability to expand our Credit Facility, and to obtain replacement financing at or before the Revolving Period End Date, will be constrained by then-current economic conditions affecting the credit markets. In the event that we are not able to expand our Credit Facility, or to renew, extend or refinance our Credit Facility by the Revolving Period End Date, this could have a material adverse effect on our liquidity and ability to fund new investments, our ability to make distributions to our stockholders and our ability to qualify as a RIC under the Code.

If we are unable to secure replacement financing, we may be forced to sell certain assets on disadvantageous terms, which may result in realized losses, and such realized losses could materially exceed the amount of any unrealized depreciation on these assets as of our most recent balance sheet date, which would have a material adverse effect on our results of operations. Such circumstances would also increase the likelihood that we would be required to redeem some or all of our outstanding mandatorily redeemable preferred stock, which could potentially require us to sell more assets. In addition to selling assets, or as an alternative, we may issue equity in order to repay amounts outstanding under our Credit Facility. Based on the recent trading prices of our stock, such an equity offering may have a substantial dilutive impact on our existing stockholders interest in our earnings, assets and voting interest in us. If we are not able to renew, extend or refinance our Credit Facility prior to its maturity, it could result in significantly higher interest rates and related charges and may impose significant restrictions on the use of borrowed funds to fund investments or maintain distributions to stockholders.

Our business plan is dependent upon external financing, which is constrained by the limitations of the 1940 Act.

In October 2016, we completed a public offering of 2.0 million shares of our common stock. In November 2016, the underwriters partially exercised their overallotment option to purchase an additional 173,444 shares of our common stock. Gross proceeds totaled $17.3 million and net proceeds, after deducting underwriting discounts and offering costs borne by us, were approximately $16.4 million. There can be no assurance that we will be able

21

to raise capital through issuing equity in the near future, especially with respect to common stock, as we are not requesting that our stockholders approve the Company s ability to issue shares of common stock at a price below NAV at the Company s 2017 Annual Meeting of Stockholders to be held in February. Our business requires a substantial amount of cash to operate and grow. We may acquire such additional capital from the following sources:

Senior securities. We may issue senior securities representing indebtedness (including borrowings under our Credit Facility) and senior securities that are stock, such as our Series 2021 Term Preferred Stock, up to the maximum amount permitted by the 1940 Act. The 1940 Act currently permits us, as a BDC, to issue such senior securities in amounts such that our asset coverage, as defined in Section 18(h) of the 1940 Act, is at least 200% on such senior security immediately after each issuance of such senior security. As a result of incurring indebtedness (in whatever form), we will be exposed to the risks associated with leverage. Although borrowing money for investments increases the potential for gain, it also increases the risk of a loss. A decrease in the value of our investments will have a greater impact on the value of our common stock to the extent that we have borrowed money to make investments. There is a possibility that the costs of borrowing could exceed the income we receive on the investments we make with such borrowed funds. In addition, our ability to pay distributions, issue senior securities or repurchase shares of our common stock would be restricted if the asset coverage on each of our senior securities is not at least 200%. If the aggregate value of our assets declines, we might be unable to satisfy that 200% requirement. To satisfy the 200% asset coverage requirement in the event that we are seeking to pay a distribution, we might either have to (i) liquidate a portion of our loan portfolio to repay a portion of our indebtedness or (ii) issue common stock. This may occur at a time when a sale of a portfolio asset may be disadvantageous, or when we have limited access to capital markets on agreeable terms. In addition, any amounts that we use to service our indebtedness or for offering expenses will not be available for distributions to stockholders. Furthermore, if we have to issue common stock at below NAV per common share, any non-participating stockholders will be subject to dilution, as described below. Pursuant to Section 61(a)(2) of the 1940 Act, we are permitted, under specified conditions, to issue multiple classes of senior securities representing indebtedness. However, pursuant to Section 18(c) of the 1940 Act, we are permitted to issue only one class of senior securities that is stock.

Common and Convertible Preferred Stock. Because we are constrained in our ability to issue debt or senior securities for the reasons given above, we are dependent on the issuance of equity as a financing source. If we raise additional funds by issuing more common stock, the percentage ownership of our stockholders at the time of the issuance would decrease and our existing common stockholder may experience dilution. In addition, under the 1940 Act, we will generally not be able to issue additional shares of our common stock at a price below NAV per common share to purchasers, other than to our existing stockholders through a rights offering, without first obtaining the approval of our stockholders and our independent directors. We are not requesting that our stockholders approve the Company s ability to issue shares of common stock at a price below NAV at the Company s 2017 Annual Meeting of Stockholders to be held in February. Should we decide to issue shares of common stock at a price below NAV in the future, we will seek the requisite approval of our stockholders. If we were to sell shares of our common stock below our then current NAV per common share, such sales would result in an immediate dilution to the NAV per common share. This dilution would occur as a result of the sale of shares at a price below the then current NAV per share of our common stock and a proportionately greater decrease in a stockholder s interest in our earnings and assets and voting percentage than the increase in our assets resulting from such issuance. For example, if we issue and sell an additional 10.0% of our common stock at a 5.0% discount from NAV, a stockholder who does not participate in that offering for its proportionate interest will suffer NAV dilution of up to 0.5% or $5 per $1,000 of NAV. This imposes constraints on our ability to raise capital when our common stock is trading below NAV per common share, as it generally has for the last several years. As noted above, the 1940 Act prohibits the issuance of multiple classes of senior securities that are stock. As a result, we would be

22

prohibited from issuing convertible preferred stock to the extent that such a security was deemed to be a separate class of stock from our outstanding Series 2021 Term Preferred Stock.

We financed certain of our investments with borrowed money and capital from the issuance of senior securities, which will magnify the potential for gain or loss on amounts invested and may increase the risk of investing in us.

The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns on our portfolio, net of expenses. The calculations in the table below are hypothetical, and actual returns may be higher or lower than those appearing in the table below.

	Assumed Return on Our Portfolio (Net of Expenses)				
	(10.0)%	(5.0)%	0.0%	5.0%	10.0%
Corresponding return to common stockholder[(A)]	(18.2)%	(9.8)%	(1.4)%	7.0%	15.3%

(A) The hypothetical return to common stockholders is calculated by multiplying our total assets as of September 30, 2016 by the assumed rates of return and subtracting all interest accrued on our debt for the year ended September 30, 2016, adjusted for the dividends on our Series 2021 Term Preferred Stock; and then dividing the resulting difference by our total assets attributable to common stock. Based on $337.2 million in total assets, $71.3 million drawn on our Credit Facility (at cost), $61.0 million in aggregate liquidation preference of our Series 2021 Term Preferred Stock, and $201.2 million in net assets, each as of September 30, 2016.

Based on the outstanding balance on our Credit Facility of $71.3 million at cost, as of September 30, 2016, the effective annual interest rate of 4.5% as of that date, and aggregate liquidation preference of our Series 2021 Term Preferred Stock of $61.0 million, our investment portfolio at fair value would have had to produce an annual return of at least 2.2% to cover annual interest payments on the outstanding debt and dividends on our Series 2021 Term Preferred Stock.

A change in interest rates may adversely affect our profitability and our hedging strategy may expose us to additional risks.

We anticipate using a combination of equity and long-term and short-term borrowings to finance our investment activities. As a result, a portion of our income will depend upon the difference between the rate at which we borrow funds and the rate at which we loan these funds. Higher interest rates on our borrowings will decrease the overall return on our portfolio.

As of September 30, 2016, based on the total principal balance of debt outstanding, our portfolio consisted of approximately 85.6% of loans at variable rates with floors and approximately 14.4% at fixed rates.

We do not currently hold any interest rate cap agreements. While hedging activities may insulate us against adverse fluctuations in interest rates, they may also limit our ability to participate in the benefits of lower interest rates with respect to the hedged portfolio. Adverse developments resulting from changes in interest rates or any future hedging transactions could have a material adverse effect on our business, financial condition and results of operations. Our ability to receive payments pursuant to an interest rate cap agreement is linked to the ability of the counter-party to that agreement to make the required payments. To the extent that the counter-party to the agreement is unable to pay pursuant to the terms of the agreement, we may lose the hedging protection of the interest rate cap agreement. For additional information on market interest rate fluctuations, see *Management s Discussion and Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosures About Market Risk*.

Table of Contents

Risks Related to Our Regulation and Structure

We will be subject to corporate-level tax if we are unable to satisfy Code requirements for RIC qualification.

To maintain our qualification as a RIC, we must meet income source, asset diversification, and annual distribution requirements. The annual distribution requirement is satisfied if we distribute at least 90.0% of our investment company taxable income to our stockholders on an annual basis. Because we use leverage, we are subject to certain asset coverage ratio requirements under the 1940 Act and could, under certain circumstances, be restricted from making distributions necessary to qualify as a RIC. Warrants we receive with respect to debt investments will create original issue discount, which we must recognize as ordinary income over the term of the debt investment or PIK interest which is accrued generally over the term of the debt investment but not paid in cash, both of which will increase the amounts we are required to distribute to maintain RIC status. Because such OIDs and PIK interest will not produce distributable cash for us at the same time as we are required to make distributions, we will need to use cash from other sources to satisfy such distribution requirements. The asset diversification requirements must be met at the end of each calendar quarter. If we fail to meet these tests, we may need to quickly dispose of certain investments to prevent the loss of RIC status. Since most of our investments will be illiquid, such dispositions, if even possible, may not be made at prices advantageous to us and, in fact, may result in substantial losses. If we fail to qualify as a RIC for any reason and become fully subject to corporate income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution, and the actual amount distributed. Such a failure would have a material adverse effect on us and our shares. For additional information regarding asset coverage ratio and RIC requirements, see *Business Material U.S. Federal Income Tax Considerations Regulated Investment Company Status*.

From time to time, some of our debt investments may include success fees that would generate payments to us if the business is ultimately sold. Because the satisfaction of these success fees, and the ultimate payment of these fees, is uncertain, we generally only recognize them as income when the payment is received. Success fee amounts are characterized as ordinary income for tax purposes and, as a result, we are required to distribute such amounts to our stockholders in order to maintain RIC status.

If we do not invest a sufficient portion of our assets in qualifying assets, we could fail to qualify as a BDC or be precluded from investing according to our current business strategy.

As a BDC, we may not acquire any assets other than qualifying assets unless, at the time of and after giving effect to such acquisition, at least 70% of our total assets are qualifying assets.

We believe that most of the investments that we may acquire in the future will constitute qualifying assets. However, we may be precluded from investing in what we believe to be attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. If we do not invest a sufficient portion of our assets in qualifying assets, we could violate the 1940 Act provisions applicable to BDCs. As a result of such violation, specific rules under the 1940 Act could prevent us, for example, from making follow-on investments in existing portfolio companies (which could result in the dilution of our position) or could require us to dispose of investments at inappropriate times in order to come into compliance with the 1940 Act. If we need to dispose of such investments quickly, it could be difficult to dispose of such investments on favorable terms. We may not be able to find a buyer for such investments and, even if we do find a buyer, we may have to sell the investments at a substantial loss. Any such outcomes would have a material adverse effect on our business, financial condition, results of operations and cash flows.

If we do not maintain our status as a BDC, we would be subject to regulation as a registered closed-end investment company under the 1940 Act. As a registered closed-end investment company, we would be subject to substantially more regulatory restrictions under the 1940 Act, which would significantly decrease our operating flexibility.

Table of Contents

Changes in laws or regulations governing our operations, or changes in the interpretation thereof, and any failure by us to comply with laws or regulations governing our operations may adversely affect our business.

We and our portfolio companies are subject to regulation by laws at the local, state and federal levels. These laws and regulations, as well as their interpretation, may be changed from time to time. Accordingly, any change in these laws or regulations, or their interpretation, or any failure by us or our portfolio companies to comply with these laws or regulations may adversely affect our business. For additional information regarding the regulations to which we are subject, see *Business Material U.S. Federal Income Tax Considerations* and *Business Regulation as a BDC*.

We are subject to restrictions that may discourage a change of control. Certain provisions contained in our charter and Maryland law may prohibit or restrict a change of control and adversely impact the price of our shares.

Our Board of Directors is divided into three classes, with the term of the directors in each class expiring every third year. At each annual meeting of stockholders, the successors to the class of directors whose term expires at such meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. After election, a director may only be removed by our stockholders for cause. Election of directors for staggered terms with limited rights to remove directors makes it more difficult for a hostile bidder to acquire control of us. The existence of this provision may negatively impact the price of our securities and may discourage third-party bids to acquire our securities. This provision may reduce any premiums paid to stockholders in a change in control transaction.

Certain provisions of Maryland law applicable to us prohibit business combinations with:

- any person who beneficially owns, directly or indirectly, 10.0% or more of the voting power of our outstanding voting stock (an interested stockholder);
- an affiliate of ours who at any time within the two-year period prior to the date in question was an interested stockholder; or
- an affiliate of an interested stockholder.

These prohibitions last for five years after the most recent date on which the interested stockholder became an interested stockholder. Thereafter, any business combination with the interested stockholder must be recommended by our Board of Directors and approved by the affirmative vote of at least 80.0% of the votes entitled to be cast by holders of our outstanding shares of voting stock and two-thirds of the votes entitled to be cast by holders of our voting stock other than shares held by the interested stockholder. These requirements could have the effect of inhibiting a change in control even if a change in control were in our stockholders interest. These provisions of Maryland law do not apply, however, to business combinations that are approved or exempted by our Board of Directors prior to the time that someone becomes an interested stockholder.

Our charter permits our Board of Directors to issue up to 50.0 million shares of capital stock. Our Board of Directors may classify or reclassify any unissued common stock or preferred stock into other classes or series of stock and establish the preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms or conditions of redemption of any such stock. Thus, our Board of Directors could authorize the issuance of preferred stock with terms and conditions that could have a priority as to distributions and amounts payable upon liquidation over the rights of the holders of our common stock, which it did in connection with our issuance of approximately 2.4 million shares of Series 2021 Term Preferred Stock. Preferred stock, including our Series 2021 Term Preferred Stock, could also have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price for holders of our common stock.

Risks Related to Our External Management

We are dependent upon our key management personnel and the key management personnel of the Adviser, particularly David Gladstone, Terry Lee Brubaker and Robert L. Marcotte and on the continued operations of the Adviser, for our future success.

We have no employees. Our chief executive officer, chief operating officer, chief financial officer and treasurer, and the employees of the Adviser, do not spend all of their time managing our activities and our investment portfolio. We are particularly dependent upon David Gladstone, Terry Lee Brubaker and Robert L. Marcotte for their experience, skills and networks. Our executive officers and the employees of the Adviser allocate some, and in some cases a material portion, of their time to businesses and activities that are not related to our business. We have no separate facilities and are completely reliant on the Adviser, which has significant discretion as to the implementation and execution of our business strategies and risk management practices. We are subject to the risk of discontinuation of the Adviser s operations or termination of the Advisory Agreement and the risk that, upon such event, no suitable replacement will be found. We believe that our success depends to a significant extent upon the Adviser and that discontinuation of its operations or the loss of its key management personnel could have a material adverse effect on our ability to achieve our investment objectives.

Our success depends on the Adviser s ability to attract and retain qualified personnel in a competitive environment.

The Adviser experiences competition in attracting and retaining qualified personnel, particularly investment professionals and senior executives, and we may be unable to maintain or grow our business if we cannot attract and retain such personnel. The Adviser s ability to attract and retain personnel with the requisite credentials, experience and skills depends on several factors including, but not limited to, its ability to offer competitive wages, benefits and professional growth opportunities. The Adviser competes with investment funds (such as private equity funds and mezzanine funds) and traditional financial services companies for qualified personnel, many of which have greater resources than us. Searches for qualified personnel may divert management s time from the operation of our business. Strain on the existing personnel resources of the Adviser, in the event that it is unable to attract experienced investment professionals and senior executives, could have a material adverse effect on our business.

In addition, we depend upon the Adviser to maintain its relationships with private equity sponsors, placement agents, investment banks, management groups and other financial institutions, and we expect to rely to a significant extent upon these relationships to provide us with potential investment opportunities. If the Adviser or members of our investment team fail to maintain such relationships, or to develop new relationships with other sources of investment opportunities, we will not be able to grow our investment portfolio. In addition, individuals with whom the Adviser has relationships are not obligated to provide us with investment opportunities, and we can offer no assurance that these relationships will generate investment opportunities for us in the future.

The Adviser can resign on 60 days notice, and we may not be able to find a suitable replacement within that time, resulting in a disruption in our operations that could adversely affect our financial condition, business and results of operations.

The Adviser has the right to resign under the Advisory Agreement at any time upon not less than 60 days written notice, whether we have found a replacement or not. If the Adviser resigns, we may not be able to find a new investment adviser or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected and the market price of our shares may decline. In addition, the coordination of our internal management and investment activities is likely to suffer if we are unable to identify and reach an agreement with a single institution or group of executives having the expertise possessed by the Adviser and its affiliates. Even if we are able to retain comparable management, whether internal or external, the integration of such management and their lack of familiarity with our investment objective may result in additional costs and time delays that may adversely affect our business, financial condition, results of operations and cash flows.

Our incentive fee may induce the Adviser to make certain investments, including speculative investments.

The management compensation structure that has been implemented under the Advisory Agreement may cause the Adviser to invest in high-risk investments or take other risks. In addition to its management fee, the Adviser is entitled under the Advisory Agreement to receive incentive compensation based in part upon our achievement of specified levels of income. In evaluating investments and other management strategies, the opportunity to earn incentive compensation based on net income may lead the Adviser to place undue emphasis on the maximization of net income at the expense of other criteria, such as preservation of capital, maintaining sufficient liquidity, or management of credit risk or market risk, in order to achieve higher incentive compensation. Investments with higher yield potential are generally riskier or more speculative. This could result in increased risk to the value of our investment portfolio.

We may be obligated to pay the Adviser incentive compensation even if we incur a loss.

The Advisory Agreement entitles the Adviser to incentive compensation for each fiscal quarter in an amount equal to a percentage of the excess of our investment income for that quarter (before deducting incentive compensation, net operating losses and certain other items) above a threshold return for that quarter. When calculating our incentive compensation, our pre-incentive fee net investment income excludes realized and unrealized capital losses that we may incur in the fiscal quarter, even if such capital losses result in a net loss on our statement of operations for that quarter. Thus, we may be required to pay the Adviser incentive compensation for a fiscal quarter even if there is a decline in the value of our portfolio or we incur a net loss for that quarter. For additional information on incentive compensation under the Advisory Agreement with the Adviser, see *Business Transactions with Related Parties.*

We may be required to pay the Adviser incentive compensation on income accrued, but not yet received in cash.

That part of the incentive fee payable by us that relates to our net investment income is computed and paid on income that may include interest that has been accrued but not yet received in cash, such as debt instruments with PIK interest or OID. If a portfolio company defaults on a loan, it is possible that such accrued interest previously used in the calculation of the incentive fee will become uncollectible. Consequently, we may make incentive fee payments on income accruals that we may not collect in the future and with respect to which we do not have a clawback right against the Adviser. Our OID investments totaled $34.3 million as of September 30, 2016, at cost, which are all syndicated loan investments. For the year ended September 30, 2016, we incurred $0.1 million of OID income and the unamortized balance of OID investments as of September 30, 2016 totaled $0.5 million. As of September 30, 2016, we had seven investments which had a PIK interest component and we recorded PIK interest income of $2.4 million during the year ended September 30, 2016. We collected $0.1 in PIK interest in cash for the year ended September 30, 2016.

The Adviser s failure to identify and invest in securities that meet our investment criteria or perform its responsibilities under the Advisory Agreement would likely adversely affect our ability for future growth.

Our ability to achieve our investment objectives will depend on our ability to grow, which in turn will depend on the Adviser s ability to identify and invest in securities that meet our investment criteria. Accomplishing this result on a cost-effective basis will be largely a function of the Adviser s structuring of the investment process, its ability to provide competent and efficient services to us, and our access to financing on acceptable terms. The senior management team of the Adviser has substantial responsibilities under the Advisory Agreement. In order to grow, the

Adviser will need to hire, train, supervise, and manage new employees successfully. Any failure to manage our future growth effectively would likely have a material adverse effect on our business, financial condition, and results of operations.

Table of Contents

There are significant potential conflicts of interest, including with the Adviser, which could impact our investment returns.

Our executive officers and directors, and the officers and directors of the Adviser, serve or may serve as officers, directors, or principals of entities that operate in the same or a related line of business as we do or of investment funds managed by our affiliates. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in the best interests of us or our stockholders. For example, Mr. Gladstone, our chairman and chief executive officer, is the chairman of the board and chief executive officer of each of the Gladstone Companies. In addition, Mr. Brubaker, our vice chairman and chief operating officer, is the vice chairman and chief operating officer of each of the Gladstone Companies. Mr. Marcotte is an executive managing director of the Adviser. Moreover, the Adviser may establish or sponsor other investment vehicles which from time to time may have potentially overlapping investment objectives with ours and accordingly may invest in, whether principally or secondarily, asset classes we target. While the Adviser generally has broad authority to make investments on behalf of the investment vehicles that it advises, the Adviser has adopted investment allocation procedures to address these potential conflicts and intends to direct investment opportunities to the Affiliated Public Fund with the investment strategy that most closely fits the investment opportunity. Nevertheless, the management of the Adviser may face conflicts in the allocation of investment opportunities to other entities managed by the Adviser. As a result, it is possible that we may not be given the opportunity to participate in certain investments made by other funds managed by the Adviser. Our Board of Directors approved a revision of our investment objectives and strategies that became effective on January 1, 2013, which may enhance the potential for conflicts in the allocation of investment opportunities to us and other entities managed by the Adviser.

More specifically, in certain circumstances we may make investments in a portfolio company in which one of our affiliates has or will have an investment, subject to satisfaction of any regulatory restrictions and, where required, to the prior approval of our Board of Directors. As of September 30, 2016, our Board of Directors has approved the following types of co-investment transactions:

Our affiliate, Gladstone Commercial, may, under certain circumstances, lease property to portfolio companies that we do not control. We may pursue such transactions only if (i) the portfolio company is not controlled by us or any of our affiliates, (ii) the portfolio company satisfies the tenant underwriting criteria of Gladstone Commercial, and (iii) the transaction is approved by a majority of our independent directors and a majority of the independent directors of Gladstone Commercial. We expect that any such negotiations between Gladstone Commercial and our portfolio companies would result in lease terms consistent with the terms that the portfolio companies would be likely to receive were they not portfolio companies of ours.

We may invest simultaneously with our affiliate Gladstone Investment in senior syndicated loans whereby neither we nor any affiliate has the ability to dictate the terms of the loans.

Pursuant to an exemptive order granted by the SEC in July 2012, (the Co-Investment Order), under certain circumstances, we may co-invest with Gladstone Investment and any future BDC or closed-end management investment company that is advised by the Adviser (or sub-advised by the Adviser if it controls the fund), or any combination of the foregoing, subject to the conditions included therein. In connection with investments made pursuant to the Co-Investment Order a required majority of our Board of Directors must approve the transaction. A required majority is a vote of both a majority of our directors who have no financial interest in the transaction and a majority of the directors who are not interested persons of the Company.

Certain of our officers, who are also officers of the Adviser, may from time to time serve as directors of certain of our portfolio companies. If an officer serves in such capacity with one of our portfolio companies, such officer will owe fiduciary duties to stockholders of the portfolio company, which duties may from time to time conflict with the interests of our stockholders.

In the course of our investing activities, we will pay base management and incentive fees to the Adviser and will reimburse the Administrator for certain expenses it incurs. As a result, investors in our common stock will invest on a gross basis and receive distributions on a net basis after expenses, resulting in, among other things, a lower rate of return than one might achieve through our investors themselves making direct investments. As a result of this arrangement, there may be times when the management team of the Adviser has interests that differ from those of our stockholders, giving rise to a conflict. In addition, as a BDC, we make available significant managerial assistance to our portfolio companies and provide other services to such portfolio companies. While, neither we nor the Adviser currently receives fees in connection with managerial assistance, the Adviser and Gladstone Securities have, at various times, provided other services to certain of our portfolio companies and received fees for these other services.

The Adviser is not obligated to provide a credit of the base management fee, which could negatively impact our earnings and our ability to maintain our current level of distributions to our stockholders.

The Advisory Agreement provides for a base management fee based on our gross assets. Since our 2007 fiscal year, our Board of Directors has accepted on a quarterly basis voluntary, unconditional and irrevocable credits to reduce the annual base management fee, which was previously 2.0%, but following an amendment to the Advisory Agreement, effective July 1, 2015 is now 1.75%, on senior syndicated loan participations to 0.5% to the extent that proceeds resulting from borrowings were used to purchase such syndicated loan participations, and any waived fees may not be recouped by the Adviser in the future. However, the Adviser is not required to issue these or other credits of fees under the Advisory Agreement, and to the extent our investment portfolio grows in the future, we expect these fees will increase. If the Adviser does not issue these credits in future quarters, it could negatively impact our earnings and may compromise our ability to maintain our current level of distributions to our stockholders, which could have a material adverse impact on our stock price.

Our business model is dependent upon developing and sustaining strong referral relationships with investment bankers, business brokers and other intermediaries and any change in our referral relationships may impact our business plan.

We are dependent upon informal relationships with investment bankers, business brokers and traditional lending institutions to provide us with deal flow. If we fail to maintain our relationship with such funds or institutions, or if we fail to establish strong referral relationships with other funds, we will not be able to grow our portfolio of investments and fully execute our business plan.

Our base management fee may induce the Adviser to incur leverage.

The fact that our base management fee is payable based upon our gross assets, which would include any investments made with proceeds of borrowings, may encourage the Adviser to use leverage to make additional investments. Under certain circumstances, the use of increased leverage may increase the likelihood of default, which would disfavor holders of our securities. Given the subjective nature of the investment decisions made by the Adviser on our behalf, we will not be able to monitor this potential conflict of interest.

Risks Related to an Investment in Our Securities

We may experience fluctuations in our quarterly and annual operating results.

We may experience fluctuations in our quarterly and annual operating results due to a number of factors, including, among others, variations in our investment income, the interest rates payable on the debt securities we acquire, the default rates on such securities, variations in and the timing of the recognition of realized and unrealized gains or losses, the level of our expenses, the degree to which we encounter competition in our markets, and general economic conditions, including the impacts of inflation. The majority of our portfolio companies are in industries that are directly impacted by inflation, such as manufacturing and consumer goods

29

and services. Our portfolio companies may not be able to pass on to customers increases in their costs of production which could greatly affect their operating results, impacting their ability to repay our loans. In addition, any projected future decreases in our portfolio companies operating results due to inflation could adversely impact the fair value of those investments. Any decreases in the fair value of our investments could result in future realized and unrealized losses and therefore reduce our net assets resulting from operations. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

There is a risk that you may not receive distributions or that distributions may not grow over time.

We intend to distribute at least 90.0% of our investment company taxable income to our stockholders on a quarterly basis by paying monthly distributions. We expect to retain some or all net realized long-term capital gains by first offsetting them with realized capital losses, and secondly through a deemed distribution to supplement our equity capital and support the growth of our portfolio, although our Board of Directors may determine in certain cases to distribute these gains to our common stockholders. In addition, our Credit Facility restricts the amount of distributions we are permitted to make. We cannot assure you that we will achieve investment results or maintain a tax status that will allow or require any specified level of cash distributions. Further, the terms of our outstanding preferred stock may restrict our ability to pay distributions on our common stock or require us to redeem shares of preferred stock if we do not meet the required asset coverage ratio for senior securities that are stock and fail to cure such required asset coverage ratio within the applicable cure period. See *Risks Related to Our Regulation and Structure We will be subject to corporate-level tax if we are unable to satisfy Code requirements for RIC qualification.*

Investing in our securities may involve an above average degree of risk.

The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and a higher risk of volatility or loss of principal. Our investments in portfolio companies may be highly speculative, and therefore, an investment in our shares may not be suitable for someone with lower risk tolerance.

Distributions to our stockholders have included and may in the future include a return of capital.

Quarterly, our Board of Directors declares monthly distributions based on then current estimates of taxable income for each fiscal year, which may differ, and in the past have differed, from actual results. Because our distributions are based on estimates of taxable income that may differ from actual results, future distributions payable to our stockholders may also include a return of capital. Moreover, to the extent that we distribute amounts that exceed our current and accumulated earnings and profits, these distributions constitute a return of capital. A return of capital represents a return of a stockholder s original investment in shares of our stock and should not be confused with a distribution from earnings and profits. Although return of capital distributions may not be taxable, such distributions may increase an investor s tax liability for capital gains upon the sale of our shares by reducing the investor s tax basis for such shares. Such returns of capital reduce our asset base and also adversely impact our ability to raise debt capital as a result of the leverage restrictions under the 1940 Act, which could have material adverse impact on our ability to make new investments.

The market price of our shares may fluctuate significantly.

The trading price of our common stock and our mandatorily redeemable preferred stock may fluctuate substantially. Due to the extreme volatility and disruptions that have affected the capital and credit markets over the past few years, our stock has experienced greater than usual stock price volatility.

30

The market price and marketability of our shares may from time to time be significantly affected by numerous factors, including many over which we have no control and that may not be directly related to us. These factors include, but are not limited to, the following:

- general economic trends and other external factors;
- price and volume fluctuations in the stock market from time to time, which are often unrelated to the operating performance of particular companies;
- significant volatility in the market price and trading volume of shares of RICs, BDCs or other companies in our sector, which is not necessarily related to the operating performance of these companies;
- Changes in stock index definitions or policies, which may impact an investor s desire to hold shares of BDCs;
- changes in regulatory policies or tax guidelines, particularly with respect to RICs or BDCs;
- loss of BDC or RIC status;
- changes in our earnings or variations in our operating results;
- changes in prevailing interest rates;
- changes in the value of our portfolio of investments;
- any shortfall in our revenue or net income or any increase in losses from levels expected by securities analysts;
- departure of key personnel;
- operating performance of companies comparable to us;
- short-selling pressure with respect to our shares or BDCs generally;

- the announcement of proposed, or completed, offerings of our securities, including a rights offering; and

- loss of a major funding source.

Fluctuations in the trading prices of our shares may adversely affect the liquidity of the trading market for our shares and, if we seek to raise capital through future equity financings, our ability to raise such equity capital.

The issuance of subscription rights to our existing stockholders may dilute the ownership and voting powers of existing stockholders in our common stock, dilute the NAV of their shares and have a material adverse effect on the trading price of our common stock.

There are significant capital raising constraints applicable to us under the 1940 Act when our common stock is trading below its NAV per share. In the event that we issue subscription rights to our existing stockholders to subscribe for and purchase additional shares of our common stock, there is a significant possibility that the rights offering will dilute the ownership interest and voting power of stockholders who do not fully exercise their subscription rights. Stockholders who do not fully exercise their subscription rights should expect that they will, upon completion of the rights offering, own a smaller proportional interest in us than would otherwise be the case if they fully exercised their subscription rights. In addition, because the subscription price of the rights offering is likely to be less than our most recently determined NAV per common share, our common stockholders are likely to experience an immediate dilution of the per share NAV of their shares as a result of the offer. As a result of these factors, any future rights offerings of our common stock, or our announcement of our intention to conduct a rights offering, could have a material adverse impact on the trading price of our common stock.

Shares of closed-end investment companies frequently trade at a discount from NAV.

Shares of closed-end investment companies frequently trade at a discount from NAV per common share. Since our inception, our common stock has at times traded above NAV, and at times below NAV per share. Subsequent to September 30, 2016, our common stock has traded at discounts of up to 15.0% of our NAV per share, which was $8.62 as of September 30, 2016. This characteristic of shares of closed-end investment companies is separate and distinct from the risk that our NAV per share will decline. As with any stock, the price of our shares will fluctuate with market conditions and other factors. If shares are sold, the price received may be more or less than the original investment. Whether investors will realize gains or losses upon the sale of our shares will not depend directly upon our NAV, but will depend upon the market price of the shares at the time of sale. Since the market price of our shares will be affected by such factors as the relative demand for and supply of the shares in the market, general market and economic conditions and other factors beyond our control, we cannot predict whether the shares will trade at, below or above our NAV.

Under the 1940 Act, we are generally not able to issue additional shares of our common stock at a price below NAV per share to purchasers other than our existing stockholders through a rights offering without first obtaining the approval of our common stockholders and our independent directors. Additionally, when our common stock is trading below its NAV per share, our dividend yield may exceed the weighted average returns that we would expect to realize on new investments that would be made with the proceeds from the sale of such stock, making it unlikely that we would determine to issue additional shares in such circumstances. Thus, for as long as our common stock may trade below NAV, we will be subject to significant constraints on our ability to raise capital through the issuance of common stock. Additionally, an extended period of time in which we are unable to raise capital may restrict our ability to grow and adversely impact our ability to increase or maintain our distributions.

We are not requesting that our stockholders approve the Company s ability to issue shares of common stock at a price below NAV at the Company s 2017 Annual Meeting of Stockholders to be held in February. Should we decide to issue shares of common stock at a price below NAV in the future, we will seek the requisite approval of our stockholders.

We may not be permitted to declare a dividend or make any distribution to stockholders or repurchase shares until such time as we satisfy the asset coverage tests under the provisions of the 1940 Act that apply to BDCs. As a BDC, we have the ability to issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our debt at a time when such sales and/or repayments may be disadvantageous.

Regulations governing our operation as a BDC and RIC will affect our ability to raise, and the way in which we raise, additional capital or borrow for investment purposes, which may have a negative effect on our growth. As a result of the annual distribution requirement to qualify as a RIC, we may need to periodically access the capital markets to raise cash to fund new investments. We may issue senior securities representing indebtedness, including borrowing money from banks or other financial institutions or senior securities that are stock, such as our mandatorily redeemable preferred stock, only in amounts such that our asset coverage on each senior security, as defined in the 1940 Act, equals at least 200% after each such incurrence or issuance. Further, we may not be permitted to declare a dividend or make any distribution to our outstanding stockholders or repurchase shares until such time as we satisfy these tests. Our ability to issue different types of securities is also limited. Compliance with these requirements may unfavorably limit our investment opportunities and reduce our ability in comparison to other companies to profit from favorable spreads between the rates at which we can borrow and the rates at which we can lend. As a BDC, therefore, we intend to continuously issue equity at a rate more frequent than our privately owned competitors, which may lead to greater stockholder dilution. We have incurred leverage to generate capital to make additional investments. If the value of our assets declines, we may be unable to satisfy the asset coverage test under the 1940 Act, which could prohibit us from paying distributions and could prevent us from qualifying as a RIC. If we cannot satisfy the asset coverage test, we may be required to sell a portion of our investments and, depending on the nature of our debt financing, repay a portion of our indebtedness at a time when such sales and repayments may be disadvantageous.

If we fail to pay dividends on our Series 2021 Term Preferred Stock for two years, the holders of our Series 2021 Term Preferred Stock will be entitled to elect a majority of our directors.

The terms of our Series 2021 Term Preferred Stock provide for annual dividends in the amount of $1.6875 per outstanding share of Series 2021 Term Preferred Stock. In accordance with the terms of our Series 2021 Term Preferred Stock, if dividends thereon are unpaid in an amount equal to at least two years of dividends, the holders of Series 2021 Term Preferred Stock will be entitled to elect a majority of our Board of Directors.

Holders of our preferred stock and future holders of any securities ranking senior to our common stock have dividend, distribution and liquidation rights that are senior to the rights of the holders of our common stock.

In May 2014, we completed a public offering of the Series 2021 Term Preferred Stock, at a public offering price of $25.00 per share. In such offering, we issued 2.4 million shares of Series 2021 Term Preferred Stock. The shares of Series 2021 Term Preferred Stock have dividend, distribution and liquidation rights that are senior to the rights of the holders of our common stock. Further, in the future, we may attempt to increase our capital resources by making additional offerings of preferred equity securities or issuing debt securities. Upon liquidation, holders of our preferred stock, holders of our debt securities, if any, and lenders with respect to other borrowings, including the Credit Facility, would receive a distribution of our available assets in full prior to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our common stockholders bear the risk of our future offerings reducing the per share trading price of our common stock and diluting their interest in us.

Other Risks

We could face losses and potential liability if intrusion, viruses or similar disruptions to our technology jeopardize our confidential information, whether through breach of our network security or otherwise.

Maintaining our network security is of critical importance because our systems store highly confidential financial models and portfolio company information. Although we have implemented, and will continue to implement, security measures, our technology platform is and will continue to be vulnerable to intrusion, computer viruses or similar disruptive problems caused by transmission from unauthorized users. The misappropriation of proprietary information could expose us to a risk of loss or litigation.

Terrorist attacks, acts of war, or national disasters may affect any market for our common stock, impact the businesses in which we invest, and harm our business, operating results, and financial conditions.

Terrorist acts, acts of war, or national disasters have created, and continue to create, economic and political uncertainties and have contributed to global economic instability. Future terrorist activities, military or security operations, or national disasters could further weaken the domestic/global economies and create additional uncertainties, which may negatively impact the businesses in which we invest directly or indirectly and, in turn, could have a material adverse impact on our business, operating results, and financial condition. Losses from terrorist attacks and national disasters are generally uninsurable.

Table of Contents

Cybersecurity risks and cyber incidents may adversely affect our business by causing a disruption to our operations, or the operations of businesses in which we invest, a compromise or corruption of our confidential information and/or damage to our business relationships, all of which could negatively impact our business, financial condition and operating results.

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our information systems for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. The result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for stolen assets or information, increased cybersecurity protection and insurance costs, litigation and damage to our business relationships. As our reliance on technology has increased, so have the risks posed to our information systems, both internal and those provided to us by third-party service providers. We have implemented processes, procedures and internal controls to help mitigate cybersecurity risks and cyber intrusions, but these measures, as well as our increased awareness of the nature and extent of a risk of a cyber-incident, do not guarantee that a cyber-incident will not occur and/or that our financial results, operations or confidential information will not be negatively impacted by such an incident.

We are dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our common stock and our ability to pay dividends.

Our business is dependent on our and third parties communications and information systems. Any failure or interruption of those systems, including as a result of the termination of an agreement with any third-party service providers, could cause delays or other problems in our activities. Our financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control and adversely affect our business. There could be:

- sudden electrical or telecommunications outages;
- natural disasters such as earthquakes, tornadoes and hurricanes;
- disease pandemics;
- events arising from local or larger scale political or social matters, including terrorist acts; and
- cyber-attacks.

These events, in turn, could have a material adverse effect on our operating results and negatively affect the market price of our common stock and our ability to pay dividends to our stockholders.

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained or incorporated by reference in this prospectus or any accompanying prospectus supplement, other than historical facts, may constitute forward-looking statements. These statements may relate to, among other things, future events or our future performance or financial condition. In some cases, you can identify forward-looking statements by terminology such as may, might, believe, will, provided, anticipate, future, could, grow expect, should, would, if, seek, possible, potential, likely or the negative of such terms or comparable te These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others: (1) the recurrence of adverse events in the economy and the capital markets; (2) risks associated with negotiation and consummation of pending and future transactions; (3) the loss of one or more of our executive officers, in particular David Gladstone, Terry Lee Brubaker and Robert L. Marcotte; (4) changes in our investment objectives and strategy; (5) availability, terms (including the possibility of interest rate volatility) and deployment of capital; (6) changes in our industry, interest rates, exchange rates or the general economy; (7) the degree and nature of our competition; (8) our ability to maintain our qualification as a RIC and as a Business Development Company; and (9) those factors described in the Risk Factors section of this prospectus and any accompanying prospectus supplement. We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this prospectus. The forward-looking statements contained or incorporated by reference in this prospectus or any accompanying prospectus supplement are excluded from the safe harbor protection provided by the Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act.

USE OF PROCEEDS

Unless otherwise specified in any prospectus supplement accompanying this prospectus, we expect to use the net proceeds from the sale of the Securities first to pay down existing short-term debt, then to make investments in small and mid-sized businesses in accordance with our investment objectives, with any remaining proceeds to be used for other general corporate purposes. For the quarter ended September 30, 2016, indebtedness under our Credit Facility had a weighted average interest rate of approximately 4.5%, excluding effects of amortization on our deferred financing costs, and the revolving period ends on January 19, 2019. We anticipate that substantially all of the net proceeds of any offering of Securities will be utilized in the manner described above within three months of the completion of such offering. Pending such utilization, we intend to invest the net proceeds of any offering of Securities primarily in cash, cash equivalents, U.S. government securities, and other high-quality debt investments that mature in one year or less from the date of investment, consistent with the requirements for continued qualification as a RIC for federal income tax purposes.

PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS

We currently intend to distribute in the form of cash dividends, for each taxable year, a minimum of 90% of our annual ordinary income and short-term capital gains, if any, to our stockholders in the form of monthly dividends. We intend to retain long-term capital gains and treat them as deemed distributions for tax purposes. We report the estimated tax characterization of each dividend when declared while the actual tax characterization of dividends for each calendar year are reported to each stockholder on IRS Form 1099-DIV. There is no assurance that we will achieve investment results or maintain a tax status that will permit any specified level of cash distributions or year-to-year increases in cash distributions. At the option of a holder of record of common stock, all cash distributions paid with respect to our common stock can be reinvested automatically under our dividend reinvestment plan in additional whole and fractional shares of our common stock. A stockholder whose

Table of Contents

shares are held in the name of a broker or other nominee should contact the broker or nominee regarding participation in a dividend reinvestment plan. See *Risk Factors Risks Related to Our Regulation and Structure We will be subject to corporate-level tax if we are unable to satisfy Code requirements for RIC qualification; Dividend Reinvestment Plan;* and *Material U.S. Federal Income Tax Considerations.*

Our common stock is quoted on the NASDAQ under the symbol GLAD. Our common stock has historically traded at prices both above and below its NAV. There can be no assurance that any premium to NAV will be attained or maintained. As of December 19, 2016 there were 43 stockholders of record, meaning individuals or entities that we carry in our records as the registered holder (although not necessarily the beneficial owner) of our common stock.

The following table sets forth the range of high and low intraday sale prices of our common stock as reported on the NASDAQ and the distributions declared by us for the last two completed fiscal years and the current fiscal year through December 21, 2016.

COMMON SHARE PRICE DATA

	NAV(1)	High	Low	Distribution Declared	(Discount) or Premium of High Sales Price to NAV(2)	(Discount) or Premium of Low Sales Price to NAV(2)
Fiscal Year ending September 30, 2015						
First Quarter	9.31	9.41	8.02	0.21	1.1	(13.9)
Second Quarter	9.55	9.10	7.25	0.21	(4.7)	(24.1)
Third Quarter	9.49	8.99	7.84	0.21	(5.3)	(17.4)
Fourth Quarter	9.06	9.25	7.58	0.21	2.1	(16.3)
Fiscal Year ending September 30, 2016						
First Quarter	8.38	9.09	6.39	0.21	8.5	(23.8)
Second Quarter	7.92	7.59	4.71	0.21	(4.2)	(40.5)
Third Quarter	7.95	7.67	6.80	0.21	(3.5)	(14.5)
Fourth Quarter	8.62	8.75	7.24	0.21	1.5	(16.0)
Fiscal Year ending September 30, 2017						
First Quarter (through December 21, 2016)	*	9.62	7.33	0.21	*	*

(1) NAV per share is determined as of the last day in the relevant quarter and therefore may not reflect the NAV per share on the date of the high and low intraday sale prices. The NAV per shares shown are based on outstanding shares at the end of each period.
(2) The (discounts) premiums to NAV per share set forth in these columns represent the high or low, as applicable, intraday sale price per share for the relevant quarter minus the NAV per share as of the end of such quarter, and therefore may not reflect the (discount) premium to NAV per share on the date of the high and low intraday sale prices.
* Not yet available, as the NAV per share as of the end of this quarter has not yet been determined.

Share Repurchases

The Company has repurchased 87,200 shares of its common stock at a cost of $0.6 million pursuant to a share repurchase program authorized by our Board of Directors in January 2016. The total authorized amount of the share repurchase program is $7.5 million shares of common stock. See *Share Repurchases.*

Table of Contents

The following are our outstanding classes of securities as of December 22, 2016.

Title of Class	Amount Authorized	Amount Held by us or for Our Account	Amount Outstanding
Common Stock	46,000,000		25,517,866
6.75% Series 2021 Term Preferred Stock	4,000,000		2,440,000

RATIOS OF EARNINGS TO FIXED CHARGES

For the years ended September 30, 2016, 2015, 2014, 2013 and 2012, the ratios of three income metrics to fixed charges of the Company, computed as set forth below, were as follows:

	Year Ended September 30,				
	2016	2015	2014	2013	2012
Net investment income plus fixed charges to fixed charges	3.4x	3.0x	3.5x	3.6x	3.3x
Net investment income plus net realized losses plus fixed charges to fixed charges[(A)]	4.3x	(0.8x)	1.9x	2.8x	1.8x
Net increase (decrease) in net assets resulting from operations plus fixed charges to fixed charges	2.4x	1.9x	2.6x	5.5x	0.0x

For purposes of computing the ratios, fixed charges include interest expense on borrowings, dividend expense on mandatorily redeemable preferred stock and amortization of deferred financing fees.

(A) Due to realized losses on certain investments during the year ended September 30, 2015, the ratio of net investment income plus net realized losses plus fixed charges to fixed charges was less than 1:1. We would have needed to generate additional net investment income of approximately $17.0 million during the year ended September 30, 2015 to achieve a coverage ratio of 1:1.

Table of Contents

CONSOLIDATED SELECTED FINANCIAL DATA

The following consolidated selected financial data for the fiscal years ended September 30, 2016, 2015, 2014, 2013, and 2012 are derived from our audited consolidated financial statements. The other data included in the second table below is unaudited. The data should be read in conjunction with our accompanying consolidated financial statements and notes thereto and *Management s Discussion and Analysis of Financial Condition and Results of Operations* included elsewhere in this prospectus.

(dollar amounts in thousands, except per share and per unit data)

	Year Ended September 30,				
	2016	**2015**	**2014**	**2013**	**2012**
Statement of Operations Data:					
Total Investment Income	**$ 39,112**	$ 38,058	$ 36,585	$ 36,154	$ 40,322
Total Expenses, Net of Credits from Adviser	**19,625**	20,358	18,217	17,768	21,278
Net Investment Income	**19,487**	17,700	18,368	18,386	19,044
Net Realized and Unrealized (Loss) Gain on Investments, Borrowings and Other	**(8,120)**	(9,216)	(7,135	13,833)	(27,052)
Net (Decrease) Increase in Net Assets Resulting from Operations	**$ 11,367**	$ 8,484	$ 11,233	$ 32,219)	$ (8,008)
Per Share Data:					
Net Investment Income per Common Share Basic and Diluted[A]	**$ 0.84**	$ 0.84	$ 0.87	$ 0.88	$ 0.91
Net (Decrease) Increase in Net Assets Resulting from Operations per Common Share Basic and Diluted[A]	**0.49**	0.40	0.53)	1.53)	(0.38
Distributions Declared and Paid Per Common Share [B]					
From ordinary income	**0.84**	0.84	0.12	0.78	0.77
From return of capital			0.72	0.06	0.07
Statement of Assets and Liabilities Data:					
Total Assets	**$ 337,178**	$ 382,482	$ 301,429	$ 295,091	$ 293,402
Net Assets	**201,207**	191,444	199,660	205,992	188,564
Net Asset Value Per Common Share	**8.62**	9.06	9.81	9.81	8.98
Common Shares Outstanding	**23,344,422**	21,131,622	21,000,160	21,000,160	21,000,160
Weighted Common Shares Outstanding Basic and Diluted	**23,200,642**	21,066,844	21,000,160	21,000,160	21,011,123

	2016	2015	2014	2013	2012
Senior Securities Data:					
Borrowings under Credit Facility, at cost(C)	**$ 71,300**	$ 127,300	$ 36,700	$ 46,900	$ 58,800
Mandatorily redeemable preferred stock(C)	**61,000**	61,000	61,000	38,497	38,497

(A) Per share data is based on the weighted average common stock outstanding for both basic and diluted.

(B) The tax character of our distributions is determined on an annual basis.

(C) See *Management s Discussion and Analysis of Financial Condition and Results of Operations* for more information regarding our level of indebtedness.

	Year Ended September 30,				
	2016	**2015**	**2014**	**2013**	**2012**
Other Unaudited Data:					
Number of Portfolio Companies at Period End	**45**	48	45	47	50
Average Size of Portfolio Company Investment at Cost	**$ 8,484**	$ 8,547	$ 7,762	$ 7,069	$ 7,300
Principal Amount of New Investments	**79,401**	102,299	81,731	80,418	45,050
Proceeds from Loan Repayments, Investments Sold and Exits	**121,144**	40,273	72,560	117,048	73,857
Weighted Average Yield on Investments(D)	**11.1%**	10.93%	11.47%	11.63%	11.25%
Total Return(E)	**11.68**	2.40	9.62	9.90	41.39

(D) Weighted average yield on investments equals interest income on investments divided by the weighted average interest-bearing principal balance throughout the period.

(E) Total return equals the change in the ending market value of our common stock from the beginning of the period, taking into account dividends reinvested in accordance with the terms of our dividend reinvestment plan. Total return does not take into account distributions that may be characterized as a return of capital. For further information on the estimated character of our distributions to common stockholders, please refer to Note 9 *Distributions to Common Stockholders* elsewhere in this prospectus.

Table of Contents

SELECTED QUARTERLY DATA (UNAUDITED)

The following tables set forth certain quarterly financial information for each of the eight quarters in the two years ended September 30, 2016. The information was derived from our unaudited consolidated financial statements. Results for any quarter are not necessarily indicative of results for the past fiscal year or for any future quarter.

	Quarter Ended			
	December 31, 2015	**March 31, 2016**	**June 30, 2016**	**September 30, 2016**
Total investment income	**$ 10,060**	$ 9,456	$ 9,844	$ 9,750
Net investment income	**4,759**	4,917	4,907	4,905
Net Increase (decrease) in net assets resulting from operations	**(8,704)**	(6,139)	5,516	20,697
Net Increase (decrease) in Net Assets Resulting From Operations per Weighted Average Common Share (Basic and Diluted)	**$ (0.38)**	$ (0.26)	$ 0.24	$ 0.89

	Quarter Ended			
	December 31, 2014	**March 31, 2015**	**June 30, 2015**	**September 30, 2015**
Total investment income	$ 8,726	$ 9,223	$ 9,935	$ 10,174
Net investment income	3,691	3,693	4,836	5,480
Net Increase (decrease) in net assets resulting from operations	331	9,542	3,307	(4,696)
Net Increase (decrease) in Net Assets Resulting From Operations per Weighted Average Common Share (Basic and Diluted)	$ 0.02	$ 0.45	$ (0.16)	$ (0.22)

MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

OVERVIEW

General

We were incorporated under the Maryland General Corporation Law on May 30, 2001. We operate as an externally managed, closed-end, non-diversified management investment company, and have elected to be treated as a BDC under the 1940 Act. In addition, for federal income tax purposes we have elected to be treated as a RIC under Subchapter M of the Code. As a BDC and a RIC, we are subject to certain constraints, including limitations imposed by the 1940 Act and the Code.

We were established for the purpose of investing in debt and equity securities of established private business operating in the U.S. Our investment objectives are to: (1) achieve and grow current income by investing in debt securities of established businesses that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time; and (2) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities of established businesses that we believe can grow over time to permit us to sell our equity investments for capital gains. To achieve our investment objectives, our investment strategy is to invest in several categories of debt and equity securities, with each investment generally ranging from $8 million to $30 million, although investment size may vary, depending upon our total assets or available capital at the time of investment. We expect that our investment portfolio over time will consist of approximately 90.0% debt investments and 10.0% equity investments, at cost. As of September 30, 2016, our investment portfolio was made up of approximately 90.2% debt investments and 9.8% equity investments, at cost.

We focus on investing in lower middle market companies in the U.S. that meet certain criteria, including, but not limited to, the following: the sustainability of the business free cash flow and its ability to grow it over time, adequate assets for loan collateral, experienced management teams with a significant ownership interest in the borrower, reasonable capitalization of the borrower, including an ample equity contribution or cushion based on prevailing enterprise valuation multiples and, to a lesser extent, the potential to realize appreciation and gain liquidity in our equity position, if any. We lend to borrowers that need funds for growth capital or to finance acquisitions or recapitalize or refinance their existing debt facilities. We seek to avoid investing in high-risk, early-stage enterprises. Our targeted portfolio companies are generally considered too small for the larger capital marketplace. We invest by ourselves or jointly with other funds and/or management of the portfolio company, depending on the opportunity and have opportunistically made several co-investments with our affiliate Gladstone Investment, pursuant to the Co-Investment Order. We believe this ability to co-invest will continue to enhance our ability to further our investment objectives and strategies. If we are participating in an investment with one or more co-investors, our investment is likely to be smaller than if we were investing alone.

Going into fiscal year 2017, we intend to continue to work through, via restructures or exits, some of the older investments in our portfolio to enhance overall returns and hope to show our stockholders new conservative investments in businesses with steady cash flows. We are focused on building our pipeline and making investments that meet our objectives and strategies and that provide appropriate returns, in light of the accompanying risks.

Table of Contents

Business

Portfolio and Investment Activity

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

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

During the year ended September 30, 2016, we invested $79.4 million in 10 new portfolio companies and extended $10.1 million of investments to existing portfolio companies. In addition, during the year ended September 30, 2016, we exited 13 portfolio companies through sales and early payoffs. We received a total of $121.1 million in combined net proceeds and principal repayments from the aforementioned portfolio company exits as well as from existing portfolio companies during the year ended September 30, 2016. This activity resulted in a net reduction in our overall portfolio by three portfolio companies to 45 and a net decrease of 7.4% in our portfolio at cost since September 30, 2015. Our continued focus in 2017 will be to rebuild our investment portfolio by making new investments and to exit challenged and non-strategic investments in our portfolio in an orderly manner over the next several quarters. Since our initial public offering in August 2001, we have made 439 different loans to, or investments in, 206 companies for a total of approximately $1.5 billion, before giving effect to principal repayments on investments and divestitures.

During the year ended September 30, 2016, the following significant transactions occurred:

- In October 2015, Allison Publications, LLC paid off at par for proceeds of $8.2 million.

- In October 2015, we sold our investment in Funko, LLC (Funko), which resulted in dividend and prepayment fee income of $0.3 million and a realized gain of $16.9 million. In connection with the sale, we received net cash proceeds of $15.3 million, full repayment of our debt investment of $9.5 million, and a continuing preferred and common equity investment in Funko Acquisition Holdings, LLC, with a combined cost basis and fair value of $0.3 million at the close of the transaction. Additionally, we recorded a tax liability for the net unrealized built-in gain of $9.8 million that was realized upon the sale, of which $9.4 million has been subsequently paid. The remaining tax liability of $0.4 million is included within other liabilities on the accompanying *Consolidated Statement of Assets and Liabilities* as of September 30, 2016.

- In October 2015, Ameriqual Group, LLC paid off at par for proceeds of $7.4 million.

In October 2015, we sold our investment in First American Payment Systems, L.P. for net proceeds of $4.0 million, which resulted in a net realized loss of $0.2 million.

In November 2015, we restructured our investment in Legend Communications of Wyoming, LLC (Legend) resulting in a $2.7 million pay down on the existing loan and a new $3.8 million investment in Drumcree, LLC. In March 2016, Legend paid off at par for proceeds of $4.0 million.

In December 2015, we sold our investment in Heartland Communications Group (Heartland) for net proceeds of $1.5 million, which resulted in a realized loss of $2.4 million. Heartland was on non-accrual status at the time of the sale.

In January 2016, we invested $8.5 million in LCR Contractors, Inc. through secured first lien debt.

Table of Contents

In February 2016, our investment in Targus Group International, Inc. (Targus) was restructured, which resulted in a realized loss of $5.5 million and a new investment in Targus Cayman HoldCo Limited.

In March 2016, we invested $10.0 million in Travel Sentry, Inc. through secured first lien debt.

In March 2016, J. America paid off at par for proceeds of $5.1 million.

In April 2016, we received net proceeds of $8.0 million related to the sale of Ashland Acquisition LLC (Ashland), which resulted in a realized gain of approximately $0.1 million.

In May 2016, we invested $2.0 million in Netsmart Technologies, Inc. through secured second lien debt.

In June 2016, we invested $30.0 million in IA Tech, LLC through secured first lien debt.

In June 2016, Vision Solutions, Inc. paid off at par for proceeds of $8.0 million.

In June 2016, GTCR Valor Companies, Inc. paid off at par for proceeds of $3.0 million.

In August 2016, we invested $10.0 million in Merlin International, Inc. through secured second lien debt.

In September 2016, we invested $7.5 million in Canopy Safety Brands, LLC through a combination of secured first lien debt and equity.

In September 2016, we invested $2.0 million in Datapipe, Inc. through secured second lien debt.

In September 2016, we sold our investment in Westland Technologies, Inc. (Westland) for net proceeds of $5.3 million, which resulted in a net realized gain of $0.9 million.

In September 2016, we sold our investment in Southern Petroleum Laboratories, Inc. (Southern Petroleum Laboratories) for net proceeds of $9.8 million, which resulted in a realized gain of $0.9 million.

In September 2016, we restructured our investment in Precision Acquisition Group Holdings, Inc. (Precision) which resulted in a realized loss of $3.8 million and a new $4.0 million investment in PIC 360, LLC and a new $1.6 million investment in Precision International, LLC.

Refer to Note 15 *Subsequent Events* in the accompanying *Consolidated Financial Statements* included elsewhere in this Prospectus for portfolio activity occurring subsequent to September 30, 2016.

Capital Raising

Despite the challenges in the economy for the past several years, we met our capital needs through the extension, expansion and enhancement to our Credit Facility and by accessing the capital markets in the form of public offerings of common stock. In May 2015, through Business Loan, we entered into a Fifth Amended and Restated Credit Agreement, which increased the commitment amount under our Credit Facility from $137.0 million to $140.0 million, extended the revolving period end date by three years to January 19, 2019, decreased the marginal interest rate added to 30-day LIBOR from 3.75% to 3.25% per annum, set the unused commitment fee at 0.50% on all undrawn amounts, expanded the scope of eligible collateral, and amended certain other terms and conditions. In June 2015, through Business Loan, we entered into certain joinder and assignment agreements, adding three new lenders to the Credit Facility to increase borrowing capacity by $30.0 million to $170.0 million. Refer to *Liquidity and Capital Resources Revolving Credit Facility* for further discussion of our Credit Facility.

We issued shares of our common stock in an overnight offering in October 2015, with the overallotment option closing in November 2015, at a public offering price of $8.55 per share, which was below the then current net asset value (NAV) of $9.06 per share. The resulting proceeds provided us with additional equity capital to help ensure continued compliance with regulatory tests. Most recently, we issued additional shares of our common stock in an overnight offering in October 2016, with an overallotment option closing in November 2016, at a public offering price of $7.98 per share, which was below our September 30, 2016 NAV of $8.62 per share. The resulting proceeds, in part, will provide us with additional equity capital to help ensure continued compliance with regulatory tests and will allow us to grow the portfolio and generate additional income through new investments. Refer to *Liquidity and Capital Resources Equity Common Stock* for further discussion of our common stock offerings.

Although we were able to access the capital markets over the last year, we believe uncertain market conditions continue to affect the trading price of our capital stock and thus may inhibit our ability to finance new investments through the issuance of equity. The current volatility in the credit market and the uncertainty surrounding the U.S. economy have led to significant stock market fluctuations, particularly with respect to the stock of financial services companies like ours. During times of increased price volatility, our common stock may be more likely to trade at a price below our NAV per share, which is not uncommon for BDCs like us.

On November 18, 2016, the closing market price of our common stock was $8.10, a 6.0% discount to our September 30, 2016, NAV per share of $8.62. When our stock trades below NAV per common share, as it has fairly consistently over the last several years, our ability to issue equity is constrained by provisions of the 1940 Act, which generally prohibits the issuance and sale of our common stock below NAV per common share without first obtaining approval from our stockholders and our independent directors, other than through sales to our then-existing stockholders pursuant to a rights offering. At our annual meeting of stockholders held on February 11, 2016, our stockholders approved a proposal which authorizes us to sell shares of our common stock at a price below our then current NAV per common share subject to certain limitations (including, but not limited to, that the number of shares issued and sold pursuant to such authority does not exceed 25.0% of our then outstanding common stock immediately prior to each such sale) for a period of one year from the date of approval, provided that our Board of Directors makes certain determinations prior to any such sale. We completed the abovementioned 2016 common stock offering as a result of the stockholder approval of the proposal at our 2016 Annual Meeting of Stockholders and additional Board of Directors approval.

Regulatory Compliance

Our ability to seek external debt financing, to the extent that it is available under current market conditions, is further subject to the asset coverage limitations of the 1940 Act, which require us to have an asset coverage ratio (as defined in Section 18(h) of the 1940 Act) of at least 200% on our senior securities representing indebtedness and our senior securities that are stock. As of September 30, 2016, our asset coverage ratio on our senior securities representing indebtedness was 462.3% and our asset coverage ratio on our senior securities that are stock was 249.5%.

Recent Developments

Common Stock Offering

In October 2016, we completed a public offering of 2.0 million shares of our common stock. In November 2016, the underwriters partially exercised their overallotment option to purchase an additional 173,444 shares of our common stock. Gross proceeds totaled $17.3 million and net proceeds, after deducting underwriting discounts and offering costs borne by us, were approximately $16.4 million. Refer to *Liquidity and Capital Resources Equity Common Stock* for further discussion of our common stock offerings.

Table of Contents

Distributions

On October 11, 2016, our Board of Directors declared the following monthly cash distributions to common and preferred stockholders:

Record Date	Payment Date	Distribution per Common Share	Distribution per Series 2021 Term Preferred Share
October 21, 2016	October 31, 2016	$ 0.07	$ 0.140625
November 17, 2016	November 30, 2016	0.07	0.140625
December 20, 2016	December 30, 2016	0.07	0.140625
	Total for the Quarter	**$ 0.21**	**$ 0.421875**

RESULTS OF OPERATIONS

Comparison of the Year Ended September 30, 2016 to the Year Ended September 30, 2015

	For the Year Ended September 30,			
	2016	**2015**	**$ Change**	**% Change**
INVESTMENT INCOME				
Interest income	**$ 35,219**	$ 34,895	$ 324	0.9%
Other income	**3,893**	3,163	730	23.1
Total investment income	**39,112**	38,058	1,054	2.8
EXPENSES				
Base management fee	**5,684**	6,888	(1,204)	17.5
Loan servicing fee	**3,890**	3,816	74	1.9
Incentive fee	**4,514**	4,083	431	10.6
Administration fee	**1,182**	1,033	149	14.4
Interest expense on borrowings	**2,899**	3,828	(929)	(24.3)
Dividend expense on mandatorily redeemable preferred stock	**4,118**	4,116	2	0.0
Amortization of deferred financing fees	**1,075**	1,106	(31)	(2.8)
Other expenses	**2,459**	2,188	271	12.4
Expenses, before credits from Adviser	**25,821**	27,058	(1,237)	(4.6)
Credit to base management fee loan servicing fee	**(3,890)**	(3,816)	(74)	1.9
Credit to fees from Adviser other	**(2,306)**	(2,884)	578	(20.0)
Total expenses, net of credits	**19,625**	20,358	(733)	(3.6)

NET INVESTMENT INCOME	**19,487**	17,700	1,787	10.1
NET REALIZED AND UNREALIZED (LOSS) GAIN				
Net realized gain (loss) on investments	**7,216**	(33,666)	40,882	(121.4)
Net realized loss on other	**(64)**	(510)	446	87.5
Net unrealized (depreciation) appreciation of investments	**(15,334)**	23,647	(38,981)	(164.8)
Net unrealized appreciation of other	**62**	1,313	(1,251)	(95.3)
Net loss from investments and other	**(8,120)**	(9,216)	1,096	(11.9)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$ 11,367**	$ 8,484	$ 2,883	34.0
PER BASIC AND DILUTED COMMON SHARE				
Net investment income	**$ 0.84**	$ 0.84	$	
Net increase in net assets resulting from operations	**$ 0.49**	$ 0.40	$ 0.09	22.5

NM = Not Meaningful

Table of Contents

Investment Income

Interest income increased by 0.9% for the year ended September 30, 2016, as compared to the prior year. This increase was due primarily to an increase in the weighted average yield on our interest-bearing portfolio partially offset by a slight decrease in the principal balance of our interest-bearing investment portfolio outstanding during the year. The weighted average yield on our interest-bearing investments is based on the current stated interest rate on interest-bearing investments which increased to 11.1% for the year ended September 30, 2016 compared to 10.9% for the year ended September 30, 2015, inclusive of any allowances on interest receivables made during those periods. The weighted average principal balance of our interest-bearing investment portfolio during the year ended September 30, 2016, was $317.0 million, compared to $319.1 million for the prior year, a decrease of $2.1 million, or 0.1%.

As of September 30, 2016, two portfolio companies, Sunshine Media Holdings and Vertellus, Inc., were either fully or partially on non-accrual status, with an aggregate debt cost basis of approximately $26.5 million, or 7.7% of the cost basis of all debt investments in our portfolio. As of September 30, 2015, two portfolio companies were either fully or partially on non-accrual status, with an aggregate debt cost basis of approximately $26.4 million, or 7.1% of the cost basis of all debt investments in our portfolio.

Other income increased by 23.1% during the year ended September 30, 2016, as compared to the prior year. For the year ended September 30, 2016, other income consisted primarily of $3.4 million in success fees recognized, $0.3 million in dividend income received, and $0.2 million in prepayment fees received. For the year ended September 30, 2015, other income consisted primarily of $1.9 million in success fees recognized, $0.9 million in dividend income, and $0.3 million in settlement fees.

The following tables list the investment income for our five largest portfolio company investments at fair value during the respective years:

	As of September 30, 2016		Year Ended September 30, 2016	
Portfolio Company	**Fair Value**	**% of Portfolio**	**Investment Income**	**% of Total Investment Income**
RBC Acquisition Corp.	$ 37,345	11.6%	$ 3,347	8.5%
IA Tech, LLC[(A)]	23,230	7.2	888	2.3
WadeCo Specialties, Inc.	18,980	5.9	2,059	5.3
United Flexible, Inc.	17,744	5.5	2,108	5.4
Lignetics, Inc.	14,821	4.6	1,708	4.3
Subtotal five largest investments	**112,120**	**34.8**	**10,110**	**25.8**
Other portfolio companies	209,994	65.2	29,002	74.2
Total Investment Portfolio	**$ 322,114**	**100.0%**	**$ 39,112**	**100.0%**

As of September 30, 2015

	Year Ended September 30, 2015			
Portfolio Company	Fair Value	% of Portfolio	Investment Income	% of Total Investment Income
Funko, LLC	$ 26,814	7.3%	$ 1,385	3.6%
WadeCo Specialties, Inc.	21,920	6.0	1,896	5.0
RBC Acquisition Corp.	20,617	5.6	2,343	6.2
United Flexible, Inc.(A)	20,355	5.6	1,226	3.2
Francis Drilling Fluids, Ltd.	19,928	5.5	2,946	7.7
Subtotal five largest investments	**109,634**	**30.0**	**9,796**	**25.7**
Other portfolio companies	256,257	70.0	28,257	74.3
Other non-portfolio company income			5	
Total Investment Portfolio	**$ 365,891**	**100.0%**	**$ 38,058**	**100.0%**

(A) New investment during applicable period.

Expenses

Expenses, net of credits from the Adviser, decreased for the year ended September 30, 2016, by 3.6% as compared to the prior year. This decrease was primarily due to decreases in our net base management fees to the Advisor and interest expense on borrowings, partially offset by an increase in the net incentive fee to the Adviser.

Interest expense decreased by $0.9 million, or 24.3%, during the year ended September 30, 2016, as compared to the prior year, primarily due to decreased borrowings outstanding throughout the period on our Credit Facility. The weighted average balance outstanding on our Credit Facility during the year ended September 30, 2016, was approximately $64.0 million, as compared to $92.5 million in the prior year period, a decrease of 30.8%.

Net base management fee earned by the Adviser decreased by $0.6 million, or 10.5%, during the year ended September 30, 2016, as compared to the prior year period, resulting from a decrease in the average total assets outstanding and a decrease in the annual base management fee from 2.0% to 1.75%, which was effective July 1, 2015. The base management, loan servicing and incentive fees and associated unconditional, non-contractual, and irrevocable voluntary credits are computed quarterly, as described under *Investment Advisory and Management Agreement* and *Loan Servicing Fee Pursuant to Credit Agreement* in Note 4 of the notes to our accompanying *Consolidated Financial Statements* and are summarized in the following table:

	Year Ended September 30,	
	2016	**2015**
Average total assets subject to base management fee[(A)]	**$ 324,800**	$ 355,510
Multiplied by annual base management fee of 1.75% 2.0%	**1.75%**	1.75% - 2.0%
Base management fee[(B)]	**5,684**	6,888
Portfolio fee credit	**(785)**	(1,399)
Senior syndicated loan fee credit	**(92)**	(118)
Net Base Management Fee	**$ 4,807**	$ 5,371
Loan servicing fee[(B)]	**$ 3,890**	$ 3,816
Credit to base management fee loan servicing fee[(B)]	**(3,890)**	(3,816)
Net Loan Servicing Fee	**$**	$
Incentive fee[(B)]	**$ 4,514**	$ 4,083
Incentive fee credit	**(1,429)**	(1,367)
Net Incentive Fee	**$ 3,085**	$ 2,716
Portfolio fee credit	**$ (785)**	$ (1,399)
Senior syndicated loan fee credit	**(92)**	(118)
Incentive fee credit	**(1,429)**	(1,367)
Credit to Fees from Adviser Other[(B)]	**$ (2,306)**	$ (2,884)

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

(B) Reflected, on a gross basis, as a line item on our accompanying *Consolidated Statement of Operations* located elsewhere in this Prospectus.

Table of Contents

Realized Loss and Unrealized Appreciation

Net Realized Loss on Investments

For the year ended September 30, 2016, we recorded a net realized gain on investments of $7.2 million, which resulted primarily from the sales of Funko, Southern Petroleum Laboratories, Westland, and Ashland for a combined realized gain of $18.7 million and net proceeds of $35.4 million. This realized gain was partially offset by a combined realized loss of $11.7 million recognized from the sale of Heartland and the restructures of Targus and Precision during the year ended September 30, 2016. We also recognized a realized loss of $0.6 million during the year ended September 30, 2016 related to a settlement associated with WP Evenflo Group Holdings, Inc., which we had previously exited at a realized gain of $1.0 million in September 2014.

For the year ended September 30, 2015, we recorded a net realized loss on investments of $34.2 million, which resulted primarily from the sales of Midwest Metal Distribution, Inc. (Midwest Metal), Sunburst Media Louisiana LLC (Sunburst), Saunders & Associates (Saunders) and the restructure of GFRC Holdings LLC (GFRC) for a combined realized loss of $34.1 million and net proceeds of $7.1 million. This realized loss was partially offset by the realized gain of $1.6 million we recognized on the early payoff of North American Aircraft Services, LLC (NAAS).

Net Realized Loss on Other

During the year ended September 30, 2016, we recorded a net realized loss of $0.1 million due to the expiration of our interest rate cap agreement in January 2016. For the year ended September 30, 2015, we recorded a net realized loss on other of $0.5 million resulting primarily from uncollected escrows on the previous sale of Midwest Metal during the three months ended December 31, 2014.

Net Unrealized Appreciation of Investments

During the year ended September 30, 2016, we recorded net unrealized depreciation of investments in the aggregate amount of $15.3 million. The net realized gain (loss) and unrealized appreciation (depreciation) across our investments for the year ended September 30, 2016, were as follows:

	Year Ended September 30, 2016			
Portfolio Company	**Realized (Loss) Gain**	**Unrealized Appreciation (Depreciation)**	**Reversal of Unrealized Depreciation (Appreciation)**	**Net Gain (Loss)**
RBC Acquisition Corp.	$ 1,207	$ 11,896	$	$ 13,103
Legend Communications of Wyoming, LLC		2,857	27	2,884
Behrens Manufacturing, LLC		2,206		2,206
Funko, LLC	16,874	98	(16,009)	963
Southern Petroleum Laboratories, Inc.	873	871	(995)	749
Precision Acquisition Group Holdings, Inc.	(3,821)	(1,282)	5,805	702
Westland Technologies, Inc.	909	622	(866)	665
J. America, Inc.		482		482

Triple H Food Processors		351		351
RP Crown Parent, LLC		276		276
GFRC Holdings, LLC		(271)		(271)
Ashland Acquisitions, LLC	72	183	(572)	(317)
Mikawaya		(379)		(379)
FedCap Partners, LLC		(381)		(381)
New Trident Holdcorp, Inc.		(442)		(442)
AG Transportation Holdings, LLC		(454)		(454)
WP Evenflo Group Holdings, Inc.	(550)			(550)

Table of Contents

Portfolio Company	Realized (Loss) Gain	Unrealized Appreciation (Depreciation)	Reversal of Unrealized Depreciation (Appreciation)	Net Gain (Loss)
	Year Ended September 30, 2016			
WadeCo Specialties, Inc.		(722)		(722)
Vision Government Solutions, Inc.		(779)		(779)
Vertellus Specialties Inc.		(975)		(975)
Lignetics, Inc.		(1,251)		(1,251)
SourceHOV LLC		(1,380)		(1,380)
LWO Acquisitions Company, LLC		(3,170)		(3,170)
Defiance Integrated Technologies, Inc.		(3,184)		(3,184)
Sunshine Media Holdings		(3,360)		(3,360)
Targus Cayman HoldCo, Ltd.	(5,500)	(2,952)	4,198	(4,254)
Francis Drilling Fluids, Ltd.		(8,156)		(8,156)
Other, net (<$250)	(2,848)	(528)	2,902	(474)
Total:	**$ 7,216**	**$ (9,824)**	**$ (5,510)**	**$ (8,118)**

The largest driver of our net unrealized depreciation for the year ended September 30, 2016 was derived from a decline in financial and operation performance of certain portfolio companies and, to a lesser extent, decreases in comparable multiples used in valuations, most notably Francis Drilling Fluids, Ltd. of $8.2 million, Sunshine Media Holdings (Sunshine) of $3.4 million, Defiance Integrated Technologies, Inc. (Defiance) of $3.2 million and LWO Acquisitions Company, LLC of $3.2 million. The change was also driven by the reversal of $16.0 million of previously recorded unrealized appreciation on our investment in Funko upon exit. This depreciation was partially offset by unrealized appreciation, primarily on RBC Acquisition Corp. of $11.9 million, which was driven by proceeds received associated with the sale of RBC Acquisition Corp. in November 2016, and the reversal of $4.2 million of previously recorded unrealized depreciation on our investment in Targus upon restructure.

During the year ended September 30, 2015, we recorded net unrealized appreciation of investments in the aggregate amount of $23.6 million. The net realized gain (loss) and unrealized appreciation (depreciation) across our investments for the year ended September 30, 2015, were as follows:

Portfolio Company	Realized (Loss) Gain	Unrealized Appreciation (Depreciation)	Reversal of Unrealized Depreciation (Appreciation)	Net Gain (Loss)
	Year Ended September 30, 2015			
Funko, LLC	$	$ 11,451	$	$ 11,451
Sunburst Media Louisiana, LLC	(1,333)	2,130	2,295	3,092
Precision Acquisition Group Holdings, Inc.		2,831		2,831
Sunshine Media Holdings		1,861		1,861
Heartland Communications Group		1,123		1,123
Behrens Manufacturing, LLC		1,102		1,102
Ameriqual Group, LLC		1,063		1,063

Westland Technologies, Inc.		899		899
Midwest Metal Distribution, Inc.	(14,980)		15,578	598
Ashland Acquisitions, LLC		571		571
AG Transportation Holdings, LLC		516		516
New Trident Holdcorp, Inc.		(282)		(282)
Vertellus Specialties Inc.		(315)		(315)
LWO Acquisitions Company, LLC		(390)		(390)
SourceHOV LLC		(473)		(473)

Table of Contents

	Year Ended September 30, 2015			
Portfolio Company	Realized (Loss) Gain	Unrealized Appreciation (Depreciation)	Reversal of Unrealized Depreciation (Appreciation)	Net Gain (Loss)
FedCap Partners, LLC		(507)		(507)
North American Aircraft Services, LLC	1,578		(2,216)	(638)
WadeCo Specialties, Inc.		(818)		(818)
Alloy Die Casting		(1,251)		(1,251)
Targus Group International, Inc.		(1,254)		(1,254)
Meridian Rack & Pinion, Inc.		(1,647)		(1,647)
B+T Group Acquisition Inc.		(1,934)		(1,934)
Francis Drilling Fluids, Ltd.		(2,575)		(2,575)
PLATO Learning, Inc.		(2,663)		(2,663)
Edge Adhesives Holdings, Inc.		(3,196)	6	(3,190)
Saunders & Associates	(8,884)	(3,255)	8,680	(3,459)
GFRC Holdings, LLC	(10,797)	(5,308)	10,483	(5,622)
RBC Acquisition Corp.		(7,647)		(7,647)
Other, net (<$250)	750	(985)	(226)	(461)
Total:	**$ (33,666)**	**$ (10,953)**	**$ 34,600**	**$ (10,019)**

The largest driver of our net unrealized appreciation for the year ended September 30, 2015 was the reversal of an aggregate of $34.6 million in cumulative unrealized depreciation primarily related to the sales of Midwest Metal, Sunburst, Saunders, and the restructure of GFRC. Net unrealized appreciation was also driven by an increase in performance on Funko of $11.5 million. This appreciation was offset by decreases in comparable multiples used in valuations and a decline in the financial and operational performance of GFRC and RBC Acquisition Corp. (RBC), resulting in $5.4 million and $7.6 million, respectively, of net unrealized depreciation during the year.

As of September 30, 2016, the fair value of our investment portfolio was less than its cost basis by approximately $59.7 million and our entire investment portfolio was valued at 84.4% of cost, as compared to cumulative net unrealized depreciation of $44.4 million and a valuation of our entire portfolio at 89.2% of cost as of September 30, 2015. This increase year over year in the cumulative unrealized depreciation on investments represents net unrealized depreciation of $15.3 million for the year ended September 30, 2016.

The cumulative net unrealized depreciation of our investments does not have an impact on our current ability to pay distributions to stockholders; however, it may be an indication of future realized losses, which could ultimately reduce our income available for distribution to stockholders.

Net Unrealized (Appreciation) Depreciation of Other

During the year ended September 30, 2016, we reversed $0.1 million of unrealized depreciation related to the expiration of our interest rate cap agreement in January 2016. During year ended September 30, 2015, we recorded $1.3 million of net unrealized depreciation on our Credit Facility recorded at fair value whereas no such amounts were incurred in the current period.

Table of Contents

Comparison of the Year Ended September 30, 2015 to the Year Ended September 30, 2014

	For the Year Ended September 30,			
	2015	**2014**	**$ Change**	**% Change**
INVESTMENT INCOME				
Interest income	**$ 34,895**	$ 32,170	$ 2,725	8.5%
Other income	**3,163**	4,415	(1,252)	(28.4)
Total investment income	**38,058**	36,585	1,473	4.0
EXPENSES				
Base management fee	**6,888**	5,864	1,024	17.5
Loan servicing fee	**3,816**	3,503	313	8.9
Incentive fee	**4,083**	4,297	(214)	(5.0)
Administration fee	**1,033**	853	180	21.1
Interest expense on borrowings	**3,828**	2,628	1,200	45.7
Dividend expense on mandatorily redeemable preferred stock	**4,116**	3,338	778	23.3
Amortization of deferred financing fees	**1,106**	1,247	(141)	(11.3)
Other expenses	**2,188**	2,084	104	5.0
Expenses, before credits from Adviser	**27,058**	23,814	3,244	13.6
Credit to base management fee loan servicing fee	**(3,816)**	(3,503)	(313)	(8.9)
Credit to fees from Adviser other	**(2,884)**	(2,094)	(790)	(37.7)
Total expenses, net of credits	**20,358**	18,217	2,141	11.8
NET INVESTMENT INCOME	**17,700**	18,368	(668)	(3.6)
NET REALIZED AND UNREALIZED (LOSS) GAIN				
Net realized loss on investments	**(33,666)**	(12,163)	(21,503)	(176.8)
Net realized loss on other	**(510)**	50	(560)	(1,120.0)
Extinguishment of debt		(1,297)	1,297	100.0
Net unrealized appreciation of investments	**23,647**	7,389	16,258	220.0
Net unrealized appreciation (depreciation) of other	**1,313**	(1,114)	2,427	217.9
Net loss from investments and other	**(9,216)**	(7,135)	(2,081)	(29.2)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$ 8,484**	$ 11,233	$ (2,749)	(24.5)
PER BASIC AND DILUTED COMMON SHARE				
Net investment income	**$ 0.84**	$ 0.87	$ (0.03)	(3.4)
Net increase in net assets resulting from operations	**$ 0.40**	$ 0.53	$ (0.13)	(24.5)

NM = Not Meaningful

Investment Income

Total interest income increased by 8.5% for the year ended September 30, 2015, as compared to the prior year period. This increase was due primarily to the funding of several new investments during the period, partially offset by several early payoffs at par during the prior year. The level of interest income on our investments is directly related to the principal balance of our interest-bearing investment portfolio outstanding during the year, multiplied by the weighted average yield. The weighted average principal balance of our interest-bearing investment portfolio during the year ended September 30, 2015, was $319.1 million, compared to $280.4 million for the prior year, an increase of $38.7 million, or 13.8%. The weighted average yield on our interest-bearing investments, which is based on the current stated interest rate on interest-bearing investments for the year ended September 30, 2015 was 10.9% compared to 11.5% for the year ended September 30, 2014, inclusive of any allowances on interest receivables made during those periods.

Table of Contents

As of September 30, 2015, two portfolio companies, Sunshine Media Holdings and Heartland, were either fully or partially on non-accrual status, with an aggregate debt cost basis of approximately $26.4 million, or 7.1% of the cost basis of all debt investments in our portfolio. During the quarter ended December 31, 2014, we sold our investment in Midwest Metal, which had been on non-accrual status. Effective January 1, 2015, we placed GFRC on non-accrual status and restored two tranches of Sunshine debt to accrual status and effective April 1, 2015, we placed Saunders on non-accrual status. During the quarter ended September 30, 2015, we sold our investment in Saunders, which was on non-accrual status and restructured our investment in GFRC and restored it to accrual status. As of September 30, 2014, three portfolio companies were on non-accrual status, with an aggregate debt cost basis of approximately $51.4 million, or 16.1%, of the cost basis of all debt investments in our portfolio. Effective January 1, 2014, we placed Heartland on non-accrual status and effective June 1, 2014 we placed Midwest Metal on non-accrual status. During the quarter ended December 31, 2013, we sold our investment in LocalTel, LLC (LocalTel), which had been on non-accrual status.

Other income decreased by 24.4% during the year ended September 30, 2015, as compared to the prior year. For the year ended September 30, 2015, other income consisted primarily of $1.9 million in success fees recognized, $0.9 million in dividend income, and $0.3 million in settlement fees. For the year ended September 30, 2014, other income consisted primarily of $2.4 million in success fees recognized, $1.1 million in dividend income, $0.4 million in prepayment fees and $0.4 million in settlement fees.

The following tables list the investment income for our five largest portfolio company investments at fair value during the respective years:

	As of September 30, 2015		Year Ended September 30, 2015	
Portfolio Company	**Fair Value**	**% of Portfolio**	**Investment Income**	**% of Total Investment Income**
Funko, LLC	$ 26,814	7.3%	$ 1,385	3.6%
WadeCo Specialties, Inc.	21,920	6.0	1,896	5.0
RBC Acquisition Corp.	20,617	5.6	2,343	6.2
United Flexible, Inc.(A)	20,355	5.6	1,226	3.2
Francis Drilling Fluids, Ltd.	19,928	5.5	2,946	7.7
Subtotal five largest investments	**109,634**	**30.0**	**9,796**	**25.7**
Other portfolio companies	256,257	70.0	28,257	74.3
Other non-portfolio company income			5	
Total Investment Portfolio	**$ 365,891**	**100.0%**	**$ 38,058**	**100.0%**

	As of September 30, 2014		Year Ended September 30, 2014
Portfolio Company		**% of Portfolio**	**Investment Income**

	Fair Value			% of Total Investment Income
RBC Acquisition Corp.	$ 28,283	10.1%	$ 2,879	7.9%
Francis Drilling Fluids, Ltd.	22,837	8.1	2,847	7.8
J. America, Inc.[(A)]	16,648	5.9	1,444	4.0
Funko, LLC	13,508	4.8	1,100	3.0
Defiance Integrated Technologies, Inc.	13,006	4.6	743	2.0
Subtotal five largest investments	**94,282**	**33.5**	**9,013**	**24.7**
Other portfolio companies	187,004	66.5	27,557	75.3
Other non-portfolio company income			15	
Total Investment Portfolio	**$ 281,286**	**100.0%**	**$ 36,585**	**100.0%**

(A) New investment during applicable year.

Table of Contents

Expenses

Expenses, net of credits from the Adviser, increased for the year ended September 30, 2015, by 11.8% as compared to the prior year. This increase was primarily due to increases in our net base management fees to the Advisor, interest expense on borrowings, and dividend expense on our mandatorily redeemable preferred stock, partially offset by a decrease in the net incentive fee to the Adviser.

Interest expense increased by $1.2 million, or 45.7%, during the year ended September 30, 2015, as compared to the prior year, primarily due to increased borrowings outstanding throughout the period on our Credit Facility. The weighted average balance outstanding on our Credit Facility during the year ended September 30, 2015, was approximately $92.5 million, as compared to $41.9 million in the prior year period, an increase of 120.9%. This was partially offset by lower average borrowing rates on our Credit Facility. The weighted average borrowing rate during the year ended September 30, 2015, was approximately 4.1% compared to 6.3% in the prior year period, a decrease of 34.9%.

The increase of $0.8 million, or 23.3%, in dividend expense on our mandatorily redeemable preferred stock during the year ended September 30, 2015, as compared to the prior year, was primarily due to the higher monthly distribution amount on our Series 2021 Term Preferred Stock, which was issued in May 2014, and which was partially offset by the voluntary redemption of our Series 2016 Term Preferred Stock, which was issued in November 2011 and redeemed in May 2014. Refer to *Liquidity and Capital Resources Equity Term Preferred Stock* for further discussion of our term preferred stock.

The increase of $0.4 million in the net base management fee earned by the Adviser during the year ended September 30, 2015, as compared to the prior year, was due primarily to an increase in the average total assets outstanding as a result of the net growth in our investment portfolio during the period. This was partially offset by a decrease in the annual base management fee from 2.0% to 1.75% effective July 1, 2015. The base management, loan servicing and incentive fees and associated unconditional, non-contractual, and irrevocable voluntary credits are computed quarterly, as described under *Investment Advisory and Management Agreement* and *Loan Servicing Fee Pursuant to Credit Agreement* in Note 4 of the notes to our accompanying *Consolidated Financial Statements* and are summarized in the following table:

	Year Ended September 30, 2015	2014
Average total assets subject to base management fee[(A)]	**$ 355,510**	$ 293,200
Multiplied by annual base management fee of 1.75% 2.0%	**1.75% - 2.0%**	2.0%
Base management fee[(B)]	**6,888**	5,864
Portfolio fee credit	**(1,399)**	(797)
Senior syndicated loan fee credit	**(118)**	(117)
Net Base Management Fee	**$ 5,371**	$ 4,950
Loan servicing fee[(B)]	**$ 3,816**	$ 3,503
Credit to base management fee loan servicing fee[(B)]	**(3,816)**	(3,503)

Net Loan Servicing Fee	**$**	$
Incentive fee[B]	**$ 4,083**	$ 4,297
Incentive fee credit	**(1,367)**	(1,180)
Net Incentive Fee	**$ 2,716**	$ 3,117
Portfolio fee credit	**$ (1,399)**	$ (797)
Senior syndicated loan fee credit	**(118)**	(117)
Incentive fee credit	**(1,367)**	(1,180)
Credit to Fees from Adviser Other[B]	**$ (2,884)**	$ (2,094)

Table of Contents

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

(B) Reflected, on a gross basis, as a line item on our accompanying *Consolidated Statement of Operations* located elsewhere in this Prospectus.

Realized Loss and Unrealized Appreciation

Net Realized Loss on Investments

For the year ended September 30, 2015, we recorded a net realized loss on investments of $33.7 million, which resulted primarily from the sales of Midwest Metal, Sunburst, Saunders and the restructure of GFRC for a combined realized loss of $34.1 million and net proceeds of $7.1 million. This realized loss was partially offset by the realized gain of $1.6 million we recognized on the early payoff of NAAS.

For the year ended September 30, 2014, we recorded a net realized loss on investments of $12.1 million, which primarily consisted of realized losses of $10.8 million due to our sale of LocalTel for proceeds contingent on an earn-out and $2.8 million due to our sale of BAS Broadcasting (BAS) for net proceeds of $4.7 million. Partially offsetting these realized losses, was the realized gain of $1.0 million we recognized on the exit of WP Evenflo Group Holdings, Inc. (WP Evenflo).

Realized Loss on Extinguishment of Debt

Realized loss on extinguishment of debt of $1.3 million for the year ended September 30, 2014, is comprised primarily of our unamortized deferred financing costs at the time of the voluntary redemption of our then existing Series 2016 Term Preferred Stock in May 2014.

Net Unrealized Appreciation of Investments

During the year ended September 30, 2015, we recorded net unrealized appreciation of investments in the aggregate amount of $23.6 million. The net realized (loss) gain and unrealized appreciation (depreciation) across our investments for the year ended September 30, 2015, were as follows:

	Year Ended September 30, 2015			
Portfolio Company	**Realized (Loss) Gain**	**Unrealized Appreciation (Depreciation)**	**Reversal of Unrealized Depreciation (Appreciation)**	**Net Gain (Loss)**
Funko, LLC	$	$ 11,451	$	$ 11,451
Sunburst Media Louisiana, LLC	(1,333)	2,130	2,295	3,092
Precision Acquisition Group Holdings, Inc.		2,831		2,831
Sunshine Media Holdings		1,861		1,861
Heartland Communications Group		1,123		1,123
Behrens Manufacturing, LLC		1,102		1,102
Ameriqual Group, LLC		1,063		1,063

Westland Technologies, Inc.		899		899
Midwest Metal Distribution, Inc.	(14,980)		15,578	598
Ashland Acquisitions, LLC		571		571
AG Transportation Holdings, LLC		516		516
New Trident Holdcorp, Inc.		(282)		(282)
Vertellus Specialties Inc.		(315)		(315)
LWO Acquisitions Company, LLC		(390)		(390)

Table of Contents

Portfolio Company	Realized (Loss) Gain	Unrealized Appreciation (Depreciation)	Reversal of Unrealized Depreciation (Appreciation)	Net Gain (Loss)
	Year Ended September 30, 2015			
SourceHOV LLC		(473)		(473)
FedCap Partners, LLC		(507)		(507)
North American Aircraft Services, LLC	1,578		(2,216)	(638)
WadeCo. Specialties, Inc.		(818)		(818)
Alloy Die Casting		(1,251)		(1,251)
Targus Group International, Inc.		(1,254)		(1,254)
Meridian Rack & Pinion, Inc.		(1,647)		(1,647)
B+T Group Acquisition Inc.		(1,934)		(1,934)
Francis Drilling Fluids, Ltd.		(2,575)		(2,575)
PLATO Learning, Inc.		(2,663)		(2,663)
Edge Adhesives Holdings, Inc.		(3,196)	6	(3,190)
Saunders & Associates	(8,884)	(3,255)	8,680	(3,459)
GFRC Holdings, LLC	(10,797)	(5,308)	10,483	(5,622)
RBC Acquisition Corp.		(7,647)		(7,647)
Other, net (<$250)	240	(985)	(226)	(971)
Total:	**$ (34,176)**	**$ (10,953)**	**$ 34,600**	**$ (10,529)**

The largest driver of our net unrealized appreciation for the year ended September 30, 2015 was the reversal of an aggregate of $34.6 million in cumulative unrealized depreciation primarily related to the sales of Midwest Metal, Sunburst, and Saunders, and the restructure of GFRC. Net unrealized appreciation was also driven by an increase in performance on Funko LLC of $11.5 million. This appreciation was offset by decreases in comparable multiples used in valuations and a decline in the financial and operational performance of GFRC and RBC, resulting in $5.3 million and $7.6 million, respectively, of net unrealized depreciation during the year.

During the year ended September 30, 2014, we recorded net unrealized appreciation of investments in the aggregate amount of $7.4 million. The net realized gain (loss) and unrealized appreciation (depreciation) across our investments for the year ended September 30, 2014, were as follows:

Portfolio Company	Realized (Loss) Gain	Unrealized Appreciation (Depreciation)	Reversal of Unrealized Depreciation (Appreciation)	Net Gain (Loss)
	Year Ended September 30, 2014			
Defiance Integrated Technologies, Inc.	$	$ 4,594	$	$ 4,594
BAS Broadcasting	(2,765)	187	6,905	4,327
Funko, LLC		4,162		4,162
Legend Communications of Wyoming, LLC		2,729		2,729
		(6)	2,261	2,255

International Junior Golf Training Acquisition Company				
Sunshine Media Holdings		1,955		1,955
North American Aircraft Services, LLC		1,755		1,755
Francis Drilling Fluids, Ltd.		1,186		1,186
WP Evenflo Group Holdings, Inc.	988	1,105	(1,002)	1,091
Sunburst Media Louisiana, LLC		974		974
Edge Adhesives Holdings, Inc.		579		579
Westland Technologies, Inc.		405		405
J. America, Inc.		(352)		(352)
LocalTel, LLC	(10,768)		10,218	(550)

Table of Contents

Portfolio Company	Year Ended September 30, 2014 Realized (Loss) Gain	Unrealized Appreciation (Depreciation)	Reversal of Unrealized Depreciation (Appreciation)	Net Gain (Loss)
Alloy Die Casting Co.		(643)		(643)
Lindmark Acquisition, LLC		(827)		(827)
FedCap Partners, LLC		(827)		(827)
Ameriqual Group, LLC		(838)		(838)
Saunders and Associates		(3,945)		(3,945)
Precision Acquisition Group Holdings, Inc.		(4,601)		(4,601)
RBC Acquisition Corp.		(5,330)		(5,330)
Midwest Metal Distribution, Inc.		(12,892)		(12,892)
Other, net (<$250)	432	43	(406)	69
Total:	**$ (12,113)**	**$ (10,587)**	**$ 17,976**	**$ (4,724)**

The largest driver of our net unrealized appreciation for the year ended September 30, 2014 was the reversal of an aggregate of $18.0 million in cumulative unrealized depreciation primarily related to the repayment of principal in full at par on International Junior Golf Training Acquisition Company and the sales of BAS and LocalTel during the fiscal year. Net unrealized appreciation was also driven by an increase in performance on Defiance of $4.6 million and Funko LLC of $4.2 million. This appreciation was offset by decreases in comparable multiples used in valuations and a decline in the financial and operational performance of Midwest Metal and RBC, resulting in $12.9 million and $5.3 million, respectively, of net unrealized depreciation during the year

As of September 30, 2015, the fair value of our investment portfolio was less than its cost basis by approximately $44.4 million and our entire investment portfolio was valued at 89.2% of cost, as compared to cumulative net unrealized depreciation of $68.0 million and a valuation of our entire portfolio at 80.5% of cost as of September 30, 2014.

Net Unrealized (Appreciation) Depreciation of Other

During year ended September 30, 2015, we recorded $1.3 million of net unrealized depreciation on our Credit Facility recorded at fair value compared to net unrealized appreciation of $1.1 million for the year ended September 30, 2014.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Our cash flows from operating activities are primarily generated from the interest payments on debt securities that we receive from our portfolio companies, as well as net proceeds received through repayments or sales of our investments. We utilize this cash primarily to fund new investments, make interest payments on our Credit Facility, make distributions to our stockholders, pay management fees to the Adviser, and for other operating expenses. Net cash provided by operating activities for the year ended September 30, 2016 was $60.0 million as compared to net cash used in operating activities of $74.5 million for the year ended September 30, 2015. The change was primarily due to the decrease in purchases of investments and an increase in repayments on investments during the year ended September 30, 2016. For the year ended September 30, 2014, net cash provided by operating activities was

$0.5 million, which was primarily driven by principal repayments during fiscal year 2014.

As of September 30, 2016, we had loans to, syndicated participations in or equity investments in 45 private companies, with an aggregate cost basis of approximately $381.8 million. As of September 30, 2015, we had

Table of Contents

loans to, syndicated participations in or equity investments in 48 private companies, with an aggregate cost basis of approximately $410.2 million.

The following table summarizes our total portfolio investment activity during the years ended September 30, 2016 and 2015:

	Year Ended September 30,	
	2016	**2015**
Beginning investment portfolio, at fair value	**$ 365,891**	$ 281,286
New investments	**79,401**	102,299
Disbursements to existing portfolio companies	**10,145**	33,824
Scheduled principal repayments	**(1,934)**	(1,182)
Unscheduled principal repayments	**(107,293)**	(12,559)
Net proceeds from sales of investments	**(21,438)**	(28,602)
Net unrealized depreciation of investments	**(9,824)**	(10,953)
Reversal of prior period net depreciation of investments on realization	**(5,510)**	34,600
Net realized gain (loss) on investments	**7,216**	(33,666)
Increase in investment balance due to PIK interest[(A)]	**5,002**	665
Cost adjustments on non-accrual loans	**388**	328
Net change in premiums, discounts and amortization	**70**	(149)
Ending Investment Portfolio, at Fair Value	**$ 322,114**	$ 365,891

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

The following table summarizes the contractual principal repayment and maturity of our investment portfolio by fiscal year, assuming no voluntary prepayments, at September 30, 2016.

Year Ending September 30,		**Amount[(A)]**
	2017	$ 40,128
	2018	61,830
	2019	48,068
	2020	83,486
	Thereafter	111,229
	Total contractual repayments	**$ 344,741**
	Equity investments	37,571
	Adjustments to cost basis on debt investments	(511)

Investment Portfolio as of September 30, 2016, at Cost:	**$ 381,801**

(A) Subsequent to September 30, 2016, two debt investments with aggregate principal balances maturing during each of the years ending September 30, 2017, September 30, 2018, September 30, 2019 and September 30, 2020, of $18.4 million, $7.7 Million, $7.0 million and $2.0 million, respectively, were repaid at par.

Financing Activities

Net cash used in financing activities for the year ended September 30, 2016 was $57.7 million, which consisted primarily of $56.0 million in net repayments on our Credit Facility and $19.5 million in distributions to common stockholders, partially offset by $19.7 million in proceeds from the issuance of common stock, net of underwriting costs.

Net cash provided by financing activities for the year ended September 30, 2015 of $72.0 million consisted primarily of $90.6 million in net borrowings on our Credit Facility offset by $17.7 million in distributions to common stockholders.

Net cash used in financing activities for the year ended September 30, 2014 of $8.1 million consisted primarily of $17.6 million in distributions to common stockholders and $10.2 million in net repayments on our Credit Facility. These financing activities were partially offset by the gross proceeds of $61.0 million from the issuance of our Series 2021 Term Preferred Stock, net of the voluntary redemption of $38.5 million of the then existing Series 2016 Term Preferred Stock in May 2014.

Distributions to Stockholders

Common Stock Distributions

To qualify to be taxed as a RIC and thus avoid corporate level federal income tax on the income we distribute to our stockholders, we are required to distribute to our stockholders on an annual basis at least 90.0% of our investment company taxable income. Additionally, our Credit Facility has a covenant that generally restricts the amount of distributions to stockholders that we can pay out to be no greater than our aggregate net investment income and capital gains in each fiscal year. In accordance with these requirements, we paid monthly cash distributions of $0.07 per common share for each month during the years ended September 30, 2016, 2015 and 2014, which totaled an aggregate of $19.5 million, $17.7 million and $17.6 million, respectively. In October 2016, our Board of Directors declared a monthly distribution of $0.07 per common share for each of October, November and December 2016. Our Board of Directors declared these distributions to our stockholders based on our estimates of our investment company taxable income for the fiscal year ending September 30, 2017.

From inception through September 30, 2016, we have paid 164 either monthly or quarterly consecutive distributions to common stockholders totaling approximately $276.3 million or $16.06 per share.

For the year ended September 30, 2016, our current and accumulated earnings and profits (after taking into account mandatorily redeemable preferred stock dividends) exceeded distributions declared and paid, and, in accordance with Section 855(a) of the Code, we elected to treat $5.5 million of the first common distributions paid in fiscal year 2017 as having been paid in the respective prior year. For the year ended September 30, 2015, our current and accumulated earnings and profits (after taking into account mandatorily redeemable preferred stock dividends) exceeded distributions declared and paid, and, in accordance with Section 855(a) of the Code, we elected to treat $1.7 million of the first common distributions paid in fiscal year 2016 as having been paid in the respective prior year. For the year ended September 30, 2014, common stockholder distributions to be declared and paid exceeded our current and accumulated earnings and profits (after taking into account mandatorily redeemable preferred stock dividends), which resulted in an estimated partial return of capital of approximately $15.2 million. The returns of capital primarily resulted from GAAP realized losses being recognized as ordinary losses for federal income tax purposes.

Preferred Stock Dividends

We paid monthly cash dividends of $0.140625 per share of our Series 2021 Term Preferred Stock for each month during the years ended September 30, 2016 and 2015, which totaled an aggregate of $4.1 million during each of the years ended September 30, 2016 and 2015. During the year ended September 30, 2014 we paid monthly cash dividends of $0.1484375 per share of our Series 2016 Term Preferred Stock for each of the nine months from October 2013 through May 2014, which totaled an aggregate of $2.3 million. In May 2014, our Board of Directors declared, and we paid, a combined May and June 2014 cash distribution of $0.1968750 per share of our

Table of Contents

Series 2021 Term Preferred Stock. This covered a prorated portion of May 2014 from the time the stock was issued and outstanding and the full month of June 2014. We paid a monthly dividends of $0.140625 per share of Series 2021 Term Preferred Stock for each of July, August and September 2014. In October 2016, our Board of Directors declared a monthly dividend of $0.140625 per share of Series 2021 Term Preferred Stock for each of October, November and December 2016.

For federal income tax purposes, dividends paid by us to preferred stockholders generally constitute ordinary income to the extent of our current and accumulated earnings and profits and have been characterized as ordinary income to our preferred stockholders since our Series 2016 Term Preferred Stock was issued in November 2011. We anticipate the same characterization for our Series 2021 Term Preferred Stock issued in May 2014.

Equity

Registration Statement

We filed a universal shelf registration statement (our Registration Statement) on Form N-2 (File No. 333-208637) with the SEC on December 18, 2015, and subsequently filed Pre-Effective Amendment No. 1 on March 17, 2016 and Pre-Effective Amendment No. 2 on March 29, 2016, which the SEC declared effective on March 29, 2016. Our Registration Statement registered an aggregate of $300.0 million in securities, consisting of common stock, preferred stock, subscription rights, debt securities and warrants to purchase common stock, preferred stock or debt securities. After the common stock offering in October 2016, we currently have the ability to issue up to $282.7 million in securities under the registration statement.

Common Stock

Pursuant to our prior registration statement, on February 27, 2015, we entered into equity distribution agreements (commonly referred to as at-the-market agreements or the Sales Agreements) with KeyBanc Capital Markets Inc. and Cantor Fitzgerald & Co., each a Sales Agent, under which we may issue and sell, from time to time, through the Sales Agents, up to an aggregate offering price of $50.0 million shares of our common stock. During the year ended September 30, 2015, we sold an aggregate of 131,462 shares of our common stock under the Sales Agreements for net proceeds, net of underwriter s commissions and other offering expenses borne by us, of approximately $1.0 million. We did not sell any shares under the Sales Agreements during the year ended September 30, 2016.

Also pursuant to our prior Registration Statement, on October 27, 2015, we completed a public offering of 2.0 million shares of our common stock at a public offering price of $8.55 per share. Gross proceeds totaled $17.1 million and net proceeds, after deducting underwriting discounts and offering expenses borne by us, were approximately $16.0 million, which was used to repay borrowings under our Credit Facility. In connection with the offering, in November 2015, the underwriters exercised their option to purchase an additional 300,000 shares at the public offering price to cover over-allotments, which resulted in additional gross proceeds of $2.6 million and net proceeds, after deducting underwriting discounts and offering expenses borne by us, were approximately $2.4 million.

In January 2016, our Board of Directors authorized a share repurchase program for up to an aggregate of $7.5 million of the Company s common stock. The termination date for the program is the earlier of repurchasing the total authorized amount of $7.5 million or January 31, 2017. During the twelve months ended September 30, 2016, we repurchased 87,200 shares of our common stock at an average share price of $6.53, resulting in gross purchases of $0.6 million.

Pursuant to our current Registration Statement, on October 26, 2016, we completed a public offering of 2.0 million shares of our common stock at a public offering price of $7.98 per share. Gross proceeds totaled $16.0 million and net proceeds, after deducting underwriting discounts and offering expenses borne by us, were approximately $15.1 million. In connection with this offering, in November 2016, the underwriters partially exercised their overallotment option to purchase an additional 173,444 shares of our common stock, which resulted in additional gross proceeds of $1.4 million and net proceeds, after deducting underwriting discounts and offering costs borne by us, were approximately $1.3 million.

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

We are not requesting that our stockholders approve the Company s ability to issue shares of common stock at a price below NAV at the Company s 2017 Annual Meeting of Stockholders to be held in February. Should we decide to issue shares of common stock at a price below NAV in the future, we will seek the requisite approval of our stockholders.

At our Annual Meeting of Stockholders held on February 11, 2016, our stockholders approved a proposal authorizing us to sell shares of our common stock at a price below our then current NAV per share subject to certain limitations (including, but not limited to, that the number of shares issued and sold pursuant to such authority does not exceed 25.0% of our then outstanding common stock immediately prior to each such sale) for a period of one year from the date of approval, provided that our Board of Directors makes certain determinations prior to any such sale.

Term Preferred Stock

Pursuant to our prior registration statement, in May 2014, we completed a public offering of approximately 2.4 million shares of our Series 2021 Term Preferred Stock, par value $0.001 per share, at a public offering price of $25.00 per share and a 6.75% rate. Gross proceeds totaled $61.0 million and net proceeds, after deducting underwriting discounts, commissions and offering expenses borne by us, were $58.5 million, a portion of which was used to voluntarily redeem all 1.5 million outstanding shares of our then existing 7.125% Series 2016 Term Preferred Stock, par value $0.001 per share, and the remainder was used to repay a portion of outstanding borrowings under our Credit Facility.

Our Series 2021 Term Preferred Stock is not convertible into our common stock or any other security and provides for a fixed dividend rate equal to 6.75% per year, payable monthly (which equates in total to approximately $4.1 million per year). We are required to redeem all of the outstanding Series 2021 Term Preferred Stock on June 30, 2021 for cash at a redemption price equal to $25.00 per share plus an amount equal to all unpaid dividends and distributions on such share accumulated to (but excluding) the date of redemption (the Redemption Price). We may additionally be required to mandatorily redeem some or all of the shares of our Series 2021 Term Preferred Stock early, at the Redemption Price, in the event of the following: (1) upon the occurrence of certain events that would constitute a change in control, and (2) if we fail to maintain an asset coverage ratio of at least 200% on our senior securities that are stock (which, currently is only the Series 2021 Term Preferred Stock) and the failure remains for a period of 30 days following the filing date of our next SEC quarterly or annual report. We may also voluntarily redeem all or a portion of the Series 2021 Term Preferred Stock at our option at the Redemption Price at any time on or after June 30, 2017. The asset coverage on our senior securities that are stock (thus, our Series 2021 Term Preferred Stock) as of September 30, 2016 was 249.5%.

If we fail to redeem our Series 2021 Term Preferred Stock pursuant to the mandatory redemption required on June 30, 2021, or in any other circumstance in which we are required to mandatorily redeem our Series 2021 Term Preferred Stock, then the fixed dividend rate will increase by 4.0% for so long as such failure continues. As of September 30, 2016, we have not redeemed, nor have we been required to redeem, any shares of our outstanding Series 2021 Term Preferred Stock.

Table of Contents

Revolving Credit Facility

On May 1, 2015, we, through Business Loan, entered into a Fifth Amended and Restated Credit Agreement with KeyBank, as administrative agent, lead arranger and a lender, which increased the commitment amount of our Credit Facility from $137.0 million to $140.0 million, extended the revolving period end date by three years to January 19, 2019, decreased the marginal interest rate added to 30-day LIBOR from 3.75% to 3.25% per annum, set the unused commitment fee at 0.50% on all undrawn amounts, expanded the scope of eligible collateral, and amended other terms and conditions to among other items. If our Credit Facility is not renewed or extended by January 19, 2019, all principal and interest will be due and payable on or before April 19, 2020. Subject to certain terms and conditions, our Credit Facility may be expanded up to a total of $250.0 million through additional commitments of new or existing lenders. We incurred fees of approximately $1.1 million in connection with this amendment, which are being amortized through our Credit Facility s revolving period end date of January 19, 2019. On June 19, 2015, we through Business Loan, entered into certain joinder and assignment agreements with three new lenders to increase borrowing capacity on our Credit Facility by $30.0 million to $170.0 million. We incurred fees of approximately $0.6 million in connection with this expansion, which are being amortized through our Credit Facility s revolving period end date of January 19, 2019.

On October 9, 2016 and August 18, 2016, we entered into Amendments No. 1 and 2 to our Credit Facility, respectively, each of which clarified various constraints on available borrowings.

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

Our Credit Facility contains covenants that require Business Loan to maintain its status as a separate legal entity, prohibit certain significant corporate transactions (such as mergers, consolidations, liquidations or dissolutions), and restrict material changes to our credit and collection policies without the lenders consents. Our Credit Facility generally limits distributions to our stockholders on a fiscal year basis to the sum of our net investment income, net capital gains and amounts deemed to have been paid during the prior year in accordance with Section 855(a) of the Code. Business Loan is also subject to certain limitations on the type of loan investments it can apply as collateral towards the borrowing base to receive additional borrowing availability under our Credit Facility, including restrictions on geographic concentrations, sector concentrations, loan size, payment frequency and status, average life, portfolio company leverage and lien property. Our Credit Facility further requires Business Loan to comply with other financial and operational covenants, which obligate Business Loan to, among other things, maintain certain financial ratios, including asset and interest coverage and a minimum number of 20 obligors required in the borrowing base. Additionally, we are subject to a performance guaranty that requires us to maintain (i) a minimum net worth (defined in our Credit Facility to include our mandatorily redeemable preferred stock) of $205.0 million plus 50% of all equity and subordinated debt raised after May 1, 2015 less 50% of any equity and subordinated debt retired or redeemed after May 1, 2015, which equates to $214.5 million as of September 30, 2016, (ii) asset coverage with respect to senior securities representing indebtedness of at least 200%, in accordance with Section 18 of the 1940 Act and (iii) our status as a BDC under the 1940 Act and as a RIC under the Code.

As of September 30, 2016, and as defined in the performance guaranty of our Credit Facility, we had a net worth of $260.7 million, asset coverage on our senior securities representing indebtedness of 462.3% and an active status as a

BDC and RIC. In addition, we had 33 obligors in our Credit Facility s borrowing base as of September 30, 2016. As of September 30, 2016, we were in compliance with all of our Credit Facility covenants.

Table of Contents

Refer to Note 5 *Borrowings* of the notes to our accompanying *Consolidated Financial Statements* included elsewhere in this Prospectus for additional information regarding our Credit Facility.

Pursuant to the terms under our Credit Facility, in July 2013, we, through Business Loan, entered into an interest rate cap agreement with KeyBank, effective July 9, 2013, for a notional amount of $35.0 million. We incurred a premium fee of $62 in conjunction with this agreement. The interest rate cap agreement, which expired January 2016, effectively limited the interest rate on a portion of the borrowings pursuant to the terms of our Credit Facility.

Off-Balance Sheet Arrangements

We generally recognize success fee income only when the payment has been received. As of September 30, 2016 and September 30, 2015, we had off-balance sheet success fee receivables on our accruing debt investments of $3.4 million and $7.7 million (or approximately $0.14 per common share and $0.37 per common share), respectively, that would be owed to us based on our current portfolio if fully paid off. Consistent with GAAP, we have not recognized our success fee receivable on our balance sheet or income statement. Due to our success fees   contingent nature, there are no guarantees that we will be able to collect all of these success fees or know the timing of such collections.

Contractual Obligations

We have lines of credit, a delayed draw term loan, and an uncalled capital commitment with certain of our portfolio companies that have not been fully drawn. Since these commitments have expiration dates and we expect many will never be fully drawn, the total commitment amounts do not necessarily represent future cash requirements. We estimate the fair value of the combined unused lines of credit, the unused delayed draw term loan and the uncalled capital commitment as of September 30, 2016 and September 30, 2015 to be immaterial.

The following table shows our contractual obligations as of September 30, 2016, at cost:

	Payments Due by Period				
Contractual Obligations[(A)]	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**	**Total**
Credit Facility[(B)]	$	$ 71,300	$	$	$ 71,300
Mandatorily Redeemable Preferred Stock			61,000		61,000
Interest expense on debt obligations[(C)]	7,347	16,659	3,088		27,094
Total	**$ 7,347**	**$ 87,959**	**$ 64,088**	**$**	**$ 159,394**

(A) Excludes our unused line of credit commitments, an unused delayed draw term loan and uncalled capital commitments to our portfolio companies in an aggregate amount of $9.7 million, at cost, as of September 30, 2016.

(B) Principal balance of borrowings outstanding under our Credit Facility, based on the current contractual revolver period end date to the revolving nature of the facility.

(C) Includes estimated interest payments on our Credit Facility and dividend obligations on our Series 2021 Term Preferred Stock. The amount of interest expense calculated for purposes of this table was based upon rates and balances as of September 30, 2016. Dividend payments on our Series 2021 Term Preferred Stock assume quarterly dividend declarations and monthly dividend distributions through the date of mandatory redemption.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect the reported consolidated amounts of assets and liabilities, including disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. Actual results could differ materially from those estimates under different assumptions or conditions. We have identified our investment valuation policy (which has been approved by our Board of Directors) (the Policy) as our most critical accounting policy.

Investment Valuation

Fair value measurements of our investments may involve subjective judgments and estimates and due to the inherent uncertainty of determining these fair values, the fair value of our investments may fluctuate from period to period. Additionally, changes in the market environment and other events that may occur over the life of the investment may cause the gains or losses ultimately realized on these investments to be different than the valuations currently assigned. Refer to Note 2 *Summary of Significant Accounting Policies* and Note 3 *Investments* in the notes to our accompanying *Consolidated Financial Statements* included elsewhere in this Prospectus for additional information regarding fair value measurements.

Credit Monitoring and Risk Rating

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

The Adviser risk rates all of our investments in debt securities. The Adviser does not risk rate our equity securities. For syndicated loans that have been rated by a Nationally Recognized Statistical Rating Organization (NRSRO) (as defined in Rule 2a-7 under the 1940 Act), the Adviser generally uses the average of two corporate level NRSRO s risk ratings for such security. For all other debt securities, the Adviser uses a proprietary risk rating system. While the Adviser seeks to mirror the NRSRO systems, we cannot provide any assurance that the Adviser s risk rating system will provide the same risk rating as an NRSRO for these securities. The Adviser s risk rating system is used to estimate the probability of default on debt securities and the expected loss if there is a default. The Adviser s risk rating system uses a scale of 0 to >10, with >10 being the lowest probability of default. It is the Adviser s understanding that most debt securities of medium-sized companies do not exceed the grade of BBB on an NRSRO scale, so there would be no debt securities in the middle market that would meet the definition of AAA, AA or A. Therefore, the Adviser s scale begins with the designation >10 as the best risk rating which may be equivalent to a BBB from an NRSRO; however, no assurance can be given that a >10 on the Adviser s scale is equal to a BBB or Baa2 on an NRSRO scale. The Adviser s risk rating system covers both qualitative and quantitative aspects of the business and the securities we hold. During the quarter ended June 30, 2014, we modified our risk rating model to incorporate additional factors in our qualitative and quantitative analysis. While the overall process did not change, we believe the additional factors enhance the quality of the risk ratings of our investments. No adjustments were made to prior periods as a result of this modification.

The following table reflects risk ratings for all proprietary loans in our portfolio at September 30, 2016 and 2015, representing approximately 90.0% and 84.1%, respectively, of the principal balance of all debt investments in our portfolio at the end of each fiscal year:

Rating	As of September 30, 2016	2015
Highest	**8.0**	8.0
Average	**5.3**	5.9
Weighted Average	**5.3**	6.0
Lowest	**1.0**	4.0

Table of Contents

The following table reflects the risk ratings for all syndicated loans in our portfolio that were rated by an NRSRO at September 30, 2016 and 2015, representing approximately 7.3% and 10.8%, respectively, of the principal balance of all debt investments in our portfolio at the end of each fiscal year:

	As of September 30,	
Rating	**2016**	**2015**
Highest	5.0	6.0
Average	3.9	4.8
Weighted Average	4.0	4.9
Lowest	2.0	