GLADSTONE CAPITAL CORP
Form 497
May 03, 2018

Filed Pursuant to Rule 497

Securities Act File No. 333-208637

Supplement No. 1, dated May 3, 2018

to

Prospectus Supplement, dated February 8, 2018

This supplement contains information which amends, supplements or modifies certain information contained in the Prospectus of Gladstone Capital Corporation (the Company), dated February 1, 2018 as supplemented by the Prospectus Supplement dated February 8, 2018. Capitalized terms used but not defined herein shall have the same meaning given them in the Prospectus Supplement or Prospectus, as applicable.

Shares of closed-end investment companies, including BDCs, frequently trade at a discount to their NAV per share. If our shares trade at a discount to our NAV per share, it will likely increase the risk of loss for purchasers in this offering. Investing in shares of our common stock involves a high degree of risk. Before investing, you should read the material risks described in the Risk Factors section beginning on page S-11 of the Prospectus Supplement and beginning on page 12 of the Prospectus before you decide to invest.

STATUS OF THE OFFERING

We are party to an equity distribution agreement, as last amended on May 22, 2017 (the Sales Agreement), with Cantor Fitzgerald & Co. (Cantor Fitzgerald). The Sales Agreement provides that we may offer and sell shares of our common stock having an aggregate offering price of up to $50,000,000 from time to time through the Sales Agreement.

The gross proceeds raised, the related sales agent commissions, the offering expenses and the average price at which these shares were issued under the Sales Agreement from the period from February 8, 2018 through May 2, 2018 are as follows:

Fiscal Year 2018 Issuance of Common Stock	Number of Shares	Gross Proceeds	Sales Commission	Offering Expenses	Average Offering Price
First Quarter ended December 31, 2017	471,498	$ 4,566,831	$ 68,502	$ 14,538	$ 9.69
Second Quarter ended March 31, 2018	265,579	2,360,901	35,414	7,516	8.89
Third Quarter (through May 2, 2018)					
Total	737,077	$ 6,927,732	$ 103,916	$ 22,054	$ 9.40

The aforementioned shares sold under the Sales Agreement were all sold at a premium to the then estimated NAV per share.

FILING OF OUR FORM 10-Q

On May 2, 2018, we filed our Quarterly Report on Form 10-Q (Form 10-Q) for the quarter ended March 31, 2018 with the Securities and Exchange Commission. We have attached the Form 10-Q to this supplement as Annex A.

Table of Contents

Annex A

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one):

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2018

OR

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

COMMISSION FILE NUMBER: 814-00237

GLADSTONE CAPITAL CORPORATION

(Exact name of registrant as specified in its charter)

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

(703) 287-5800

(Registrant s telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company
Emerging growth company		

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

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

The number of shares of the issuer s common stock, $0.001 par value per share, outstanding as of May 1, 2018 was 26,897,761.

Table of Contents

GLADSTONE CAPITAL CORPORATION

TABLE OF CONTENTS

Table of Contents

GLADSTONE CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	March 31, 2018	September 30, 2017
ASSETS		
Investments, at fair value:		
Non-Control/Non-Affiliate investments (Cost of **$360,816** and $318,952, respectively)	**$ 336,235**	$ 290,860
Affiliate investments (Cost of **$54,125** and $49,868, respectively)	**49,570**	42,648
Control investments (Cost of **$41,865** and $42,615 respectively)	**16,333**	18,865
Cash and cash equivalents	**1,819**	5,012
Restricted cash and cash equivalents	**186**	258
Interest receivable, net	**2,207**	1,699
Due from custodian	**3,300**	3,086
Deferred financing fees	**1,699**	853
Other assets, net	**656**	2,579
TOTAL ASSETS	**$ 412,005**	$ 365,860
LIABILITIES		
Borrowings, at fair value (Cost of **$127,800** and $93,000, respectively)	**$ 127,800**	$ 93,115
Mandatorily redeemable preferred stock, $0.001 par value per share, $25 liquidation preference per share; **5,440,000** and 5,440,000 shares authorized, respectively, and **2,070,000** and 2,070,000 shares issued and outstanding, respectively	**49,938**	49,849
Accounts payable and accrued expenses	**307**	522
Interest payable	**386**	264
Fees due to Adviser[(A)]	**1,007**	1,292
Fee due to Administrator[(A)]	**312**	244
Other liabilities	**530**	924
TOTAL LIABILITIES	**$ 180,280**	$ 146,210
Commitments and contingencies[(B)]		
NET ASSETS		
Common stock, $0.001 par value, **44,560,000** and 44,560,000 shares authorized, respectively, and **26,897,761** and 26,160,684 shares issued and outstanding, respectively	**$ 27**	$ 26
Capital in excess of par value	**354,779**	348,248
Cumulative net unrealized depreciation of investments	**(54,668)**	(59,062)

Cumulative net unrealized depreciation of other				(115)
Over distributed net investment income		**(155)**		(139)
Accumulated net realized losses		**(68,258)**		(69,308)
TOTAL NET ASSETS	**$**	**231,725**	$	219,650
NET ASSET VALUE PER COMMON SHARE	**$**	**8.62**	$	8.40

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

(B) Refer to Note 10 *Commitments and Contingencies* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

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

Table of Contents

GLADSTONE CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2018	**2017**	**2018**	**2017**
INVESTMENT INCOME				
Interest income				
Non-Control/Non-Affiliate investments	**$ 8,283**	$ 5,957	**$ 15,967**	$ 11,766
Affiliate investments	**1,177**	972	**2,288**	2,135
Control investments	**376**	433	**1,063**	878
Cash and cash equivalents	**7**	5	**19**	7
Total interest income (excluding PIK interest income)	**9,843**	7,367	**19,337**	14,786
PIK interest income				
Non-Control/Non-Affiliate investments	**1,088**	1,064	**2,194**	2,061
Affiliate investments	**69**	157	**139**	374
Total PIK interest income	**1,157**	1,221	**2,333**	2,435
Total interest income	**11,000**	8,588	**21,670**	17,221
Success fee income				
Non-Control/Non-Affiliate investments				391
Affiliate investments				1,142
Total success fee income				1,533
Other income	**86**	205	**275**	13
Total investment income	**11,086**	8,793	**21,945**	18,767
EXPENSES				
Base management fee(A)	**1,784**	1,359	**3,460**	2,737
Loan servicing fee(A)	**1,274**	955	**2,460**	1,938
Incentive fee(A)	**1,210**	1,070	**2,583**	2,363
Administration fee(A)	**312**	286	**584**	586
Interest expense on borrowings	**1,569**	587	**2,800**	1,143
Dividend expense on mandatorily redeemable preferred stock	**776**	1,029	**1,552**	2,058
Amortization of deferred financing fees	**292**	274	**540**	547
Professional fees	**290**	206	**545**	442
Other general and administrative expenses	**270**	143	**562**	544

Expenses, before credits from Adviser	**7,777**	5,909	**15,086**	12,358
Credit to base management fee - loan servicing fee[(A)]	**(1,274)**	(955)	**(2,460)**	(1,938)
Credits to fees from Adviser - other[(A)]	**(1,030)**	(1,520)	**(1,871)**	(2,219)
Total expenses, net of credits	**5,473**	3,434	**10,755**	8,201
NET INVESTMENT INCOME	**5,613**	5,359	**11,190**	10,566
NET REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized gain (loss):				
Non-Control/Non-Affiliate investments	**224**	44	**826**	3,926
Affiliate investments	**104**		**104**	(2,330)
Control investments	**(4)**	1	**(32)**	(4,999)
Other			**(133)**	
Total net realized gain (loss)	**324**	45	**765**	(3,403)
Net unrealized appreciation (depreciation):				
Non-Control/Non-Affiliate investments	**2,603**	(736)	**3,511**	(6,603)
Affiliate investments	**1,625**	(532)	**2,665**	174
Control investments	**(1,194)**	621	**(1,782)**	4,727
Other	**333**	(101)	**115**	111
Total net unrealized appreciation (depreciation)	**3,367**	(748)	**4,509**	(1,591)
Net realized and unrealized gain (loss)	**3,691**	(703)	**5,274**	(4,994)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$ 9,304**	$ 4,656	**$ 16,464**	$ 5,572

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

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

Table of Contents

GLADSTONE CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS (Continued)

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

BASIC AND DILUTED PER COMMON SHARE:				
Net investment income	**$ 0.21**	$ 0.21	**$ 0.42**	$ 0.42
Net increase in net assets resulting from operations	**$ 0.35**	$ 0.18	**$ 0.62**	$ 0.22
Distributions declared and paid	**$ 0.21**	$ 0.21	**$ 0.42**	$ 0.42
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:				
Basic and Diluted	**26,709,476**	25,517,866	**26,615,106**	25,144,358

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

4

Table of Contents

GLADSTONE CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(IN THOUSANDS)

(UNAUDITED)

	Six Months Ended March 31, 2018	2017
OPERATIONS		
Net investment income	**$ 11,190**	$ 10,566
Net realized gain (loss) on investments	**898**	(3,403)
Realized loss on other	**(133)**	
Net unrealized appreciation (depreciation) of investments	**4,394**	(1,702)
Net unrealized appreciation of other	**115**	111
Net increase in net assets resulting from operations	**16,464**	5,572
DISTRIBUTIONS		
Distributions to common stockholders from net investment income	**(11,190)**	(10,566)
Total distributions to common stockholders	**(11,190)**	(10,566)
CAPITAL TRANSACTIONS		
Issuance of common stock	**6,928**	17,344
Discounts, commissions and offering costs for issuance of common stock	**(127)**	(887)
Net increase in net assets resulting from capital transactions	**6,801**	16,457
NET INCREASE IN NET ASSETS	**12,075**	11,463
NET ASSETS, BEGINNING OF PERIOD	**219,650**	201,207
NET ASSETS, END OF PERIOD	**$ 231,725**	$ 212,670

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

Table of Contents

GLADSTONE CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

(UNAUDITED)

	Six Months Ended March 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in net assets resulting from operations	**$ 16,464**	$ 5,572
Adjustments to reconcile net increase in net assets resulting from operations to net cash (used in) provided by operating activities:		
Purchase of investments	**(76,377)**	(59,658)
Principal repayments on investments	**32,740**	56,755
Net proceeds from sale of investments	**1,301**	8,311
Increase in investments due to paid-in-kind interest or other	**(2,338)**	(2,289)
Net change in premiums, discounts and amortization	**(97)**	373
Net realized (gain) loss on investments	**(831)**	3,403
Net unrealized (appreciation) depreciation of investments	**(4,394)**	1,702
Net unrealized appreciation of other	**(115)**	(111)
Changes in assets and liabilities:		
Decrease in restricted cash and cash equivalents	**72**	96
Amortization of deferred financing fees	**540**	547
(Increase) decrease in interest receivable, net	**(508)**	267
(Increase) decrease in due from custodian	**(214)**	16
Decrease (increase) in other assets, net	**1,932**	(3,509)
Decrease in accounts payable and accrued expenses	**(215)**	(564)
Increase (decrease) in interest payable	**122**	(27)
Decrease in fees due to Adviser[(A)]	**(285)**	(1,013)
Increase in fee due to Administrator[(A)]	**68**	4
(Decrease) increase in other liabilities	**(163)**	371
Net cash (used in) provided by operating activities	**(32,298)**	10,246
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	**87,400**	70,300
Repayments on borrowings	**(52,600)**	(87,500)
Deferred financing fees	**(1,329)**	(75)
Proceeds from issuance of common stock	**6,928**	17,344
Discounts, commissions and offering costs for issuance of common stock	**(104)**	(887)
Distributions paid to common stockholders	**(11,190)**	(10,566)
Net cash provided by (used in) financing activities	**29,105**	(11,384)

NET DECREASE IN CASH AND CASH EQUIVALENTS		**(3,193)**		(1,138)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**5,012**		6,152
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$**	**1,819**	$	5,014

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

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6

Table of Contents

GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

MARCH 31, 2018

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment(A)(B)(W)(Y)	Principal/ Shares/ Units(J)(X)	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS(M) 145.1%			
Secured First Lien Debt 73.6%			
Automobile 1.5%			
Meridian Rack & Pinion, Inc. (S) Term Debt (L + 11.5%, 13.5% Cash, Due 4/2019) (C)	$ 4,140	$ 4,140	$ 3,436
Beverage, Food, and Tobacco 2.8%			
Triple H Food Processors, LLC Line of Credit, $1,500 available (L + 6.8%, 8.6% Cash, Due 8/2018)(C)			
Triple H Food Processors, LLC Term Debt (L + 8.3%, 10.1% Cash, Due 8/2020)(C)	6,400	6,400	6,480
		6,400	**6,480**
Buildings and Real Estate 0.9%			
GFRC Holdings, LLC Line of Credit, $50 available (L + 8.0%, 9.9% Cash, Due 9/2018)(E)	1,150	1,150	1,150
GFRC Holdings, LLC Term Debt (L + 8.0%, 9.9% Cash, Due 9/2018)(E)	1,000	1,000	1,000
		2,150	**2,150**
Diversified/Conglomerate Service 19.3%			
IA Tech, LLC Term Debt (L + 11.0%, 12.9% Cash, Due 6/2021)(C)	23,000	23,000	23,805
Travel Sentry, Inc. Term Debt (L + 8.0%, 10.3% Cash, Due 12/2021)(C)(U)	8,902	8,902	9,247
Vision Government Solutions, Inc. Line of Credit, $0 available (L + 8.8%, 10.6% Cash, Due 1/2019)(C)	1,450	1,450	1,424
Vision Government Solutions, Inc. Delayed Draw Term Loan, $900 available (10.0% Cash, Due 1/2019)(C)(F)	1,600	1,600	1,519
Vision Government Solutions, Inc. Term Debt (L + 8.8%, 10.6% Cash, Due 1/2019)(C)	9,000	9,000	8,601
		43,952	**44,596**
Healthcare, education, and childcare 7.8%			
EL Academies, Inc. Line of Credit, $2,000 available (L + 9.5%, 11.4% Cash, Due 8/2020)(C)			

EL Academies, Inc. Delayed Draw Term Loan, $8,560 available (L + 9.5%, 11.4% Cash, Due 8/2022)(C)	1,440	1,440	1,447
EL Academies, Inc. Term Debt (L + 9.5%, 11.4% Cash, Due 8/2022)(C)	12,000	12,000	12,060
TWS Acquisition Corporation Term Debt (L + 8.0%, 9.9% Cash, Due 7/2020)(C)	4,500	4,500	4,635
		17,940	**18,142**
Machinery 2.9%			
Arc Drilling Holdings LLC Line of Credit, $1,000 available (L + 8.0%, 9.9% Cash, Due 11/2020)(C)			
Arc Drilling Holdings LLC Term Debt (L + 9.5%, 11.4% Cash, 1.0% PIK, Due 11/2022)(C)	5,880	5,880	5,865
Precision International, LLC Term Debt (10.0%, Due 9/2021)(C)(F)	836	836	832
		6,716	**6,697**
Oil and Gas 17.3%			
Impact! Chemical Technologies, Inc. Line of Credit, $0 available (L + 8.8%, 10.6% Cash, Due 12/2020)(C)	2,500	2,500	2,497
Impact! Chemical Technologies, Inc. Term Debt (L + 8.8%, 10.8% Cash, Due 12/2020)(C)	20,000	20,000	19,975
WadeCo Specialties, Inc. Line of Credit, $2,425 available (L + 7.0%, 8.9% Cash, Due 4/2018)(C)	575	575	582
WadeCo Specialties, Inc. Term Debt (L + 7.0% 8.9% Cash, Due 3/2019)(C)	9,941	9,941	10,078
WadeCo Specialties, Inc. Term Debt (L + 9.0%, 12.0% Cash, Due 3/2019)(C)	7,000	7,000	7,061
		40,016	**40,193**
Printing and Publishing 0.0%			
Chinese Yellow Pages Company Line of Credit, $0 available (PRIME + 4.0%, 8.8% Cash, Due 2/2015)(E)(V)	107	**107**	
Telecommunications 21.1%			
Applied Voice & Speech Technologies, Inc. Term Debt (L + 9.3%, 11.1% Cash, Due 10/2022)(C)	10,725	10,725	10,712
B+T Group Acquisition, Inc.(S) Term Debt (L + 11.0%, 13.0% Cash, Due 12/2019)(C)	6,000	6,000	5,970
NetFortris Corp. Term Debt (L + 9.5%, 11.4% Cash, Due 2/2021)(C)	23,819	23,819	24,384
XMedius Solutions Inc. Term Debt (L + 9.3%, 11.1% Cash, Due 10/2022)(I)	7,898	7,898	7,898
		48,442	**48,964**
Total Secured First Lien Debt		**$ 169,863**	**$ 170,658**

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

7

Table of Contents

GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2018

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment(A)(B)(W)(Y)	Principal/ Shares/ Units(J)(X)	Cost	Fair Value
Secured Second Lien Debt 65.0%			
Automobile 2.2%			
Sea Link International IRB, Inc. Term Debt (11.3% Cash, Due 3/2023)(C)(F)	$ 5,000	**$ 4,977**	**$ 5,044**
Beverage, Food, and Tobacco 2.9%			
The Mochi Ice Cream Company Term Debt (L + 10.5%, 12.4% Cash, Due 1/2021)(C)	6,750	**6,750**	**6,784**
Cargo Transportation 5.7%			
AG Transportation Holdings, LLC. Term Debt (L + 10.0%, 13.3% Cash, Due 3/2020)(C)	13,000	**13,000**	**13,130**
Chemicals, Plastics, and Rubber 0.5%			
Vertellus Holdings LLC Term Debt (L + 12.0%, 13.9% Cash, Due 10/2021)(C)	1,099	**1,099**	**1,093**
Diversified/Conglomerate Manufacturing 8.4%			
Alloy Die Casting Co.(S) Term Debt (L + 11.5%, 13.5% Cash, Due 4/2021)(C)(H)	5,235	5,235	3,926
Alloy Die Casting Co.(S) Term Debt (L + 11.5%, 13.5% Cash, Due 4/2021)(C)(H)	75	75	56
Alloy Die Casting Co.(S) Term Debt (Due 4/2021)(C)(P)	390	390	294
United Flexible, Inc. Term Debt (L + 9.3%, 11.1% Cash, Due 2/2022)(C)	15,300	15,223	15,300
		20,923	**19,576**
Diversified/Conglomerate Service 20.9%			
DigiCert Holdings, Inc. Term Debt (L + 8.0%, 10.3% Cash, Due 10/2025)(D)(U)	3,000	2,976	3,038
Gray Matter Systems, LLC Delayed Draw Term Loan, $2,000 available (12.0% Cash, Due 11/2023)(C)(F)			
Gray Matter Systems, LLC Term Debt (12.0% Cash, Due 11/2023)(C)(F)	11,100	11,100	11,072
Keystone Acquisition Corp. Term Debt (L + 9.3%, 11.6% Cash, Due 5/2025)(D)(U)	4,000	3,925	4,020
LDiscovery, LLC Term Debt (L + 10.0%, 11.9% Cash, Due 12/2023)(D)	5,000	4,825	4,100
Red Ventures, LLC Term Debt (L + 8.0%, 9.9% Cash, Due 11/2025)(D)	3,625	3,566	3,688

TapRoot Partners, Inc. Term Debt (L + 10.0%, 11.9% Cash, Due 10/2022)(C)	22,000	22,000	22,440
		48,392	**48,358**
Healthcare, education, and childcare 8.2%			
Medical Solutions Holdings, Inc. Term Debt (L + 8.3%, 10.1% Cash, Due 6/2025)(D)	3,000	2,958	2,993
Merlin International, Inc. Term Debt (L + 10.0%, 11.9% Cash, Due 8/2022)(C)	10,000	10,000	10,313
NetSmart Technologies, Inc. Term Debt (L + 9.5%, 11.4% Cash, Due 10/2023)(D)	3,660	3,612	3,660
New Trident Holdcorp, Inc. Term Debt (L + 10.0%, 12.3% PIK, Due 7/2020)(E)(U)	4,231	4,231	2,077
		20,801	**19,043**
Home and Office Furnishings, Housewares and Durable Consumer Products 4.4%			
Belnick, Inc. Term Debt (11.0% Cash, Due 8/2023)(C)(F)	10,000	**10,000**	**10,188**
Hotels, Motels, Inns, and Gaming 2.9%			
Vacation Rental Pros Property Management, LLC Term Debt (L + 10.0%, 11.9% Cash, 3.0% PIK, Due 6/2023)(C)	7,254	**7,254**	**6,655**
Oil and Gas 7.2%			
Francis Drilling Fluids, Ltd. Term Debt (L + 10.4%, 12.2% PIK, Due 4/2020)(C)	17,763	17,657	11,547
Francis Drilling Fluids, Ltd. Term Debt (L + 9.3%, 11.1% PIK, Due 4/2020)(C)	8,161	8,111	5,305
		25,768	**16,852**
Personal and Non-Durable Consumer Products (Manufacturing Only) 1.7%			
Canopy Safety Brands, LLC Term Debt (L + 10.5%, 12.4% Cash, Due 7/2022)(C)	4,000	4,000	4,010
Total Secured Second Lien Debt		**$ 162,964**	**$ 150,733**
Unsecured Debt 1.5%			
Healthcare, education, and childcare 1.5%			
Edmentum Ultimate Holdings, LLC Term Debt (10.0% PIK, Due 6/2020)(C)(F)	$ 3,438	**$ 3,438**	**$ 3,459**
Preferred Equity 1.7%			
Automobile 0.1%			
Meridian Rack & Pinion, Inc. (S) Preferred Stock(E)(G)	1,449	**$ 1,449**	**$ 344**
Buildings and Real Estate 0.1%			
GFRC Holdings, LLC Preferred Stock(E)(G)	1,000	**1,025**	**320**

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Table of Contents

GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2018

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment(A)(B)(W)(Y)	Principal/ Shares/ Units(J)(X)	Cost	Fair Value
Diversified/Conglomerate Manufacturing 0.3%			
Alloy Die Casting Co.(S) Preferred Stock(E)(G)	2,192	2,192	
United Flexible, Inc. Preferred Stock(E)(G)	538	538	674
		2,730	**674**
Diversified/Conglomerate Service 0.0%			
Frontier Financial Group Inc. Preferred Stock(E)(G)	766	500	96
Frontier Financial Group Inc. Preferred Stock Warrant(E)(G)	168		
		500	**96**
Oil and Gas 1.0%			
Francis Drilling Fluids, Ltd. Preferred Equity Units(E)(G)	1,656	1,215	
WadeCo Specialties, Inc. Preferred Stock(E)(G)	1,000	618	2,231
		1,833	**2,231**
Telecommunications 0.2%			
B+T Group Acquisition, Inc.(S) Preferred Stock(E)(G)	5,503	1,799	
NetFortris Corp. Preferred Stock(E)(G)	1,250,000	125	375
		1,924	**375**
Total Preferred Equity		**$ 9,461**	**$ 4,040**
Common Equity 3.2%			
Aerospace and Defense 0.3%			
FedCap Partners, LLC Class A Membership Units ($0 Uncalled Commitment)(G)(K)(R)	80	**$ 1,634**	**$ 751**
Automobile 0.2%			
Sea Link International IRB, Inc. Common Equity Units(E)(G)	494,902	**495**	**485**
Beverage, Food, and Tobacco 0.2%			
The Mochi Ice Cream Company Common Stock(E)(G)	450	450	
Triple H Food Processors, LLC Common Stock(E)(G)	250,000	250	472

		700	**472**
Buildings and Real Estate 0.0%			
GFRC Holdings, LLC Common Stock Warrants(E)(G)	45.0%		
Cargo Transportation 0.3%			
AG Transportation Holdings, LLC Member Profit Participation(E)(G)	18.0%	1,000	478
AG Transportation Holdings, LLC Profit Participation Warrants(E)(G)	12.0%	244	140
		1,244	**618**
Chemicals, Plastics, and Rubber 0.2%			
Vertellus Holdings LLC Common Stock Units(E)(G)	879,121	**3,017**	**569**
Diversified/Conglomerate Manufacturing 0.1%			
Alloy Die Casting Co.(S) Common Stock(E)(G)	270	18	
United Flexible, Inc. Common Stock(E)(G)	1,158	148	262
		166	**262**
Healthcare, education, and childcare 1.1%			
Edmentum Ultimate Holdings, LLC Common Stock(E)(G)	21,429	2,636	
EL Academies, Inc. Common Stock(E)(G)	500	520	428
Leeds Novamark Capital I, L.P. Limited Partnership Interest ($986 uncalled capital commitment)(G)(L)(R)	3.5%	2,010	2,193
		5,166	**2,621**
Machinery 0.5%			
Arc Drilling Holdings LLC Common Stock(E)(G)	16.7%	1,500	839
Precision International, LLC Membership Unit Warrant(E)(G)	33.3%		119
		1,500	**958**
Oil and Gas 0.1%			
Francis Drilling Fluids, Ltd. Common Equity Units(E)(G)	1,656	1	
W3, Co. Common Equity(D)(G)	435	499	131
		500	**131**
Personal and Non-Durable Consumer Products (Manufacturing Only) 0.2%			
Canopy Safety Brands, LLC Participation Warrant(E)(G)	1	500	284
Funko Acquisition Holdings, LLC(S) Common Units(G)(T)	67,873	167	194
		667	**478**
Telecommunications 0.0%			
NetFortris Corp. Common Stock Warrant(E)(G)	1	**1**	
Total Common Equity		**$ 15,090**	**$ 7,345**
Total Non-Control/Non-Affiliate Investments		**$ 360,816**	**$ 336,235**

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

9

Table of Contents

GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2018

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment(A)(B)(W)(Y)	Principal/ Shares/ Units(J)(X)	Cost	Fair Value
AFFILIATE INVESTMENTS(N) 21.4%			
Secured First Lien Debt 8.4%			
Diversified/Conglomerate Manufacturing 8.4%			
Edge Adhesives Holdings, Inc. (S) Term Debt (L + 10.5%, 12.5% Cash, Due 2/2019)(C)	$ 6,200	$ 6,200	$ 5,828
Edge Adhesives Holdings, Inc. (S) Term Debt (L + 11.8%, 13.8% Cash, Due 2/2019)(C)	1,600	1,600	1,512
LWO Acquisitions Company LLC Line of Credit, $0 available (L + 5.5%. 7.4% Cash, 2.0% PIK, Due 12/2019)(C)	2,776	2,776	2,665
LWO Acquisitions Company LLC Term Debt (L + 8.5%, 10.4% Cash, 2.0% PIK, Due 12/2019)(C)	11,053	11,053	9,480
		21,629	**19,485**
Total Secured First Lien Debt		**$ 21,629**	**$ 19,485**
Secured Second Lien Debt 9.2%			
Diversified Natural Resources, Precious Metals and Minerals 9.2%			
Lignetics, Inc. Term Debt (L + 9.0%, 12.0% Cash, Due 11/2022)(C)	$ 6,000	$ 6,000	$ 5,985
Lignetics, Inc. Term Debt (L + 9.0%, 12.0% Cash, Due 11/2022)(C)	8,000	8,000	7,980
Lignetics, Inc. Term Debt (L + 9.0%, 12.0% Cash, Due 11/2022)(C)	3,300	3,300	3,292
Lignetics, Inc. Term Debt (L + 9.0%, 12.0% Cash, Due 11/2022)(C)	4,000	4,000	3,990
		21,300	**21,247**
Total Secured Second Lien Debt		**$ 21,300**	**$ 21,247**
Unsecured Debt 0.0%			
Diversified/Conglomerate Manufacturing 0.0%			
LWO Acquisitions Company LLC Term Debt (Due 6/2020)(C)(P)	$ 95	**$ 95**	**$ 81**
Preferred Equity 0.9%			
Diversified/Conglomerate Manufacturing 0.5%			
Edge Adhesives Holdings, Inc. (S) Preferred Stock(E)(G)	2,516	**$ 2,516**	**$ 1,283**

Diversified Natural Resources, Precious Metals and Minerals 0.4%				
Lignetics, Inc. Preferred Stock(E)(G)		40,000	**800**	**852**
Total Preferred Equity			**$ 3,316**	**$ 2,135**
Common Equity 2.9%				
Diversified/Conglomerate Manufacturing 0.0%				
LWO Acquisitions Company LLC Common Units(E)(G)		921,000	**$ 921**	**$**
Diversified Natural Resources, Precious Metals and Minerals 0.5%				
Lignetics, Inc. Common Stock(E)(G)		152,603	**1,855**	**1,059**
Textiles and Leather 2.4%				
Targus Cayman HoldCo, Ltd. Common Stock(E)(G)		3,076,414	**5,009**	**5,563**
Total Common Equity			**$ 7,785**	**$ 6,622**
Total Affiliate Investments			**$ 54,125**	**$ 49,570**
CONTROL INVESTMENTS(O) 7.0%				
Secured First Lien Debt 2.4%				
Machinery 1.4%				
PIC 360, LLC Term Debt (14.0%, Due 9/2019)(E)(F)	$	3,250	**$ 3,250**	**$ 3,250**
Printing and Publishing 1.0%				
Sunshine Media Holdings Line of Credit, $672 available (8.0% Cash, Due 5/2018)(E)(F)		1,328	1,328	1,328
Sunshine Media Holdings Term Debt (8.0% Cash, Due 5/2018)(E)(F)(H)		5,000	3,525	316
Sunshine Media Holdings Term Debt (L + 3.8%, 5.6% Cash, Due 5/2018)(E)(H)		11,948	8,401	756
Sunshine Media Holdings Term Debt (L + 4.0%, 5.9% Cash, Due 5/2018)(E)(H)		10,700	10,700	
			23,954	**2,400**
Total Secured First Lien Debt			**$ 27,204**	**$ 5,650**
Secured Second Lien Debt 3.5%				
Automobile 3.5%				
Defiance Integrated Technologies, Inc. Term Debt (L + 9.5%, 11.4% Cash, Due 8/2023)(E)	$	8,065	**$ 8,065**	**$ 8,065**

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

Table of Contents

GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2018

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment(A)(B)(W)(Y)	Principal/ Shares/ Units(J)(X)	Cost	Fair Value
Preferred Equity 0.0%			
Printing and Publishing 0.0%			
Sunshine Media Holdings Preferred Stock(E)(G)	15,270	$ 5,275	$
Common Equity 1.1%			
Automobile 0.8%			
Defiance Integrated Technologies, Inc. Common Stock(E)(G)	33,321	$ 580	$ 1,739
Machinery 0.3%			
PIC 360, LLC Common Equity Units(E)(G)	75	1	879
Printing and Publishing 0.0%			
Sunshine Media Holdings Common Stock(E)(G)	1,867	740	
Sunshine Media Holdings Common Stock Warrants(E)(G)	72		
		740	
Total Common Equity		$ 1,321	$ 2,618
Total Control Investments		$ 41,865	$ 16,333
TOTAL INVESTMENTS 173.5%		$ 456,806	$ 402,138

(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 $354.9 million at fair value, are pledged as collateral to our revolving line of credit, as described further in Note 5 *Borrowings* in the accompanying *Notes to Consolidated Financial Statements.* Under the Investment Company Act of 1940, as amended, (the 1940 Act), we may not acquire any non-qualifying assets unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. As of March 31, 2018, our investments in FedCap Partners, LLC (FedCap), Leeds Novamark Capital I, L.P. (Leeds), Funko Acquisition Holdings, LLC (Funko), and XMedius Solutions Inc. (XMedius) are considered non-qualifying assets under Section 55 of the 1940 Act. Such non-qualifying assets represent 2.7% of total investments, at fair value, as of March 31, 2018.

(B) Unless indicated otherwise, all cash interest rates are indexed to 30-day London Interbank Offered Rate (LIBOR or L), which was 1.88% as of March 31, 2018. If applicable, paid-in-kind (PIK) interest rates are noted separately from the cash interest rate. Certain securities are subject to an interest rate floor. The cash interest rate is the greater of the floor or LIBOR plus a spread. Due dates represent the contractual maturity date.

(C) Fair value was based on an internal yield analysis or on estimates of value submitted by ICE Data Pricing and Reference Data, LLC (ICE)(formerly Standard and Poor s Securities Evaluations, Inc.).

(D) Fair value was based on the indicative bid price on or near March 31, 2018, 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 March 31, 2018 best represents fair value as of March 31, 2018.

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

(K) 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 interest rate that is payable thereon.

(Q) Reserved.

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

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

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

(U) The cash interest rate on this investment was indexed to 90-day LIBOR, which was 2.31% as of March 31, 2018.

(V) The cash interest rate on this investment was indexed to the U.S. Prime Rate (PRIME), which was 4.75% as of March 31, 2018.

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

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

(Y) Category percentages represent the fair value of each category and subcategory as a percentage of net assets as of March 31, 2018.

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

Table of Contents

GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment(A)(B)(W)(Z)	**Principal/ Shares/ Units**(J)(X)	**Cost**	**Fair Value**
NON-CONTROL/NON-AFFILIATE INVESTMENTS(M) **132.4%**			
Secured First Lien Debt 67.2%			
Automobile 1.7%			
Meridian Rack & Pinion, Inc. (S) Term Debt (L + 11.5% 13.5% Cash, Due 12/2018) (C)	$ 4,140	**$ 4,140**	**$ 3,643**
Beverage, Food, and Tobacco 3.2%			
Triple H Food Processors, LLC Line of Credit, $1,500 available (L + 6.8%, 8.0% Cash, Due 8/2018)(C)			
Triple H Food Processors, LLC Term Debt (L + 8.3%, 9.5% Cash, Due 8/2020)(C)	6,800	6,800	6,928
		6,800	**6,928**
Buildings and Real Estate 1.0%			
GFRC Holdings, LLC Line of Credit, $20 available (L + 8.0%, 9.2% Cash, Due 9/2018)(E)	1,180	1,180	1,180
GFRC Holdings, LLC Term Debt (L + 8.0%, 9.2% Cash, Due 9/2018)(E)	1,000	1,000	1,000
		2,180	**2,180**
Diversified/Conglomerate Service 20.1%			
IA Tech, LLC Term Debt (L + 11.0%, 12.2% Cash, Due 6/2021)(C)	23,000	23,000	23,633
Travel Sentry, Inc. Term Debt (L + 9.0%, 10.3% Cash, Due 12/2021)(C)(U)	8,902	8,902	9,170
Vision Government Solutions, Inc. Line of Credit, $0 available (L + 8.8%, 10.0% Cash, Due 1/2019)(C)	1,450	1,450	1,420
Vision Government Solutions, Inc. Delayed Draw Term Loan, $900 available (10.0% Cash, Due 1/2019)(C)(F)	1,600	1,600	1,485
Vision Government Solutions, Inc. Term Debt (L + 8.8%, 10.0% Cash, Due 1/2019)(C)	9,000	9,000	8,390
		43,952	**44,098**
Diversified/Conglomerate Manufacturing 1.6%			
Alloy Die Casting Co.(S) Term Debt (L + 11.5%, 13.5% Cash, Due 10/2018)(C)(H)	5,235	5,235	3,272
Alloy Die Casting Co.(S) Term Debt (L + 11.5%, 13.5% Cash, Due 10/2018)(C)(H)	75	75	47
Alloy Die Casting Co.(S) Term Debt (Due 10/2018)(C)(P)	390	390	246

		5,700	**3,565**
Healthcare, education, and childcare 9.8%			
EL Academies, Inc. Line of Credit (L + 9.5%, 10.7% Cash, Due 8/2020)(I)			
EL Academies, Inc. Delayed Draw Term Loan (L + 9.5%, 10.7% Cash, Due 8/2022)(I)			
EL Academies, Inc. Term Debt (L + 9.5%, 10.7% Cash, Due 8/2022)(I)	12,000	12,000	12,000
TWS Acquisition Corporation Term Debt (L + 8.0%, 9.2% Cash, Due 7/2020)(C)	9,432	9,432	9,609
		21,432	**21,609**
Leisure, Amusement, Motion Pictures, Entertainment 3.6%			
Flight Fit N Fun LLC Term Debt (L + 14.0%, 15.2% Cash, Due 9/2020)(Q)(Y)	7,800	**7,800**	**7,800**
Machinery 0.4%			
Precision International, LLC Term Debt (10.0% PIK, Due 9/2021)(C)(F)	808	**808**	**798**
Oil and Gas 9.2%			
WadeCo Specialties, Inc. Line of Credit, $425 available (L + 7.0%, 8.2% Cash, Due 4/2018)(E)	2,575	2,575	2,575
WadeCo Specialties, Inc. Term Debt (L + 7.0%, 8.2% Cash, Due 3/2019)(E)	10,441	10,427	10,440
WadeCo Specialties, Inc. Term Debt (L + 9.0%, 12.0% Cash, Due 3/2019)(E)	7,000	7,000	7,000
		20,002	**20,015**
Personal and Non-Durable Consumer Products (Manufacturing Only) 3.0%			
Canopy Safety Brands, LLC Line of Credit, $500 available (L + 6.5%, 7.7% Cash, Due 9/2019)(C)			
Canopy Safety Brands, LLC Term Debt (L + 9.5%, 10.7% Cash, Due 9/2021)(C)	6,600	6,600	6,616
		6,600	**6,616**
Printing and Publishing 0.0%			
Chinese Yellow Pages Company Line of Credit, $0 available (PRIME + 4.0%, 8.0% Cash, Due 2/2015)(E)(V)	107	**107**	
Telecommunications 13.6%			
B+T Group Acquisition, Inc.(S) Term Debt (L + 11.0%, 13.0% Cash, Due 12/2019)(C)	6,000	6,000	5,955
NetFortris Corp. Line of Credit, $2,000 available (L + 8.4%, 9.6% Cash, Due 11/2017)(C)			
NetFortris Corp. Term Debt (L + 8.4%, 9.6% Cash, Due 2/2021)(C)	24,000	24,000	24,240
		30,000	**30,195**
Total Secured First Lien Debt		**$ 149,521**	**$ 147,447**

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Table of Contents

GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

SEPTEMBER 30, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment(A)(B)(W)(Z)	Principal/ Shares/ Units(J)(X)	Cost	Fair Value
Secured Second Lien Debt 59.1%			
Automobile 2.2%			
Sea Link International IRB, Inc. Term Debt (11.3%, Due 11/2021)(C)(F)	$ 5,000	**$ 4,975**	**$ 5,025**
Beverage, Food, and Tobacco 3.1%			
The Mochi Ice Cream Company Term Debt (L + 10.5%, 11.7% Cash, Due 1/2021)(C)	6,750	**6,750**	**6,809**
Cargo Transportation 6.0%			
AG Transportation Holdings, LLC. Term Debt (L + 10.0%, 13.3% Cash, Due 3/2020)(C)	13,000	**13,000**	**13,081**
Chemicals, Plastics, and Rubber 0.4%			
Vertellus Holdings LLC Term Debt (L + 12.0%, 13.2% Cash, Due 10/2021)(D)	1,099	**1,099**	**929**
Diversified/Conglomerate Service 16.4%			
DataPipe, Inc. Term Debt (L + 8.0%, 9.2% Cash, Due 9/2019)(D)(Y)	2,000	1,966	2,005
HB Capital Resources, Ltd. Term Debt (L + 10.3%, 11.5% Cash, Due 10/2022)(C)	22,000	22,000	22,110
Keystone Acquisition Corp. Term Debt (L + 9.3%, 10.5% Cash, Due 5/2025)(D)	4,000	3,922	3,960
LDiscovery, LLC Term Debt (L + 10.0%, 11.2% Cash, Due 12/2023)(D)	5,000	4,815	4,550
PSC Industrial Holdings Corp. Term Debt (L + 8.3%, 9.5% Cash, Due 12/2021)(Q)(Y)	3,500	3,452	3,500
		36,155	**36,125**
Diversified/Conglomerate Manufacturing 8.2%			
United Flexible, Inc. Term Debt (L + 9.5%, 10.7% Cash, 2.0% PIK, Due 2/2022)(C)	17,993	**17,909**	**17,903**
Healthcare, education, and childcare 8.8%			
Medical Solutions Holdings, Inc. Term Debt (L + 8.3%, 9.5% Cash, Due 12/2023)(D)	3,000	2,956	2,970
Merlin International, Inc. Term Debt (L + 10.0%, 11.2% Cash, Due 8/2022)(C)	10,000	10,000	10,150
NetSmart Technologies, Inc. Term Debt (L + 9.5%, 10.7% Cash, Due 10/2023)(D)	3,660	3,609	3,678
New Trident Holdcorp, Inc. Term Debt (L + 9.5%, 10.7% Cash, Due 7/2020)(D)	4,000	4,000	2,412

		20,565	**19,210**
Home and Office Furnishings, Housewares and Durable Consumer Products 4.6%			
Belnick, Inc. Term Debt (11.0%, Due 8/2023)(C)(F)	10,000	**10,000**	**10,100**
Hotels, Motels, Inns, and Gaming 3.2%			
Vacation Rental Pros Property Management, LLC Term Debt (L + 10.0%, 11.2% Cash, 3.0% PIK, Due 6/2023)(C)	7,145	**7,145**	**7,136**
Oil and Gas 5.7%			
Francis Drilling Fluids, Ltd. Term Debt (L + 10.4%, 11.9% PIK, Due 4/2020)(C)	16,739	16,611	8,626
Francis Drilling Fluids, Ltd. Term Debt (L + 9.3% 10.8% PIK, Due 4/2020)(C)	7,733	7,673	3,931
		24,284	**12,557**
Telecommunications 0.5%			
Neustar, Inc. Term Debt (L + 8.0%, 9.2% Cash, Due 8/2025)(D)	1,000	**1,000**	**1,015**
Total Secured Second Lien Debt		**$ 142,882**	**$ 129,890**
Unsecured Debt 1.5%			
Healthcare, education, and childcare 1.5%			
Edmentum Ultimate Holdings, LLC Term Debt (10.0% PIK, Due 6/2020)(C)(F)	$ 3,324	**$ 3,324**	**$ 3,324**
Preferred Equity 2.6%			
Automobile 0.1%			
Meridian Rack & Pinion, Inc. (S) Preferred Stock(E)(G)	1,449	**$ 1,449**	**$ 133**
Buildings and Real Estate 0.3%			
GFRC Holdings, LLC Preferred Stock(E)(G)	1,000	**1,025**	**824**
Diversified/Conglomerate Service 0.2%			
Frontier Financial Group Inc. Preferred Stock(I)(G)	766	500	500
Frontier Financial Group Inc. Preferred Stock Warrant(I)(G)	168		
		500	**500**
Diversified/Conglomerate Manufacturing 0.3%			
Alloy Die Casting Co.(S) Preferred Stock(E)(G)	2,192	2,192	
United Flexible, Inc. Preferred Stock(E)(G)	538	538	554
		2,730	**554**
Leisure, Amusement, Motion Pictures, Entertainment 0.6%			
Flight Fit N Fun LLC Preferred Stock(G)(Q)(Y)	700,000	**700**	**1,425**

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Table of Contents

GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

SEPTEMBER 30, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment(A)(B)(W)(Z)	Principal/ Shares/ Units(J)(X)	Cost	Fair Value
Oil and Gas 0.9%			
Francis Drilling Fluids, Ltd. Preferred Equity Units(E)(G)	1,656	1,215	
WadeCo Specialties, Inc. Preferred Stock(E)(G)	1,000	618	2,000
		1,833	**2,000**
Personal and Non-Durable Consumer Products (Manufacturing Only) 0.1%			
Funko Acquisition Holdings, LLC(S) Preferred Equity Units(E)(G)	260	**167**	**159**
Telecommunications 0.1%			
B+T Group Acquisition, Inc.(S) Preferred Stock(E)(G)(J)	5,503	**1,799**	**140**
Total Preferred Equity		**$ 10,203**	**$ 5,735**
Common Equity 2.0%			
Aerospace and Defense 0.3%			
FedCap Partners, LLC Class A Membership Units ($0 Uncalled Commitment)(G)(K)(R)	80	**$ 1,634**	**$ 751**
Automobile 0.2%			
Sea Link International IRB, Inc. Common Equity Units(E)(G)	494,902	**495**	**362**
Beverage, Food, and Tobacco 0.2%			
The Mochi Ice Cream Company Common Stock(E)(G)	450	450	
Triple H Food Processors, LLC Common Stock(E)(G)	250,000	250	366
		700	**366**
Buildings and Real Estate 0.0%			
GFRC Holdings, LLC Common Stock Warrants(E)(G)	45.0%		
Cargo Transportation 0.0%			
AG Transportation Holdings, LLC Member Profit Participation(E)(G)	18.0%	1,000	
AG Transportation Holdings, LLC Profit Participation Warrants(E)(G)	12.0%	244	
		1,244	
Chemicals, Plastics, and Rubber 0.2%			
Vertellus Holdings LLC Common Stock Units(E)(G)	879,121	**3,018**	**442**
Diversified/Conglomerate Manufacturing 0.0%			
Alloy Die Casting Co.(S) Common Stock(E)(G)	270	18	

United Flexible, Inc. Common Stock(E)(G)	1,158	148	
		166	
Healthcare, education, and childcare 0.9%			
Edmentum Ultimate Holdings, LLC Common Stock(E)(G)	21,429	2,636	
EL Academies, Inc. Common Stock(G)(I)	500	500	500
Leeds Novamark Capital I, L.P. Limited Partnership Interest ($1,581 uncalled capital commitment)(G)(L)(R)	3.5%	1,628	1,645
		4,764	**2,145**
Machinery 0.0%			
Precision International, LLC Membership Unit Warrant(E)(G)	33.3%		
Oil and Gas 0.1%			
Francis Drilling Fluids, Ltd. Common Equity Units(E)(G)	1,656	1	
W3, Co. Common Equity(D)(G)	435	499	139
		500	**139**
Personal and Non-Durable Consumer Products (Manufacturing Only) 0.1%			
Canopy Safety Brands, LLC Participation Warrant(E)(G)	1	500	259
Funko Acquisition Holdings, LLC(S) Common Stock(E)(G)	975		
		500	**259**
Telecommunications 0.0%			
NetFortris Corp. Common Stock Warrant(E)(G)	1	**1**	
Total Common Equity		**$ 13,022**	**$ 4,464**
Total Non-Control/Non-Affiliate Investments		**$ 318,952**	**$ 290,860**

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

14

Table of Contents

GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

SEPTEMBER 30, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment[(A)(B)(W)(Z)]	Principal/ Shares/ Units[(J)(X)]	Cost	Fair Value
AFFILIATE INVESTMENTS[(N)] 19.4%			
Secured First Lien Debt 8.6%			
Diversified/Conglomerate Manufacturing 8.6%			
Edge Adhesives Holdings, Inc. [(S)] Term Debt (L + 10.5%, 12.5% Cash, Due 2/2019)[(C)]	$ 6,200	$ 6,200	$ 5,704
Edge Adhesives Holdings, Inc. [(S)] Term Debt (L + 11.8%, 13.8% Cash, Due 2/2019)[(C)]	1,600	1,600	1,480
LWO Acquisitions Company LLC Line of Credit, $0 available (L + 5.5%, 6.7% Cash, 2.0% PIK, Due 3/2018)[(C)]	2,748	2,746	2,336
LWO Acquisitions Company LLC Term Debt (L + 8.5%, 9.7% Cash, 2.0% PIK, Due 12/2019)[(C)]	10,942	10,921	9,301
		21,467	**18,821**
Total Secured First Lien Debt		**$ 21,467**	**$ 18,821**
Secured Second Lien Debt 7.8%			
Diversified Natural Resources, Precious Metals and Minerals 7.8%			
Lignetics, Inc. Term Debt (L + 9.0%, 12.0% Cash, Due 2/2021)[(C)]	$ 6,000	$ 6,000	$ 5,998
Lignetics, Inc. Term Debt (L + 9.0%, 12.0% Cash, Due 2/2021)[(C)]	8,000	8,000	7,997
Lignetics, Inc. Term Debt (L + 9.0%, 12.0% Cash, Due 2/2021)[(C)]	3,300	3,300	3,299
		17,300	**17,294**
Total Secured Second Lien Debt		**$ 17,300**	**$ 17,294**
Preferred Equity 0.4%			
Diversified/Conglomerate Manufacturing 0.0%			
Edge Adhesives Holdings, Inc. [(S)] Preferred Stock[(E)(G)]	2,516	$ 2,516	$
Diversified Natural Resources, Precious Metals and Minerals 0.4%			
Lignetics, Inc. Preferred Stock[(E)(G)]	40,000	800	826
Total Preferred Equity		**$ 3,316**	**$ 826**
Common Equity 2.6%			

Diversified/Conglomerate Manufacturing 0.0%				
LWO Acquisitions Company LLC Common Units(E)(G)		921,000	$ 921	$
Diversified Natural Resources, Precious Metals and Minerals 0.4%				
Lignetics, Inc. Common Stock(E)(G)		152,603	1,855	828
Textiles and Leather 2.2%				
Targus Cayman HoldCo, Ltd. Common Stock(E)(G)		3,076,414	5,009	4,879
Total Common Equity			**$ 7,785**	**$ 5,707**
Total Affiliate Investments			**$ 49,868**	**$ 42,648**
CONTROL INVESTMENTS(O) 8.6%				
Secured First Lien Debt 3.5%				
Machinery 1.8%				
PIC 360, LLC Term Debt (14.0%, Due 12/2017)(E)(F)	$	4,000	**$ 4,000**	**$ 4,000**
Printing and Publishing 1.7%				
Sunshine Media Holdings Line of Credit, $672 available (8.0% Cash, Due 5/2018)(E)(F)		1,328	1,328	1,328
Sunshine Media Holdings Term Debt (8.0% Cash, Due 5/2018)(E)(F)(H)		5,000	3,525	679
Sunshine Media Holdings Term Debt (L + 3.8%, 5.0% Cash, Due 5/2018)(E)(H)		11,948	8,401	1,621
Sunshine Media Holdings Term Debt (L + 4.0%, 5.5% Cash, Due 5/2018)(E)(H)		10,700	10,700	
			23,954	**3,628**
Total Secured First Lien Debt			**$ 27,954**	**$ 7,628**
Secured Second Lien Debt 3.7%				
Automobile 3.7%				
Defiance Integrated Technologies, Inc. Term Debt (L + 9.5%, 11.0% Cash, Due 2/2019)(E)	$	8,065	**$ 8,065**	**$ 8,065**

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

15

Table of Contents

GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

SEPTEMBER 30, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment(A)(B)(W)(Z)	Principal/ Shares/ Units(J)(X)	Cost	Fair Value
Preferred Equity 0.0%			
Printing and Publishing 0.0%			
Sunshine Media Holdings Preferred Stock(E)(G)(J)	15,270	$ 5,275	$
Common Equity 1.4%			
Automobile 1.3%			
Defiance Integrated Technologies, Inc. Common Stock(E)(G)	33,321	$ 580	$ 2,856
Machinery 0.1%			
PIC 360, LLC Common Equity Units(E)(G)	1	1	316
Printing and Publishing 0.0%			
Sunshine Media Holdings Common Stock(E)(G)	1,867	740	
Sunshine Media Holdings Common Stock Warrants(E)(G)	72		
		740	
Total Common Equity		$ 1,321	$ 3,172
Total Control Investments		$ 42,615	$ 18,865
TOTAL INVESTMENTS(T) 160.4%		$ 411,435	$ 352,373

(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 $317.4 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 September 30, 2017, our investments in FedCap and Leeds are considered non-qualifying assets under Section 55 of the 1940 Act. Such non-qualifying assets represent 0.7% of total investments, at fair value, as of September 30, 2017.

(B) Unless indicated otherwise, all cash interest rates are indexed to 30-day London Interbank Offered Rate (LIBOR or L), which was 1.23% as of September 30, 2017. If applicable, paid-in-kind (PIK) interest rates are noted separately from the cash interest rate. Certain securities are subject to an interest rate floor. The cash interest rate is the greater of the floor or LIBOR plus a spread. Due dates represent the contractual maturity date.

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

(D) Fair value was based on the indicative bid price on or near September 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 September 30, 2017 best represents fair value as of September 30, 2017.

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

(K) 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 interest rate that is payable thereon.

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

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

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

(T) Cumulative gross unrealized depreciation for federal income tax purposes is $71.7 million; cumulative gross unrealized appreciation for federal income tax purposes is $7.5 million. Cumulative net unrealized depreciation is $64.3 million, based on a tax cost of $416.6 million.

(U) The cash interest rate on this investment was indexed to 90-day LIBOR, which was 1.33% as of September 30, 2017.

(V) The cash interest rate on this investment was indexed to the U.S. Prime Rate (PRIME), which was 4.25% as of September 30, 2017.

(W) Unless indicated otherwise, all of our investments are valued using Level 3 inputs within the FASB Accounting Standard Codification (ASC) Topic 820, Fair Value Measurements and Disclosures (ASC 820) fair value hierarchy. Refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

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

(Y) Investment was exited subsequent to September 30, 2017. Refer to Note 15 *Subsequent Events* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

(Z) Category percentages represent the fair value of each category and subcategory as a percentage of net assets as of September 30, 2017.

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

Table of Contents

GLADSTONE CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

MARCH 31, 2018

(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 line of credit. The financial statements of Business Loan are consolidated with those of Gladstone Capital Corporation. We also have significant subsidiaries (as defined under Rule 1-02(w) of the U.S. Securities and Exchange Commission s (SEC) Regulation S-X) whose financial statements are not consolidated with ours. Refer to Note 12 *Unconsolidated Significant Subsidiaries* for additional information regarding our unconsolidated significant subsidiaries.

We are externally managed by Gladstone Management Corporation (the Adviser), a Delaware corporation and an 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 quarterly report all of the information and notes required by GAAP for annual financial statements. The accompanying *Consolidated Financial Statements* include our accounts and those of our wholly-owned subsidiaries. All 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 six months ended March 31, 2018, are not necessarily indicative of results that ultimately may be achieved for the fiscal year or any future interim periods. The interim financial statements and notes thereto should be read in conjunction with the financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017, as filed with the SEC on November 20, 2017.

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.

Table of Contents

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation in the Consolidated Financial Statements and the accompanying notes. Reclassifications did not impact net increase in net assets resulting from operations, total assets, total liabilities or total net assets, or Statement of Changes in Net Assets and Statement of Cash Flows classifications.

Investment Valuation Policy

Accounting Recognition

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

Board Responsibility

In accordance with the 1940 Act, our Board of Directors has the ultimate responsibility for reviewing and 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, the Board of Directors receives written valuation recommendations and supporting materials provided by professionals of the Adviser and Administrator with oversight and direction from the chief valuation officer (the Valuation Team). Second, the Valuation Committee of our Board of Directors (comprised entirely of independent directors) meets to review the valuation recommendations and supporting materials presented by the chief valuation officer. Third, after the Valuation Committee concludes its meeting, it and the chief valuation officer present the Valuation Committee s findings to the entire Board of Directors so that the full Board of Directors may review and approve the fair value of our investments in accordance with the Policy.

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

Use of Third Party Valuation Firms

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

ICE, a valuation specialist (formerly Standard and Poor s Securities Evaluations, Inc.), generally provides estimates of fair value on our proprietary debt investments. The Valuation Team generally assigns ICE s estimates of fair value to our debt investments where we do not have the ability to effectuate a sale of the applicable portfolio company. The Valuation Team corroborates ICE s estimates of fair value using one or more of the valuation techniques discussed below. The Valuation Team s estimate of value on a specific debt investment may significantly differ from ICE s.

When this occurs, our Valuation Committee and Board of Directors review whether the Valuation Team has followed the Policy and whether the Valuation Team s recommended fair value is reasonable in light of the Policy and other facts and circumstances 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 (TEV) of certain of our investments. Generally, at least once per year, we engage an independent valuation firm to value or review the valuation of our significant equity investments, which includes providing the information noted above. The Valuation Team evaluates such information for incorporation into our TEV, including review of all inputs provided by the independent valuation firm. The Valuation Team then makes a recommendation to our Valuation Committee and Board of Directors as to the fair value. Our Board of Directors reviews the recommended fair value, 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 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 multiples obtained from our indexing methodology whereby the original transaction EBITDA multiple at the time of our closing is indexed to a general subset of comparable disclosed transactions and EBITDA multiples from recent sales to third parties of similar securities in similar industries; a comparison to publicly traded securities in similar industries, and other pertinent factors. The Valuation Team generally reviews industry statistics and may use outside experts when gathering this information. Once the TEV is determined for a portfolio company, the Valuation Team generally allocates the TEV to the portfolio company s securities based on the facts and circumstances of the securities, which typically results in the allocation of fair value to securities based on the order of their relative priority in the capital structure. Generally, the Valuation Team uses TEV to value our equity investments and, in the circumstances where we have the ability to effectuate a sale of a portfolio company, our debt investments.

TEV is primarily calculated using EBITDA multiples; however, TEV may also be calculated using revenue multiples or a discounted cash flow (DCF) analysis whereby future expected cash flows of the portfolio company are discounted to determine a net present value using estimated risk-adjusted discount rates, which incorporate adjustments for nonperformance and liquidity risks. Generally, the Valuation Team uses a DCF analysis to calculate 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 do not have the ability to effectuate a sale of a portfolio company) using the yield analysis, which includes a DCF calculation and the assumptions that the Valuation Team believes market participants would use, 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 ICE and market quotes.

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

Investments in Funds For equity investments in other funds, 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 valuation techniques listed above, the Valuation Team may also consider other factors when determining the fair value 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 debt and equity investments made during the current reporting quarter are generally valued at our original cost basis, as near-measurement date transaction value is a reasonable indicator of fair value.

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

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

Revenue Recognition

Interest Income Recognition

Interest income, including the amortization of premiums, acquisition costs and amendment fees, the accretion of original issue discounts (OID), and paid-in-kind (PIK) interest, is recorded on the accrual basis to the extent that such amounts are expected to be collected. Generally, when a loan becomes 90 days or more past due or if our qualitative assessment indicates that the debtor is unable to service its debt or other obligations, we will place the loan on non-accrual status and cease recognizing interest income on that loan for financial reporting purposes until the borrower has demonstrated the ability and intent to pay contractual amounts due. However, we remain contractually entitled to this interest. Interest payments received on non-accrual loans may be recognized as income or applied to the cost basis depending upon management s judgment. Generally, non-accrual loans are restored to accrual status when past due principal and interest are paid and, in management s judgment, are likely to remain current, or due to a restructuring such that the interest income is deemed to be collectible. At March 31, 2018, certain loans to two portfolio companies, Sunshine Media Holdings and Alloy Die Casting Co., were on non-accrual status with an aggregate debt cost basis of approximately $27.9 million, or 6.7% of the cost basis of all debt investments in our portfolio, and an aggregate fair value of approximately $5.1 million, or 1.3% of the fair value of all debt investments in our portfolio. At September 30, 2017, certain loans to two portfolio companies, Sunshine Media Holdings and Alloy Die Casting Co., were on non-accrual status with an aggregate debt cost basis of approximately $27.9 million, or 7.5% of the cost basis of all debt investments in our portfolio, and an aggregate fair value of approximately $5.6 million, or 1.7% of the fair value of all debt investments in our portfolio.

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

As of each of March 31, 2018 and September 30, 2017, we had six OID loans, primarily from the syndicated loans in our portfolio. We recorded OID income of $11 and $110 for the three and six months ended March 31, 2018, respectively, and $66 and $87 during the three and six months ended March 31, 2017, respectively. The unamortized balance of OID investments as of March 31, 2018 and September 30, 2017 totaled $0.4 million. As of March 31, 2018 and September 30, 2017, we had seven and six investments which had a PIK interest component, respectively. We recorded PIK interest income of $1.2 million and $2.3 million during the three and six months ended March 31, 2018, respectively, as compared to $1.2 million and $2.4 million during the three and six months ended March 31, 2017, respectively. We collected $0.8 million in PIK interest in cash during the three and six months ended March 31, 2018, as compared to $0 and $1.0 million during the three and six months ended March 31, 2017, respectively.

Success Fee Income Recognition

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

Dividend Income Recognition

We accrue dividend income on preferred and common equity securities to the extent that such amounts are expected to be collected and if we have the option to collect such amounts in cash or other consideration. During the year ended September 30, 2017, we recharacterized $0.2 million of dividend income from our investment in Behrens Manufacturing, LLC recorded during our fiscal year ended September 30, 2016 as a return of capital.

Deferred Financing and Offering Costs

Deferred financing and offering costs consist of costs incurred to obtain financing, including lender fees and legal fees. Certain costs associated with our revolving line of credit are deferred and amortized using the straight-line method, which approximates the effective interest method, over the term of the revolving line of credit. Costs associated with the issuance of our mandatorily redeemable preferred stock are presented as discounts to the liquidation value of the mandatorily redeemable preferred stock and are amortized using the straight-line method, which approximates the effective interest method, over the terms of the respective financings. Refer to Note 5 *Borrowings* and Note 6 *Mandatorily Redeemable Preferred Stock* for further discussion.

Related Party Fees

In accordance with the Advisory Agreement, we pay the Adviser fees as compensation for its services, consisting of a base management fee and an incentive fee. Additionally, we pay the Adviser a loan servicing fee as compensation for its services as servicer under the terms of our Fifth Amended and Restated Credit Agreement with KeyBank National Association (KeyBank), as administrative agent, lead arranger and a lender (our Credit Facility). These fees are accrued at the end of the quarter when the services are performed and generally paid the following quarter.

Table of Contents

We pay separately for administrative services pursuant to the Administration Agreement. These administrative fees are accrued at the end of the quarter when the services are performed and generally paid the following quarter. Refer to Note 4 *Related Party Transactions* for additional information regarding these related party fees and agreements.

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 have assessed 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 have assessed 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.

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. The adoption of ASU 2016-06 did not have 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, and we adopted ASU 2016-06 effective October 1, 2017.

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. The adoption of ASU 2016-17 did not have 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, and we adopted ASU 2015-02 effective October 1, 2017.

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.

Table of Contents

NOTE 3. INVESTMENTS

Fair Value

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

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

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

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

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

As of March 31, 2018, all of our investments were valued using Level 3 inputs within the ASC 820 fair value hierarchy, except for our investment in Funko, which was valued using Level 2 inputs and our investments in FedCap and Leeds, which were valued using net asset value as a practical expedient. As of September 30, 2017, all of our investments were valued using Level 3 inputs within the ASC 820 fair value hierarchy, except for our investments in FedCap and Leeds, which were valued using net asset value as a practical expedient.

We transfer investments in and out of Level 1, 2, and 3 of the valuation hierarchy as of the beginning balance sheet date, based on changes in the use of observable and unobservable inputs utilized to perform the valuation for the period. During the six months ended March 31, 2018, we transferred our investment in Funko from Level 3 to Level 2 as a result of the initial public offering of Funko, Inc. in November 2017 due to convertibility of our investment into shares of Funko, Inc. During the three and six months ended March 31, 2017, there were no investments transferred into or out of Levels 1, 2 or 3 of the valuation hierarchy.

22

Table of Contents

As of March 31, 2018 and September 30, 2017, our investments, by security type, at fair value were categorized as follows within the ASC 820 fair value hierarchy:

		Fair Value Measurements		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of March 31, 2018:				
Secured first lien debt	$ 195,793	$	$	$ 195,793
Secured second lien debt	180,045			180,045
Unsecured debt	3,540			3,540
Preferred equity	6,175			6,175
Common equity/equivalents	13,641(B)		194(A)	13,447
Total Investments at March 31, 2018	**$ 399,194**	**$**	**$ 194**	**$ 399,000**

		Fair Value Measurements		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of September 30, 2017:				
Secured first lien debt	$ 173,896	$	$	$ 173,896
Secured second lien debt	155,249			155,249
Unsecured debt	3,324			3,324
Preferred equity	6,561			6,561
Common equity/equivalents	10,947(B)			10,947
Total Investments at September 30, 2017	$ 349,977	$	$	$ 349,977

(A) Fair value was determined based on the closing market price of shares of Funko, Inc. (our units in Funko can be converted into shares of Funko, Inc.) at the reporting date less a discount for lack of marketability as our investment was subject to a 180-day lock-up period, which expires in May 2018, and other restrictions.

(B) Excludes our investments in FedCap and Leeds with fair values of $0.8 million and $2.2 million, respectively, as of March 31, 2018 and fair values of $0.8 million and $1.6 million, respectively, as of September 30, 2017. FedCap and Leeds were valued using net asset value as a practical expedient.

Table of Contents

The following table presents our portfolio investments, valued using Level 3 inputs within the ASC 820 fair value hierarchy, and carried at fair value as of March 31, 2018 and September 30, 2017, by caption on our accompanying *Consolidated Statements of Assets and Liabilities,* and by security type:

	Total Recurring Fair Value Measurements Reported in *Consolidated Statements of Assets and Liabilities* Using Significant Unobservable Inputs (Level 3)	
	March 31, 2018	**September 30, 2017**
Non-Control/Non-Affiliate Investments		
Secured first lien debt	**$ 170,658**	$ 147,447
Secured second lien debt	**150,733**	129,890
Unsecured debt	**3,459**	3,324
Preferred equity	**4,040**	5,735
Common equity/equivalents	**4,207**(A)	2,068(B)
Total Non-Control/Non-Affiliate Investments	**$ 333,097**	$ 288,464
Affiliate Investments		
Secured first lien debt	**$ 19,485**	$ 18,821
Secured second lien debt	**21,247**	17,294
Unsecured debt	**81**	
Preferred equity	**2,135**	826
Common equity/equivalents	**6,622**	5,707
Total Affiliate Investments	**$ 49,570**	$ 42,648
Control Investments		
Secured first lien debt	**$ 5,650**	$ 7,628
Secured second lien debt	**8,065**	8,065
Common equity/equivalents	**2,618**	3,172
Total Control Investments	**$ 16,333**	$ 18,865
Total Investments at Fair Value Using Level 3 Inputs	**$ 399,000**	$ 349,977

(A) Excludes our investments in FedCap, Leeds, and Funko with fair values of $0.8 million, $2.2 million, and $0.2 million, respectively, as of March 31, 2018. FedCap and Leeds were valued using net asset value as a practical expedient and Funko was valued using Level 2 inputs.

(B)

Excludes our investments in FedCap and Leeds with fair values of $0.8 million and $1.6 million, respectively, as of September 30, 2017, which were valued using net asset value as a practical expedient.

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 March 31, 2018 and September 30, 2017. 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

	March 31, 2018	**September 30, 2017**	**Valuation Techniques/ Methodologies**	**Unobservable Input**	**Range / Weighted Average as of March 31, 2018**	**Range / Weighted Average as of September 30, 2017**
Secured first lien debt(A)	**$ 187,993**	$ 136,272	Yield Analysis	Discount Rate	5.0% - 21.3% / 11.9%	8.0% - 25.0% / 12.5%
	7,800	37,624	TEV	EBITDA multiple	3.2x 3.2x /3.2x	3.2x 10.1x / 8.2x
				EBITDA	$1,391 - $1,391 / $1,391	$1,378 - $9,420 / $6,676
				Revenue multiple	0.3x 0.5x / 0.3x	0.3x 0.4x / 0.3x
				Revenue	$4,980 - $8,000 /$7,791	$6,934 - $12,094 / $11,733
Secured second lien debt(B)	**148,404**	122,165	Yield Analysis	Discount Rate	10.6% - 22.7% /14.0%	10.8% - 23.3% / 14.0%
	21,499	22,607	Market Quote	IBP	82.0% - 101.8% / 96.5%	84.5% - 101.5% / 97.2%
	10,142	10,477	TEV	EBITDA multiple	4.5x 6.3x /5.1x	4.8x 6.6x /5.4x
				EBITDA	$3,004 - $75,583 / $27,979	$3,000 - $73,650 / $26,424
Unsecured debt	**3,540**	3,324	Yield Analysis	Discount Rate	9.7% - 13.7% / 9.8%	10.0% - 10.0% / 10.0%
Preferred and common equity / equivalents(C)(D)	**19,491**	17,370	TEV	EBITDA multiple	3.2x 10.0x / 6.2x	3.2x 10.1x / 6.1x
				EBITDA	$352 -$30,531	$890 -$84,828/

					/$12,658	$12,835
					0.3x 1.7x /	
				Revenue multiple	0.5x	0.3x 6.5 x /0.7x
					$2,973 -$522,101	$2,317 -$503,620/
				Revenue	/$153,397	$128,819
					26.2% - 26.2%	27.9% - 27.9% /
	131	138	Market Quotes	IBP	/26.2%	27.9%
Total Level 3 Investments, at Fair Value	**$ 399,000**	$ 349,977				

(A) Fair value as of March 31, 2018 includes one new proprietary debt investment totaling $7.9 million, which was valued at cost, using the transaction price as the unobservable input. Fair value as of September 30, 2017 includes one new proprietary debt investment totaling $12.0 million, which was valued at cost, using the transaction price as the unobservable input, and one proprietary debt investment totaling $7.8 million, which was valued at the expected payoff amount as the unobservable input.

(B) Fair value as of September 30, 2017 includes one proprietary debt investment totaling $3.5 million which was valued at the expected payoff as the unobservable input.

(C) Fair value as of September 30, 2017 includes two new proprietary investments totaling $1.0 million, which were valued at cost, using transaction price as the unobservable input, and one proprietary investment totaling $1.4 million, which was valued at the expected payoff amount as the unobservable input.

(D) Fair value as of March 31, 2018 excludes our investments in FedCap, Leeds and Funko with fair values of $0.8 million, $2.2 million, and $0.2 million, respectively, as of March 31, 2018. FedCap and Leeds were valued using net asset value as a practical expedient and Funko was valued using Level 2 inputs as of March 31, 2018. Fair value as of September 30, 2017 excludes our investments in FedCap and Leeds with fair values of $0.8 million and $1.6 million, respectively, as of September 30, 2017, which were valued using net asset value as a practical expedient.

Table of Contents

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

Changes in Level 3 Fair Value Measurements of Investments

The following tables provide the changes in fair value, broken out by security type, during the three and six months ended March 31, 2018 and 2017 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 2018:

Three Months ended March 31, 2018	**Secured First Lien Debt**	**Secured Second Lien Debt**	**Unsecured Debt**	**Preferred Equity**	**Common Equity/ Equivalents**	**Total**
Fair Value as of December 31, 2017	**$ 196,195**	**$ 171,690**	**$ 3,444**	**$ 5,661**	**$ 12,434**	**$ 389,424**
Total gains (losses):						
Net realized gain (loss)[(A)]	(3)	37		(5)	(3)	26
Net unrealized appreciation (depreciation)[(B)]	(1,005)	2,408	11	514	992	2,920
Reversal of prior period net (appreciation) depreciation on realization[(B)]		(18)				(18)
New investments, repayments and settlements: [(C)]						
Issuances/originations	11,895	8,794	85		21	20,795
Settlements/repayments	(4,694)	(9,426)				(14,120)
Net proceeds from sales	3	(38)		5	3	(27)
Transfers	(6,598)	6,598				
Fair Value as of March 31, 2018	**$ 195,793**	**$ 180,045**	**$ 3,540**	**$ 6,175**	**$ 13,447**	**$ 399,000**

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

FISCAL YEAR 2018:

Six Months Ended March 31, 2018	**Secured First Lien Debt**	**Secured Second Lien Debt**	**Unsecured Debt**	**Preferred Equity**	**Common Equity/ Equivalents**	**Total**
Fair Value as of September 30, 2017	**$ 173,896**	**$ 155,249**	**$ 3,324**	**$ 6,561**	**$ 10,947**	**$ 349,977**
Total gains (losses):						
Net realized (loss) gain[(A)]	(3)	37		597	(31)	600
Net unrealized (depreciation) appreciation[(B)]	110	2,853	8	1,072	980	5,023
		(105)		(725)		(830)

Reversal of prior period net depreciation (appreciation) on realization[(B)]						
New investments, repayments and settlements: [(C)]						
Issuances/originations	49,321	27,159	208	125	1,521	78,334
Settlements/repayments	(17,371)	(15,273)				(32,644)
Net proceeds from sales	3	(38)		(1,296)	30	(1,301)
Transfers	(10,163)	10,163		(159)		(159)
Fair Value as of March 31, 2018	**$ 195,793**	**$ 180,045**	**$ 3,540**	**$ 6,175**	**$ 13,447**	**$ 399,000**

26

Table of Contents

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

FISCAL YEAR 2017:

Three Months Ended March 31, 2017	Secured First Lien Debt	Secured Second Lien Debt	Unsecured Debt	Preferred Equity	Common Equity/ Equivalents	Total
Fair Value as of December 31, 2016	**$ 156,330**	**$ 114,021**	**$ 3,091**	**$ 4,415**	**$ 7,870**	**$ 285,727**
Total gains (losses):						
Net realized (loss) gain(A)		(24)		47	22	45
Net unrealized (depreciation) appreciation(B)	(1,791)	1,238	6	(63)	(105)	(715)
Reversal of prior period net depreciation (appreciation) on realization(B)	(96)	115				19
New investments, repayments and settlements: (C)						
Issuances/originations	29,582	10,776	85	360	1	40,804
Settlements/repayments	(9,992)	(4,851)	3			(14,840)
Net proceeds from sales		24		(93)	(22)	(91)
Transfers		(202)			202	
Fair Value as of March 31, 2017	**$ 174,033**	**$ 121,097**	**$ 3,185**	**$ 4,666**	**$ 7,968**	**$ 310,949**

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

FISCAL YEAR 2017:

Six Months Ended March 31, 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**	**$ 7,755**	**$ 320,070**
Total gains (losses):						
Net realized (loss) gain(A)	(4,899)	1		1,473	22	(3,403)
Net unrealized (depreciation) appreciation(B)	866	(1,982)	7	1,053	(3,351)	(3,407)
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	30,129	30,136	161	754	344	61,524
Settlements/repayments	(48,857)	(8,277)	5			(57,129)
Net proceeds from sales	(101)	(1)		(7,817)	(392)	(8,311)
Transfers	(3,940)	720			3,220	
Fair Value as of March 31, 2017	**$ 174,033**	**$ 121,097**	**$ 3,185**	**$ 4,666**	**$ 7,968**	**$ 310,949**

(A) Included in net realized gain (loss) on investments on our accompanying *Consolidated Statements of Operations* for the three and six months ended March 31, 2018 and 2017.

(B) Included in net unrealized appreciation (depreciation) on investments on our accompanying *Consolidated Statements of Operations* for the three and six months ended March 31, 2018 and 2017.

(C) Includes increases in the cost basis of investments resulting from new portfolio investments, accretion of discounts, PIK, and other non-cash disbursements to portfolio companies, as well as decreases in the cost basis of investments resulting from principal repayments or sales, the amortization of premiums and acquisition costs and other cost-basis adjustments.

Table of Contents

Investment Activity

Proprietary Investments

As of March 31, 2018 and September 30, 2017, we held 39 and 35 proprietary investments with an aggregate fair value of $367.7 million and $318.6 million, or 91.4% and 90.4% of the total aggregate portfolio, respectively. The following significant proprietary investment transactions occurred during the six months ended March 31, 2018:

- In October 2017, we sold our investment in Flight Fit N Fun LLC for a realized gain of $0.6 million. In connection with the sale, we received net cash proceeds of approximately $9.4 million, including the repayment of our debt investment of $7.8 million at par.

- In October 2017, we invested $11.0 million in Applied Voice & Speech Technologies, Inc. through secured first lien debt.

- In November 2017, we invested $7.5 million in Arc Drilling Holdings, LLC through a combination of secured first lien debt and equity.

- In November 2017, we invested $7.5 million in Gray Matter Systems, LLC through secured second lien debt. In March 2018, we invested an additional $3.6 million in Gray Matter Systems, LLC, through secured second lien debt.

- In December 2017, we invested $20.0 million in Impact! Chemical Technologies, Inc. through secured first lien debt.

- In January 2018, we invested $8.1 million in XMedius Solutions Inc. through secured first lien debt.

- In February 2018, we invested an additional $4.0 million in an existing portfolio company, Lignetics, Inc., through secured first lien debt.

- In March 2018, an existing portfolio company, EL Academies, Inc., drew an additional $1.4 million on the unused portion of its secured first lien delayed draw term loan.

Syndicated Investments

As of March 31, 2018 and September 30, 2017, we held 11 and 12 syndicated investments with an aggregate fair value of $34.4 million and $33.8 million, or 8.6% and 9.6% of the total portfolio at fair value, respectively. The following significant syndicated investment transactions occurred during the six months ended March 31, 2018:

In October 2017, PSC Industrial Holdings, LLC paid off at par for net proceeds of $3.5 million.

In November 2017, DataPipe, Inc. paid off at par for net proceeds of $2.0 million.

In November 2017, we invested $5.0 million in DigiCert Holdings, Inc. through secured second lien debt. In March 2018, we sold $2.0 million of our investment for net proceeds of $2.0 million.

In November 2017, we invested $4.0 million in Red Ventures, LLC through secured second lien debt.

In November 2017, we invested $1.0 million in ABG Intermediate Holdings 2, LLC through secured second lien debt. In January 2018, we sold our investment in ABG Intermediate Holdings 2, LLC for net proceeds of $1.0 million.

In March 2018, we sold our $1.0 million investment in Neustar, Inc. for net proceeds of $1.0 million.

Investment Concentrations

As of March 31, 2018, our investment portfolio consisted of investments in 50 portfolio companies located in 23 states in 18 different industries, with an aggregate fair value of $402.1 million. The five largest investments at fair value totaled $116.6 million, or 29.0% of our total investment portfolio, as compared to the five largest investments at fair value as of September 30, 2017 totaling $110.9 million, or 31.5% of our total investment portfolio. As of March 31, 2018 and September 30, 2017, our average investment by obligor was $9.1 million and $8.8 million at cost, respectively.

Table of Contents

The following table outlines our investments by security type at March 31, 2018 and September 30, 2017:

	March 31, 2018				September 30, 2017			
	Cost		Fair Value		Cost		Fair Value	
Secured first lien debt	**$ 218,696**	**47.9%**	**$ 195,793**	**48.7%**	$ 198,942	48.4%	$ 173,896	49.4%
Secured second lien debt	**192,329**	**42.1**	**180,045**	**44.8**	168,247	40.9	155,249	44.1
Unsecured debt	**3,533**	**0.8**	**3,540**	**0.9**	3,324	0.8	3,324	0.9
Total debt investments	**414,558**	**90.8**	**379,378**	**94.4**	370,513	90.1	332,469	94.4
Preferred equity	**18,052**	**3.9**	**6,175**	**1.5**	18,794	4.5	6,561	1.9
Common equity/equivalents	**24,196**	**5.3**	**16,585**	**4.1**	22,128	5.4	13,343	3.7
Total equity investments	**42,248**	**9.2**	**22,760**	**5.6**	40,922	9.9	19,904	5.6
Total Investments	**$ 456,806**	**100.0%**	**$ 402,138**	**100.0%**	$ 411,435	100.0%	$ 352,373	100.0%

Our investments at fair value consisted of the following industry classifications at March 31, 2018 and September 30, 2017:

	March 31, 2018		September 30, 2017	
Industry Classification	**Fair Value**	**Percentage of Total Investments**	**Fair Value**	**Percentage of Total Investments**
Diversified/Conglomerate Service	**$ 93,050**	**23.1%**	$ 80,723	22.9%
Oil and gas	**59,407**	**14.8**	34,712	9.9
Telecommunications	**49,339**	**12.2**	31,350	8.9
Healthcare, education and childcare	**43,265**	**10.8**	46,288	13.1
Diversified/Conglomerate Manufacturing	**41,361**	**10.3**	40,843	11.6
Diversified natural resources, precious metals and minerals	**23,158**	**5.8**	18,949	5.4
Automobile	**19,113**	**4.8**	20,082	5.7
Cargo Transportation	**13,748**	**3.4**	13,081	3.7
Beverage, food and tobacco	**13,736**	**3.4**	14,103	4.0
Machinery	**11,784**	**2.9**	5,114	1.4
Home and Office Furnishings, Housewares and Durable Consumer Products	**10,188**	**2.5**	10,100	2.9
Hotels, Motels, Inns, and Gaming	**6,655**	**1.7**	7,136	2.0
Textiles and leather	**5,563**	**1.4**	4,879	1.4
Personal and non-durable consumer products	**4,488**	**1.1**	7,035	2.0
Printing and publishing	**2,400**	**0.6**	3,628	1.0
Leisure, Amusement, Motion Pictures, Entertainment			9,225	2.6

Other, < 2.0%	**4,883**	**1.2**	5,125	1.5
Total Investments	**$ 402,138**	**100.0%**	$ 352,373	100.0%

Our investments at fair value were included in the following U.S. geographic regions and other countries at March 31, 2018 and September 30, 2017:

	March 31, 2018		**September 30, 2017**	
Location	**Fair Value**	**Percentage of Total Investments**	**Fair Value**	**Percentage of Total Investments**
South	**$ 162,708**	**40.4%**	$ 150,727	42.8%
West	**132,303**	**32.9**	116,302	33.0
Midwest	**63,346**	**15.8**	58,915	16.7
Northeast	**35,883**	**8.9**	26,429	7.5
Canada	**7,898**	**2.0**		
Total Investments	**$ 402,138**	**100.0%**	$ 352,373	100.0%

The geographic composition is determined by the location of the headquarters of our portfolio companies. A portfolio company may have a number of other business locations in other geographic locations.

Investment Principal Repayments

The following table summarizes the contractual principal repayment and maturity of our investment portfolio by fiscal year, assuming no voluntary prepayments, as of March 31, 2018:

		Amount
For the remaining six months ending September 30:	2018	$ 33,604
For the fiscal years ending September 30:	2019	49,470
	2020	82,400
	2021	85,214
	2022	49,707
	Thereafter	119,863
	Total contractual repayments	**$ 420,258**
	Adjustments to cost basis of debt investments	(5,700)
	Investments in equity securities	42,248
	Investments held as of March 31, 2018 at Cost:	**$ 456,806**

Receivables from Portfolio Companies

Receivables from portfolio companies represent non-recurring costs incurred on behalf of such portfolio companies and are included in other assets on our accompanying *Consolidated Statements of Assets and Liabilities*. We generally maintain an allowance for uncollectible receivables from portfolio companies when the receivable balance becomes 90 days or more past due or if it is determined, based upon management s judgment, that the portfolio company is unable to pay its obligations. We write-off accounts receivable when we have exhausted collection efforts and have deemed the receivables uncollectible. As of March 31, 2018 and September 30, 2017, we had gross receivables from portfolio companies of $0.2 million and $0.5 million, respectively. The allowance for uncollectible receivables was $21 and $44 at March 31, 2018 and September 30, 2017, 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 thereunder 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. The entire loan servicing fee paid to the Adviser by Business Loan is non-contractually, unconditionally and irrevocably credited against the base management fee otherwise payable to the Adviser, since Business Loan is a consolidated subsidiary of ours, and overall, the base management fee (including any loan servicing fee) cannot exceed 1.75% of total assets (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 Lee Brubaker (our vice chairman and chief operating officer) serve as directors and executive officers of the Adviser, which is 100% indirectly owned and controlled by Mr. Gladstone. Robert Marcotte (our president) also serves as an executive managing director of the Adviser.

Table of Contents

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2018	2017	**2018**	2017
Average total assets subject to base management fee(A)	**$ 407,771**	$ 310,628	**$ 395,428**	$ 312,800
Multiplied by prorated annual base management fee of 1.75%	**0.4375%**	0.4375%	**0.875%**	0.875%
Base management fee(B)	**$ 1,784**	$ 1,359	**$ 3,460**	$ 2,737
Portfolio company fee credit	**(167)**	(434)	**(831)**	(1,083)
Syndicated loan fee credit	**(92)**	(9)	**(184)**	(22)
Net Base Management Fee	**$ 1,525**	$ 916	**$ 2,445**	$ 1,632
Loan servicing fee(B)	**1,274**	955	**2,460**	1,938
Credit to base management fee - loan servicing fee(B)	**(1,274)**	(955)	**(2,460)**	(1,938)
Net Loan Servicing Fee	**$**	$	**$**	$
Incentive fee(B)	**1,210**	1,070	**2,583**	2,363
Incentive fee credit	**(771)**	(1,077)	**(856)**	(1,114)
Net Incentive Fee	**$ 439**	$ (7)	**$ 1,727**	$ 1,249
Portfolio company fee credit	**(167)**	(434)	**(831)**	(1,083)
Syndicated loan fee credit	**(92)**	(9)	**(184)**	(22)
Incentive fee credit	**(771)**	(1,077)	**(856)**	(1,114)
Credits to Fees From Adviser - other(B)	**$ (1,030)**	$ (1,520)	**$ (1,871)**	$ (2,219)

(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 *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 non-contractually, 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 \$10 and \$19 for the three and six months ended March 31, 2018 and \$18 and \$46 for the three and six months ended March 31, 2017, 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 three and six months ended March 31, 2018 and 2017.

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);

31

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 net realized capital gains (as defined herein) as of the end of the fiscal year. In determining the capital gains-based incentive fee payable to the Adviser, we calculate net realized capital gains at the end of each applicable year by subtracting the sum of our cumulative aggregate realized capital losses and our entire portfolio s aggregate unrealized capital depreciation from our cumulative aggregate realized capital gains. For this purpose, cumulative aggregate realized capital gains, if any, equals the sum of the differences between the net sales price of each investment, when sold, and the original cost of such investment since inception. Cumulative aggregate realized capital losses equals the sum of the amounts by which the net sales price of each investment, when sold, is less than the original cost of such investment since inception. The entire portfolio s aggregate unrealized capital depreciation, if any, equals the sum of the difference, between the valuation of each investment as of the applicable calculation date and the original cost of such investment. At the end of the applicable fiscal year, the amount of capital gains that serves as the basis for our calculation of the capital gains-based incentive fee equals the cumulative aggregate realized capital gains less cumulative aggregate realized capital losses, less the entire portfolio s aggregate unrealized capital depreciation, if any. If this number is positive at the end of such fiscal year, then the capital gains-based incentive fee for such year equals 20.0% of such amount, less the aggregate amount of any capital gains-based incentive fees paid in respect of our portfolio in all prior years. No capital gains-based incentive fee has been recorded or paid since our inception through March 31, 2018, as cumulative unrealized capital depreciation has exceeded cumulative realized capital gains net of cumulative realized capital losses.

In accordance with GAAP, a capital gains-based incentive fee accrual is calculated using the aggregate cumulative realized capital gains and losses and aggregate cumulative unrealized capital 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 from our inception through March 31, 2018.

Our Board of Directors accepted non-contractual, unconditional and irrevocable credits from the Adviser to reduce the income-based incentive fee to the extent net investment income did not 100.0% cover distributions to common stockholders for the three and six months ended March 31, 2018 and 2017.

Loan Servicing Fee

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

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 Lee Brubaker (our vice chairman and chief operating officer) serve as members of the board of managers and executive officers of the Administrator, which is 100% indirectly owned and controlled by Mr. Gladstone.

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 Administration 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 $0.2 million and $0.6 million during the three and six months ended March 31, 2018, respectively, and $0.3 million and $0.5 million during the three and six months ended March 31, 2017, respectively.

Related Party Fees Due

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

	March 31, 2018	**September 30, 2017**
Base management fee due to Adviser	**$ 251**	$ 45
Loan servicing fee due to Adviser	**317**	242
Incentive fee due to Adviser	**439**	1,005
Total fees due to Adviser	**1,007**	1,292
Fee due to Administrator	**312**	244
Total Related Party Fees Due	**$ 1,319**	$ 1,536

In addition to the above fees, other operating expenses due to the Adviser as of March 31, 2018 and September 30, 2017, totaled $10 and $12, respectively. In addition, net expenses payable to Gladstone Investment Corporation (for reimbursement purposes), which includes certain co-investment expenses, totaled $16 and $55 as of March 31, 2018 and September 30, 2017, respectively. These amounts are generally settled in the quarter subsequent to being incurred and have been included in other liabilities on the accompanying *Consolidated Statements of Assets and Liabilities* as of March 31, 2018 and September 30, 2017.

NOTE 5. BORROWINGS

Revolving Credit Facility

On March 9, 2018, we, through Business Loan, entered into Amendment No. 4 to our Credit Facility with KeyBank, which increased the commitment amount from $170.0 million to $190.0 million, extended the revolving period end date by approximately two years to January 15, 2021, decreased the marginal interest rate added to 30-day LIBOR from 3.25% to 2.85% per annum, and changed the unused commitment fee from 0.50% of the total unused commitment amount to 0.50% when the average unused commitment amount for the reporting period is less than or equal to 50%, 0.75% when the average unused commitment amount for the reporting period is greater than 50% but less than or equal to 65%, and 1.00% when the average unused commitment amount for the reporting period is greater than 65%. If our Credit Facility is not renewed or extended by January 15, 2021, all principal and interest will be due and payable on or before April 15, 2022 (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 $265.0 million through additional commitments of new or existing lenders. We incurred fees of approximately $1.2 million in connection with this amendment, which are being amortized through our Credit Facility s revolving period end date of January 15, 2021.

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

	March 31, 2018	September 30, 2017
Commitment amount	**$ 190,000**	$ 170,000
Borrowings outstanding, at cost	**127,800**	93,000
Availability[(A)]	**54,375**	58,576

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2018	2017	2018	2017
Weighted average borrowings outstanding, at cost	**$ 128,324**	$ 42,394	**$ 113,111**	$ 40,819
Weighted average interest rate[(B)]	**4.9%**	5.5%	**5.0%**	5.6%
Commitment (unused) fees incurred	**$ 59**	$ 160	**$ 151**	$ 326

(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.

33

Table of Contents

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 25 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 $225.2 million as of March 31, 2018, (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 March 31, 2018, and as defined in the performance guaranty of our Credit Facility, we had a net worth of $280.0 million, asset coverage on our senior securities representing indebtedness of 318.4%, calculated in compliance with the requirements of Section 18 and 61 of the 1940 Act, and an active status as a BDC and RIC. In addition, we had 34 obligors in our Credit Facility s borrowing base as of March 31, 2018. As of March 31, 2018, we were in compliance with all of our Credit Facility covenants.

Fair Value

We elected to apply the fair value option of ASC 825, *Financial Instruments*, specifically for the Credit Facility, which was consistent with our application of ASC 820 to our investments. Generally, the fair value of our Credit Facility is determined using a yield analysis which includes a DCF calculation and the assumptions that the Valuation Team believes market participants would use, including, 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 March 31, 2018, the discount rate used to determine the fair value of our Credit Facility was 30-day LIBOR, plus 2.85% per annum, plus a 0.50% unused fee. As of September 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 0.50% 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 March 31, 2018 and September 30, 2017, our Credit Facility was valued using Level 3 inputs and any changes in its fair value are recorded in net unrealized depreciation (appreciation) of other on our accompanying *Consolidated Statements of Operations*.

The following tables present our Credit Facility carried at fair value as of March 31, 2018 and September 30, 2017, on our accompanying *Consolidated Statements of Assets and Liabilities* for Level 3 of the hierarchy established by ASC

820 and the changes in fair value of our Credit Facility during the three and six months ended March 31, 2018 and 2017:

	Total Recurring Fair Value Measurement Reported in *Consolidated Statements of Assets and Liabilities* Using Significant Unobservable Inputs (Level 3)	
	March 31, 2018	**September 30, 2017**
Credit Facility	**$ 127,800**	$ 93,115

Fair Value Measurements Using Significant

Unobservable Data Inputs (Level 3)

Reported in Consolidated Statements of

Assets and Liabilities

	Three Months Ended March 31,	
	2018	**2017**
Fair value as of December 31, 2017 and 2016, respectively	**$ 130,833**	$ 27,987
Borrowings	**26,300**	46,100
Repayments	**(29,000)**	(20,200)
Net unrealized (depreciation) appreciation[(A)]	**(333)**	102
Fair Value as of March 31, 2018 and 2017, respectively	**$ 127,800**	$ 53,989

34

Table of Contents

	Six Months Ended March 31,	
	2018	**2017**
Fair value as of September 30, 2017 and 2016, respectively	**$ 93,115**	$ 71,300
Borrowings	**87,400**	70,300
Repayments	**(52,600)**	(87,500)
Net unrealized depreciation[(A)]	**(115)**	(111)
Fair Value as of March 31, 2018 and 2017, respectively	**$ 127,800**	$ 53,989

(A) Included in net unrealized appreciation (depreciation) of other on our accompanying *Consolidated Statements of Operations* for the three and six months ended March 31, 2018 and 2017.

The fair value of the collateral under our Credit Facility totaled approximately $354.9 million and $317.4 million as of March 31, 2018 and September 30, 2017, respectively.

NOTE 6. MANDATORILY REDEEMABLE PREFERRED STOCK

In September 2017, we completed a public offering of approximately 2.1 million shares of 6.00% Series 2024 Term Preferred Stock, par value $0.001 per share (Series 2024 Term Preferred Stock), at a public offering price of $25.00 per share. Gross proceeds totaled $51.8 million and net proceeds, after deducting underwriting discounts, commissions and offering expenses borne by us, were approximately $49.8 million. We incurred approximately $1.9 million in total underwriting discounts and offering costs related to the issuance of the Series 2024 Term Preferred Stock, which have been recorded as discounts to the liquidation value on our accompanying *Consolidated Statements of Assets and Liabilities* and are being amortized from issuance through September 30, 2024, the mandatory redemption date. The offering proceeds plus borrowings under our Credit Facility were used to voluntarily redeem all 2.4 million outstanding shares of our then existing 6.75% Series 2021 Term Preferred Stock, par value $0.001 per share (Series 2021 Term Preferred Stock). In connection with the voluntary redemption of our Series 2021 Term Preferred Stock, we incurred a loss on extinguishment of debt of $1.3 million during the three months ended September 30, 2017, which is primarily comprised of the unamortized deferred issuance costs at the time of redemption.

The shares of our Series 2024 Term Preferred Stock are traded under the ticker symbol GLADN on the Nasdaq Global Select Market. Our Series 2024 Term Preferred Stock is not convertible into our common stock or any other security and provides for a fixed dividend equal to 6.00% per year, payable monthly (which equates in total to approximately $3.1 million per year). We are required to redeem all of the outstanding Series 2024 Term Preferred Stock on September 30, 2024 for cash at a redemption price equal to $25.00 per share plus an amount equal to all unpaid dividends and distributions per 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 2024 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, or (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 2024 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. The asset coverage on our senior securities that are stock as of March 31, 2018 was 226.8%, calculated in accordance with Sections 18 and 61 of the 1940 Act.

We may also voluntarily redeem all or a portion of the Series 2024 Term Preferred Stock at our option at the Redemption Price at any time after September 30, 2019. If we fail to redeem our Series 2024 Term Preferred Stock pursuant to the mandatory redemption date of September 30, 2024, or in any other circumstance in which we are required to mandatorily redeem our Series 2024 Term Preferred Stock, then the fixed dividend rate will increase by 4.0% for so long as such failure continues. As of March 31, 2018, we have not redeemed, nor have we been required to redeem, any shares of our outstanding Series 2024 Term Preferred Stock.

In May 2014, we completed a public offering of approximately 2.4 million shares of Series 2021 Term Preferred Stock, at a public offering price of $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 were recorded as discounts to the liquidation value on our accompanying *Consolidated Statements of Assets and Liabilities* and were amortized over the redemption period ending June 30, 2021. In September 2017, when we voluntarily redeemed all of our outstanding Series 2021 Term Preferred Stock, the remaining unamortized costs were fully written off as part of the realized loss discussed above.

We paid the following monthly distributions on our Series 2024 Term Preferred Stock for the six months ended March 31, 2018:

Fiscal Year	Declaration Date	Record Date	Payment Date	Distribution per Series 2024 Term Preferred Share(A)
2018	October 10, 2017	October 20, 2017	October 31, 2017	$ 0.141667
	October 10, 2017	November 20, 2017	November 30, 2017	0.125
	October 10, 2017	December 19, 2017	December 29, 2017	0.125
	January 9, 2018	January 22, 2018	January 31, 2018	0.125
	January 9, 2018	February 16, 2018	February 28, 2018	0.125
	January 9, 2018	March 20, 2018	March 30, 2018	0.125
			Six Months Ended March 31, 2018:	**$ 0.766667**

(A) The dividend paid on October 31, 2017 included the pro-rated period from and including the issuance date of September 27, 2017 to and including September 30, 2017, and the full month of October 2017.

We paid the following monthly distributions on our Series 2021 Term Preferred Stock for the six months ended March 31, 2017:

Fiscal Year	Declaration Date	Record Date	Payment Date	Distribution 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
			Six Months Ended March 31, 2017:	**$ 0.8437500**

The federal income tax characteristics of dividends paid to our preferred stockholders generally constitute ordinary income to the extent of our current and accumulated earnings and profits and is reported after the end of the calendar year based on tax information for the full fiscal year. Estimates of tax characterization made on a quarterly basis may not be representative of the actual tax characterization of dividends for the full year. Estimates made on a quarterly basis are updated as of each interim reporting date. The tax characterization of dividends paid to our preferred stockholders during the calendar years ended December 31, 2017 and 2016 was 100% from ordinary income.

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 as a liability at cost, as of March 31, 2018 and September 30, 2017. 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 2024 Term Preferred Stock for the three and six months ended March 31, 2018 were $0.8 million and $1.6 million, respectively. Aggregate preferred stockholder dividends declared and paid on our Series 2021 Term Preferred Stock for the three and six months ended March 31, 2017 were $1.0 million and $2.1 million, respectively.

For disclosure purposes, the fair value, based on the last quoted closing price, for our Series 2024 Term Preferred Stock as of March 31, 2018 and September 30, 2017 was approximately $51.7 million and $52.7 million, respectively. 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

We filed Post-Effective Amendment No. 5 to our current universal shelf registration statement on Form N-2 (our Registration Statement) on Form N-2 (File No. 333-208637) with the SEC on December 19, 2017, which was declared effective by the SEC on February 1, 2018. 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 March 31, 2018, we have the ability to issue up to $217.7 million in securities under the Registration Statement.

Common Stock Offerings

Pursuant to our 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.

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. During the six months ended March 31, 2018, we sold 737,077 shares of our common stock under the Sales Agreement with Cantor Fitzgerald & Co., at a weighted-average price of $9.40 per share and raised $6.9 million of gross proceeds. Net proceeds, after deducting commissions and offering costs borne by us, were approximately $6.8 million. As of March 31, 2018, we had a remaining capacity to sell up to $35.6 million of common stock under the Sales Agreement with Cantor Fitzgerald & Co. We did not sell any shares under the Sales Agreements during the six months ended March 31, 2017.

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

The following table sets forth the computation of basic and diluted net increase in net assets resulting from operations per weighted average common share for the three and six months ended March 31, 2018 and 2017:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2018	**2017**	**2018**	**2017**
Numerator for basic and diluted net increase in net assets resulting from operations per common share	**$ 9,304**	$ 4,656	**$ 16,464**	$ 5,572
Denominator for basic and diluted weighted average common shares	**26,709,476**	25,517,866	**26,615,106**	25,144,358
Basic and diluted net increase in net assets resulting from operations per common share	**$ 0.35**	$ 0.18	**$ 0.62**	$ 0.22

NOTE 9. DISTRIBUTIONS TO COMMON STOCKHOLDERS

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

The federal income tax characteristics of all distributions will be reported to stockholders on the IRS Form 1099 at the end of each calendar year. For calendar years ended December 31, 2017 and 2016, 100% of distributions to common stockholders during these periods were deemed to be paid from ordinary income for 1099 stockholder reporting purposes.

We paid the following monthly distributions to common stockholders for the six months ended March 31, 2018 and 2017:

Fiscal Year	Declaration Date	Record Date	Payment Date	Distribution per Common Share	
2018	October 10, 2017	October 20, 2017	October 31, 2017	$	0.07
	October 10, 2017	November 20, 2017	November 30, 2017		0.07
	October 10, 2017	December 19, 2017	December 29, 2017		0.07
	January 9, 2018	January 22, 2018	January 31, 2018		0.07
	January 9, 2018	February 16, 2018	February 28, 2018		0.07
	January 9, 2018	March 20, 2018	March 30, 2018		0.07
			Six Months Ended March 31, 2018:	**$**	**0.42**
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
			Six Months Ended March 31, 2017:	**$**	**0.42**

Table of Contents

Aggregate distributions declared and paid to our common stockholders were approximately $11.2 million and $10.6 million for the six months ended March 31, 2018 and 2017, respectively, and were declared based on estimates of Investment Company Taxable Income for the respective fiscal years. For the fiscal year ended September 30, 2017, 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 $0.3 million of the first common distributions paid in fiscal year 2018 as having been paid in the respective prior year.

For the six months ended March 31, 2018 and the fiscal year ended September 30, 2017, we recorded the following adjustments for book-tax differences to reflect tax character.

	Six Months Ended March 31, 2018	Year Ended September 30, 2017
Over distributed net investment income	**$ (16)**	$ (4,416)
Accumulated net realized losses	**285**	6,541
Capital in excess of par value	**(269)**	(2,125)

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 March 31, 2018 and September 30, 2017, we have not established reserves for such loss contingencies.

Escrow Holdbacks

From time to time, we will enter into arrangements as it relates to exits of certain investments whereby specific amounts of the proceeds are held in escrow in order to be used to satisfy potential obligations as stipulated in the sales agreements. We record escrow amounts in restricted cash and cash equivalents on our accompanying *Consolidated Statements of Assets and Liabilities*. We establish a reserve against the escrow amounts if we determine that it is probable and estimable that a portion of the escrow amounts will not be ultimately received at the end of the escrow period. There were no aggregate reserves recorded against the escrow amounts as of March 31, 2018 and September 30, 2017.

Financial Commitments and Obligations

We have lines of credit, delayed draw term loans, and an uncalled capital commitment with certain of our portfolio companies that have not been fully drawn. Since these commitments have expiration dates and we expect many will never be fully drawn, the total commitment amounts do not necessarily represent future cash requirements. We estimate the fair value of the combined unused lines of credit, the unused delayed draw term loans and the uncalled capital commitment as of March 31, 2018 and September 30, 2017 to be immaterial.

The following table summarizes the amounts of our unused lines of credit, delayed draw term loans and uncalled capital commitment, at cost, as of March 31, 2018 and September 30, 2017, which are not reflected as liabilities in the accompanying *Consolidated Statements of Assets and Liabilities*:

	March 31, 2018	**September 30, 2017**
Unused line of credit commitments	**$ 7,647**	$ 7,517
Delayed draw term loans	**11,460**	10,900
Uncalled capital commitment	**986**	1,367
Total	**$ 20,093**	$ 19,784

38

Table of Contents

NOTE 11. FINANCIAL HIGHLIGHTS

	Three Months Ended March 31,		Six Months Ended March 31,	
	2018	2017	**2018**	2017
Per Common Share Data[(A)]:				
Net asset value at beginning of period[(A)]	**$ 8.48**	$ 8.36	**$ 8.40**	$ 8.62
Income from operations[(B)]				
Net investment income[(B)]	**0.21**	0.21	**0.42**	0.42
Net realized and unrealized gain (loss) on investments	**0.13**	(0.03)	**0.20**	(0.21)
Net realized and unrealized gain (loss) on other	**0.01**			
Total from operations	**0.35**	0.18	**0.62**	0.21
Distributions to common stockholders from[(B)(C)]				
Net Investment Income	**(0.21)**	(0.21)	**(0.42)**	(0.42)
Total distributions	**(0.21)**	(0.21)	**(0.42)**	(0.42)
Capital share transactions[(B)]				
Offering costs for issuance of common stock				(0.03)
Anti-dilutive (dilutive) effect of common stock issuance[(D)]			**0.02**	(0.06)
Total capital share transactions			**0.02**	(0.09)
Other, net[(B)(E)]				0.01
Net asset value at end of period[(A)]	**$ 8.62**	$ 8.33	**$ 8.62**	$ 8.33
Per common share market value at beginning of period	**$ 9.21**	$ 9.39	**$ 9.50**	$ 8.13
Per common share market value at end of period	**8.60**	9.49	**8.60**	9.49
Total return[(F)]	**(4.37)%**	3.60%	**(5.24)%**	22.35%
Common stock outstanding at end of period[(A)]	**26,897,761**	25,517,866	**26,897,761**	25,517,866
Statement of Assets and Liabilities Data:				
Net assets at end of period	**$ 231,725**	$ 212,670	**$ 231,725**	$ 212,670

Average net assets(G)	**228,264**	213,141	**226,733**	213,597
Senior Securities Data:				
Borrowings under Credit Facility, at cost	**127,800**	54,100	**127,800**	54,100
Mandatorily redeemable preferred stock, at liquidation preference	**51,750**	59,536	**51,750**	59,536
Ratios/Supplemental Data:				
Ratio of net expenses to average net assets annualized(H)(I)	**9.59%**	6.45%	**9.49%**	7.68%
Ratio of net investment income to average net assets annualized(J)	**9.83%**	10.06%	**9.87%**	9.89%

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

(B) Based on weighted average basic per share data.

(C) The tax character of distributions are determined based on taxable income calculated in accordance with income tax regulations, which may differ from amounts determined under GAAP.

(D) During the three and six months ended March 31, 2018, the anti-dilution was a result of issuing common shares during the period at a price above the then current NAV per share. During the six months ended March 31, 2017, the dilution was a result of issuing common shares during the period at a price below the then current NAV per share.

(E) Represents the impact of the different share amounts (weighted average shares outstanding during the fiscal year and shares outstanding at the end of the fiscal year) in the per 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 fiscal year, taking into account distributions reinvested in accordance with the terms of our dividend reinvestment plan. Total return does not take into account distributions that may be characterized as a return of capital. For further information on the estimated character of our distributions to common stockholders, refer to Note 9 *Distributions to Common Stockholders*.

(G) Computed using 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 voluntary, unconditional and irrevocable credits of the incentive fee due to the Adviser, the ratio of net expenses to average net assets would have been 10.96% and 10.25% for the three and six months ended March 31, 2018, respectively, and 8.48% and 8.73% for the three and six months ended March 31, 2017, respectively.

(J) Had we not received any voluntary, unconditional and irrevocable credits of the incentive fee due to the Adviser, the ratio of net investment income to average net assets would have been 8.49% and 9.12% for the three and six months ended March 31, 2018, respectively, and 8.05% and 8.86% for the three and six months ended March 31, 2017, respectively.

Table of Contents

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.

As of or during the six month periods ended March 31, 2018 and 2017, we did not have any unconsolidated subsidiaries that met any of the significance conditions under Rule 1-02(w) of the SEC s Regulation S-X.

NOTE 13. SUBSEQUENT EVENTS

Distributions and Dividends

In April 2018, 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	Distribution per Series 2024 Term Preferred Share
April 20, 2018	April 30, 2018	$ 0.07	$ 0.125
May 22, 2018	May 31, 2018	0.07	0.125
June 20, 2018	June 29, 2018	0.07	0.125
	Total for the Quarter:	**$ 0.21**	**$ 0.375**

Small Business Credit Availability Act

On April 10, 2018, our Board of Directors, including a required majority (as such term is defined in Section 57(o) of the 1940 Act) thereof, approved the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the Small Business Credit Availability Act. As a result, the Company s asset coverage requirements for senior securities will be changed from 200% to 150%, effective one year after the date of the Board of Director s approval; thus, it will be effective on April 10, 2019.

Portfolio Activity

In April 2018, we invested $3.0 million in CHA Holdings, Inc. through secured second lien debt.

Table of Contents

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

All statements contained herein, other than historical facts, may constitute forward-looking statements. These statements may relate to, among other things, our future operating results, our business prospects and the prospects of our portfolio companies, actual and potential conflicts of interest with Gladstone Management Corporation, our adviser, and its affiliates, the use of borrowed money to finance our investments, the adequacy of our financing sources and working capital, and our ability to co-invest, among other factors. In some cases, you can identify forward-looking statements by terminology such as estimate, may, might, believe will, provided, anticipate, future, could, growth, plan, intend, expect, should, would, if, likely or the negative of such terms or comparable terminology. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Such factors include, 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 regulated investment company (RIC) under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code) and as business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act); and (9) those factors described herein, including Item 1A. Risk Factors and in the Risk Factors sections of our Annual Report on Form 10-K (our Annual Report) filed with the U.S. Securities and Exchange Commission (SEC) on November 20, 2017. 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 Quarterly Report on Form 10-Q. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we have filed or in the future may file with the SEC from time to time, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

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

OVERVIEW

General

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

We were established for the purpose of investing in debt and equity securities of established private businesses operating in the U.S. Our investment objectives are to: (1) achieve and grow current income by investing in debt securities of established businesses that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time; and (2) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities of established businesses that we believe can grow over time to permit us to sell our equity investments for capital gains. To achieve our investment objectives, our investment strategy is to invest in several categories of debt and equity securities, with each investment generally ranging from $8 million to $30 million, although investment size may vary, depending upon our total assets or available capital at the time of investment. We expect that our investment portfolio over time will consist of approximately 90.0% debt investments and 10.0% equity investments, at cost. As of March 31, 2018, our investment portfolio was made up of approximately 90.8% debt investments and 9.2% equity investments, at cost.

Table of Contents

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

Business

Portfolio and Investment Activity

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

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

During the six months ended March 31, 2018, we invested $64.4 million in eight new portfolio companies and extended $11.9 million of investments to existing portfolio companies. In addition, during the six months ended March 31, 2018, we exited five portfolio companies through sales and early payoffs. We received a total of

$34.0 million in combined net proceeds and principal repayments from the aforementioned portfolio company exits as well as existing portfolio companies during the six months ended March 31, 2018. This activity resulted in a net increase in our overall portfolio by three portfolio companies to 50 and a net increase of $45.4 million in our portfolio at cost since September 30, 2017. From our initial public offering in August 2001 through March 31, 2018, we have made 486 different loans to, or investments in, 225 companies for a total of approximately $1.7 billion, before giving effect to principal repayments on investments and divestitures.

During the six months ended March 31, 2018, the following significant transactions occurred:

- In October 2017, we sold our investment in Flight Fit N Fun LLC for a realized gain of $0.6 million. In connection with the sale, we received net cash proceeds of approximately $9.4 million, including the repayment of our debt investment of $7.8 million at par.

- In October 2017, we invested $11.0 million in Applied Voice & Speech Technologies, Inc. through secured first lien debt.

- In October 2017, PSC Industrial Holdings, LLC paid off at par for net proceeds of $3.5 million.

- In November 2017, we invested $7.5 million in Arc Drilling Holdings, LLC through a combination of secured first lien debt and equity.

- In November 2017, we invested $7.5 million in Gray Matter Systems, LLC through secured second lien debt. In March 2018, we invested an additional $3.6 million in Gray Matter Systems, LLC, through secured second lien debt.

42

In November 2017, DataPipe, Inc. paid off at par for net proceeds of $2.0 million.

In November 2017, we invested $5.0 million in DigiCert Holdings, Inc. through secured second lien debt. In March 2018, we sold $2.0 million of our investment for net proceeds of $2.0 million.

In November 2017, we invested $4.0 million in Red Ventures, LLC through secured second lien debt.

In November 2017, we invested $1.0 million in ABG Intermediate Holdings 2, LLC through secured second lien debt. In January 2018, we sold our investment in ABG Intermediate Holdings 2, LLC for net proceeds of $1.0 million.

In December 2017, we invested $20.0 million in Impact! Chemical Technologies, Inc. through secured first lien debt.

In January 2018, we invested $8.1 million in XMedius Solutions Inc. through secured first lien debt.

In February 2018, we invested an additional $4.0 million in an existing portfolio company, Lignetics, Inc., through secured first lien debt.

In March 2018, an existing portfolio company, EL Academies, Inc., drew an additional $1.4 million on the unused portion of its secured first lien delayed draw term loan.

In March 2018, we sold our $1.0 million investment in Neustar, Inc. for net proceeds of $1.0 million.

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 of common and preferred stock. We have successfully extended the Credit Facility s revolving period multiple times, most recently to January 2021, and currently have a total commitment amount of $190.0 million. Additionally, we issued 2.1 million shares of our 6.00% Series 2024 Term Preferred Stock, par value $0.001 per share (Series 2024 Term Preferred Stock) at a public offering price of $25 per share, for gross proceeds of $51.8 million in September 2017, inclusive of the overallotment, and approximately 2.2 million shares of our common stock for gross proceeds of $17.3 million in October 2016, inclusive of the November 2016 overallotment. Additionally, during the six months ended March 30, 2018, we sold 737,077 shares of our common stock under our at-the-market program at a weighted-average price of $9.40 per share and raised $6.9 million of gross proceeds. Refer to *Liquidity and Capital Resources Equity Common Stock* and *Liquidity and Capital Resources Equity Term Preferred Stock* for further discussion of our common stock and mandatorily redeemable preferred stock and *Liquidity and Capital Resources Revolving Credit Facility* for further discussion of the Credit Facility.

Although we were able to access the capital markets historically and in recent years, we believe uncertain market conditions could affect the trading price of our capital stock and thus may inhibit our ability to finance new investments through the issuance of equity. When our common stock trades below NAV per common share, as it has often done in previous 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. We did not request that our stockholders approve the Company s ability to issue shares of common stock at a price below NAV per share at our annual meeting of stockholders held on February 8, 2018. Should we decide to issue shares of common stock at a price below NAV per share in the future, we will seek the requisite approval of our stockholders at such time.

On May 1, 2018, the closing market price of our common stock was $8.73, a 1.3% premium to our March 31, 2018 NAV per share of $8.62.

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% (currently) or 150% (effective April 10, 2019; Refer to *Management s Discussion and Analysis of Financial Condition and Results of Operations Overview Recent Developments Small Business Credit Availability Act* for a discussion of changes to the asset coverage requirements pursuant to the Small Business Credit Availability Act) on our senior securities representing indebtedness and our senior securities that are stock.

As of March 31, 2018, our asset coverage on our senior securities representing indebtedness was 318.4% and our asset coverage on our senior securities that are stock was 226.8%.

Table of Contents

Recent Developments

Executive Officers

In April 2018, our Board of Directors announced that Nicole Schaltenbrand, the Company s Chief Financial Officer and Treasurer, had taken a temporary family medical leave of absence and that Julia Ryan, the Chief Financial Officer and Treasurer of the Company s affiliated fund, Gladstone Investment Corporation, will also serve as the Company s Acting Principal Financial Officer during Ms. Schaltenbrand s absence. Ms. Schaltenbrand s temporary leave of absence will end in June 2018, and, at that point in time, she will return to her position as Chief Financial Officer and Treasurer.

Distributions and Dividends

In April 2018, 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	Distribution per Series 2024 Term Preferred Share
April 20, 2018	April 30, 2018	$ 0.07	$ 0.125
May 22, 2018	May 31, 2018	0.07	0.125
June 20, 2018	June 29, 2018	0.07	0.125
	Total for the Quarter:	**$ 0.21**	**$ 0.375**

Small Business Credit Availability Act

On April 10, 2018, our Board of Directors, including a required majority (as such term is defined in Section 57(o) of the 1940 Act) thereof, approved the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the Small Business Credit Availability Act. As a result, the Company s asset coverage requirements for senior securities will be changed from 200% to 150%, effective one year after the date of the Board of Director s approval; thus, it will be effective on April 10, 2019.

Portfolio Activity

In April 2018, we invested $3.0 million in CHA Holdings, Inc. through secured second lien debt.

Table of Contents

RESULTS OF OPERATIONS

Comparison of the Three Months Ended March 31, 2018, to the Three Months Ended March 31, 2017

	Three Months Ended March 31,			
	2018	**2017**	**$ Change**	**% Change**
INVESTMENT INCOME				
Interest income	**$ 11,000**	$ 8,588	$ 2,412	28.1%
Other income	**86**	205	(119)	(58.0)
Total investment income	**11,086**	8,793	2,293	26.1
EXPENSES				
Base management fee	**1,784**	1,359	425	31.3
Loan servicing fee	**1,274**	955	319	33.4
Incentive fee	**1,210**	1,070	140	13.1
Administration fee	**312**	286	26	9.1
Interest expense on borrowings	**1,569**	587	982	167.3
Dividend expense on mandatorily redeemable preferred stock	**776**	1,029	(253)	(24.6)
Amortization of deferred financing fees	**292**	274	18	6.6
Other expenses	**560**	349	211	60.5
Expenses, before credits from Adviser	**7,777**	5,909	1,868	31.6
Credit to base management fee loan servicing fee	**(1,274)**	(955)	(319)	(33.4)
Credits to fees from Adviser other	**(1,030)**	(1,520)	490	32.2
Total expenses, net of credits	**5,473**	3,434	2,039	59.4
NET INVESTMENT INCOME	**5,613**	5,359	254	4.7
NET REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized gain on investments	**324**	45	279	620.0
Net unrealized appreciation (depreciation) of investments	**3,034**	(647)	3,681	568.9
Net unrealized appreciation (depreciation) of other	**333**	(101)	434	429.7
Net realized and unrealized gain (loss) from investments and other	**3,691**	(703)	4,394	625.0
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$ 9,304**	$ 4,656	$ 4,648	99.8

Investment Income

Interest income increased by 28.1% for the three months ended March 31, 2018, as compared to the prior year period. The increase was primarily due to a higher weighted average principal balance and an increase in the weighted average yield on our interest bearing portfolio for the three months ended March 31, 2018, as compared to the prior year period. The weighted average principal balance of our interest-bearing investment portfolio during the three months ended March 31, 2018 was $387.1 million, compared to $305.7 million for the prior year period, an increase of 26.6%. The weighted average yield on our interest-bearing investments is based on the current stated interest rate on interest-bearing investments, which increased to 11.5% for the three months ended March 31, 2018, compared to 11.4% for the three months ended March 31, 2017, inclusive of any allowances on interest receivables made during those periods.

As of March 31, 2018, two portfolio companies, Sunshine Media Holdings (Sunshine) and Alloy Die Casting Co. (ADC) were on non-accrual status, with an aggregate debt cost basis of approximately $27.9 million, or 6.7% of the cost basis of all debt investments in our portfolio. As of March 31, 2017, two portfolio companies, Sunshine and ADC, were on non-accrual status, with an aggregate debt cost basis of approximately $24.4 million, or 7.2% of the cost basis of all debt investments in our portfolio.

45

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 March 31, 2018		Three Months Ended March 31, 2018	
Company	Fair Value	% of Portfolio	Investment Income	% of Total Income
NetFortris Corp.	$ 24,759	6.2%	$ 623	5.6%
IA Tech, LLC	23,805	5.9	725	6.6
Lignetics, Inc.	23,158	5.7	580	5.2
Impact! Chemical Technologies, Inc.	22,472	5.6	569	5.1
TapRoot Partners, Inc.	22,440	5.6	648	5.9
Subtotal five largest investments	**116,634**	**29.0**	**3,145**	**28.4**
Other portfolio companies	285,504	71.0	7,934	71.6
Total Investment Portfolio	**$ 402,138**	**100.0%**	**$ 11,079**	**100.0%**

	As of March 31, 2017		Three Months Ended March 31, 2017	
Company	Fair Value	% of Portfolio	Investment Income	% of Total Income
NetFortris Corp.	$ 29,000	9.3%	$ 291	3.3%
IA Tech, LLC	23,460	7.5	690	7.8
WadeCo Specialties, Inc.	18,332	5.8	476	5.4
United Flexible, Inc.	17,798	5.7	560	6.4
Lignetics, Inc.	14,165	4.5	420	4.8
Subtotal five largest investments	**102,755**	**32.8**	**2,437**	**27.7**
Other portfolio companies	210,762	67.2	6,351	72.3
Total Investment Portfolio	**$ 313,517**	**100.0%**	**$ 8,788**	**100.0%**

Expenses

Expenses, net of any non-contractual, unconditional and irrevocable credits to fees from the Adviser, increased $2.0 million, or 59.4%, for the three months ended March 31, 2018 as compared to the prior year period. This increase was primarily due to a $1.0 million increase in interest expense on borrowings and a $1.1 million increase in our net base management and incentive fees to the Advisor, partially offset by a $0.3 million decrease in dividend expense on mandatorily redeemable preferred stock.

Interest expense increased by 167.3% during the three months ended March 31, 2018, as compared to the prior year period, due to an increase in the weighted average balance outstanding on our Credit Facility. The weighted average balance outstanding during the three months ended March 31, 2018, was $128.3 million, as compared to $42.4 million in the prior year period, an increase of 202.6%. The effective interest rate on our Credit Facility, including unused commitment fees incurred but excluding the impact of deferred financing costs, was 4.9% during the three months ended March 31, 2018, compared to 5.5% during the prior year period. The decrease in the effective interest rate was driven by the decrease in unused commitment fees paid in the current year period due to the increase in the weighted average balance outstanding on our Credit Facility, and, to a lesser extent, a decrease in the marginal interest rate on our Credit Facility effective March 9, 2018, offset by an increase in LIBOR.

The net base management fee earned by the Adviser increased by $0.6 million, or 66.5%, during the three months ended March 31, 2018, as compared to the prior year period, resulting from an increase in average total assets subject to the base management fee and a decrease in credits from the Adviser year over year.

The income-based incentive fee increased for the three months ended March 31, 2018, as compared to the prior year period, due to higher pre-incentive fee net investment income, partially offset by an increase in net assets, which drives the hurdle, over the respective periods. Our Board of Directors accepted non-contractual, unconditional and irrevocable credits from the Adviser to reduce the income-based incentive fee to the extent net investment income did not cover 100.0% of our distributions to common stockholders during the three months ended March 31, 2018 and 2017, which credits totaled $0.8 million and $1.1 million, respectively.

Table of Contents

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

	Three Months Ended March 31,	
	2018	**2017**
Average total assets subject to base management fee[(A)]	**$ 407,771**	$ 310,628
Multiplied by prorated annual base management fee of 1.75%	**0.4375%**	0.4375%
Base management fee[(B)]	**$ 1,784**	$ 1,359
Portfolio company fee credit	**(167)**	(434)
Syndicated loan fee credit	**(92)**	(9)
Net Base Management Fee	**$ 1,525**	$ 916
Loan servicing fee[(B)]	**1,274**	955
Credit to base management fee - loan servicing fee[(B)]	**(1,274)**	(955)
Net Loan Servicing Fee	**$**	$
Incentive fee[(B)]	**1,210**	1,070
Incentive fee credit	**(771)**	(1,077)
Net Incentive Fee	**$ 439**	$ (7)
Portfolio company fee credit	**(167)**	(434)
Syndicated loan fee credit	**(92)**	(9)
Incentive fee credit	**(771)**	(1,077)
Credits to Fees From Adviser - other[(B)]	**$ (1,030)**	$ (1,520)

(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 *Consolidated Statements of Operations*.

Dividend expense on mandatorily redeemable preferred stock decreased by $0.3 million, or 24.6%, during the three months ended March 31, 2018 compared to the prior year period, due to the redemption of all of our $61.0 million 6.75% Series 2021 Term Preferred Stock and the issuance of $51.8 million 6.00% Series 2024 Term Preferred Stock in September 2017.

Table of Contents

Net Unrealized Appreciation (Depreciation) of Investments

During the three months ended March 31, 2018, we recorded net unrealized appreciation of investments in the aggregate amount of $3.0 million. The net realized gain (loss) and unrealized appreciation (depreciation) across our investments for the three months ended March 31, 2018, were as follows:

	Three Months Ended March 31, 2018			
Portfolio Company	**Realized Gain (Loss)**	**Unrealized Appreciation (Depreciation)**	**Reversal of Unrealized (Appreciation) Depreciation**	**Net Gain (Loss)**
Edge Adhesives Holdings, Inc.	$	$ 957	$	$ 957
Targus Cayman HoldCo, Ltd.		932		932
New Trident Holdcorp, Inc.		655		655
AG Transportation Holdings, LLC		651		651
Alloy Die Casting Co.		627		627
PIC 360, LLC		620		620
Lignetics, Inc.		414		414
Francis Drilling Fluids, Ltd.		381		381
Meridian Rack & Pinion, Inc.		307		307
United Flexible, Inc.		278		278
TapRoot Partners, Inc.		220		220
Vertellus Holdings LLC		213		213
WadeCo Specialties, Inc.		197		197
NetFortris Corp.		146		146
Funko, LLC	127			127
Sea Link International IRB, Inc.		119		119
IA Tech, LLC		115		115
RBC Acquisition Corp.	104			104
LDiscovery, LLC		95		95
Leeds Novamark Capital I, L.P.		95		95
Merlin International, Inc.		88		88
Precision International, LLC		81		81
Vacation Rental Pros Property Management, LLC		(338)		(338)
GFRC Holdings, LLC		(353)		(353)
Frontier Financial Group Inc.		(404)		(404)
Arc Drilling Holdings LLC		(675)		(675)
LWO Acquisitions Company LLC		(678)		(678)
Defiance Integrated Technologies, Inc.		(905)		(905)
Sunshine Media Holdings		(910)		(910)
Other, net (<$250)	93	124	(18)	199
Total:	**$ 324**	**$ 3,052**	**$ (18)**	**$ 3,358**

The primary driver of net unrealized appreciation for the three months ended March 31, 2018 was improvement in the financial and operational performance of certain portfolio companies, most notably Edge Adhesives Holdings, Inc. (Edge) and Targus Cayman HoldCo, Ltd. This appreciation was partially offset by the decline in the financial and operational performance of Sunshine and Defiance Integrated Technologies, Inc. (Defiance).

48

Table of Contents

During the three months ended March 31, 2017, we recorded net unrealized depreciation of investments in the aggregate amount of $0.6 million. The net realized gain (loss) and unrealized appreciation (depreciation) across our investments for the three months ended March 31, 2017, were as follows:

	Three Months Ended March 31, 2017			
Portfolio Company	**Realized Gain (Loss)**	**Unrealized Appreciation (Depreciation)**	**Reversal of Unrealized Depreciation**	**Net Gain (Loss)**
SourceHOV, LLC	$	$ 1,492	$	$ 1,492
Defiance Integrated Technologies, Inc.		1,026		1,026
Lignetics, Inc.		357		357
New Trident Holdcorp, Inc.		328		328
Meridian Rack & Pinion Inc.		317		317
Edge Adhesives Holdings, Inc.		259		259
Vision Government Solutions, Inc.		224		224
The Mochi Ice Cream Company		148		148
WadeCo Specialties, Inc.		139		139
IA Tech, LLC		115		115
Vitera Healthcare Solutions, LLC			115	115
PIC 360, LLC		(184)		(184)
Sunshine Media Holdings		(221)		(221)
Targus Group International, Inc.		(357)		(357)
United Flexible, Inc.		(397)		(397)
Flight Fit N Fun LLC		(490)		(490)
Vertellus Holdings LLC		(670)		(670)
Francis Drilling Fluids, Ltd.		(748)		(748)
LWO Acquisitions Company LLC		(791)		(791)
Alloy Die Casting Co.		(1,244)		(1,244)
Other, net (<$250)	45	31	(96)	(20)
Total:	**$ 45**	**$ (666)**	**$ 19**	**$ (602)**

The primary driver of net unrealized depreciation for the three months ended March 31, 2017 was a decline in financial and operational performance on certain portfolio companies and, to a lesser extent, decreases in comparable multiples used in valuations, most notably, ADC and LWO Acquisitions Company LLC. This depreciation was partially offset by the appreciation on SourceHOV, LLC (Source) and Defiance.

Net Unrealized Appreciation (Depreciation) of Other

During the three months ended March 31, 2018, we recorded $0.3 million of unrealized appreciation on our Credit Facility at fair value. During the three months ended March 31, 2017, we recorded $0.1 million of net unrealized depreciation on our Credit Facility recorded at fair value.

49

Table of Contents

Comparison of the Six Months Ended March 31, 2018, to the Six Months Ended March 31, 2017

	For the Six Months Ended March 31,			
	2018	**2017**	**$ Change**	**% Change**
INVESTMENT INCOME				
Interest income	**$ 21,670**	$ 17,221	$ 4,449	25.8%
Other income	**275**	1,546	(1,271)	(82.2)
Total investment income	**21,945**	18,767	3,178	16.9
EXPENSES				
Base management fee	**3,460**	2,737	723	26.4
Loan servicing fee	**2,460**	1,938	522	26.9
Incentive fee	**2,583**	2,363	220	9.3
Administration fee	**584**	586	(2)	(0.3)
Interest expense on borrowings	**2,800**	1,143	1,657	145.0
Dividend expense on mandatorily redeemable preferred stock	**1,552**	2,058	(506)	(24.6)
Amortization of deferred financing fees	**540**	547	(7)	(1.3)
Other expenses	**1,107**	986	121	12.3
Expenses, before credits from Adviser	**15,086**	12,358	2,728	22.1
Credits to base management fee loan servicing fee	**(2,460)**	(1,938)	(522)	(26.9)
Credits to fees from Adviser other	**(1,871)**	(2,219)	348	15.7
Total expenses, net of credits	**10,755**	8,201	2,554	31.1
NET INVESTMENT INCOME	**11,190**	10,566	624	5.9
NET REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized gain (loss) on investments	**898**	(3,403)	4,301	126.4
Net realized loss on other	**(133)**		(133)	NM
Net unrealized depreciation of investments	**4,394**	(1,702)	6,096	358.2
Net unrealized appreciation of other	**115**	111	4	3.6
Net loss from investments and other	**5,274**	(4,994)	10,268	205.6
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$ 16,464**	$ 5,572	$ 10,892	195.5%

NM = Not Meaningful

Investment Income

Interest income increased by 25.8% for the six months ended March 31, 2018, as compared to the prior year period. The increase was primarily due to a higher weighted average principal balance and an increase in the weighted average yield on our interest bearing portfolio for the six months ended March 31, 2018, as compared to the prior year period. The weighted average principal balance of our interest-bearing investment portfolio during the six months ended March 31, 2018 was $369.8 million, compared to $302.2 million for the prior year period, an increase of 22.4%. 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 11.7% for the six months ended March 31, 2018 compared to 11.4% for the six months ended March 31, 2017, inclusive of any allowances on interest receivables made during that period.

Other income decreased by 82.2% during the six months ended March 31, 2018, as compared to the prior year period, primarily as a result of the absence of success fees in the current six month period. For the six months ended March 31, 2018, other income consisted primarily of prepayment fees received and dividends. For the six months ended March 31, 2017, other income consisted primarily of $1.5 million in success fees recognized.

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 March 31, 2018		Six Months Ended March 31, 2018	
Company	Fair Value	% of Portfolio	Investment Income	% of Total Income
NetFortris Corp.	$ 24,759	6.2%	$ 1,219	5.5%
IA Tech, LLC	23,805	5.9	1,447	6.6
Lignetics, Inc.	23,158	5.7	1,111	5.1
Impact! Chemical Technologies, Inc. (A)	22,472	5.6	614	2.8
TapRoot Partners, Inc.	22,440	5.6	1,296	5.9
Subtotal five largest investments	**116,634**	**29.0**	**5,687**	**25.9**
Other portfolio companies	285,504	71.0	16,239	74.1
Total Investment Portfolio	**$ 402,138**	**100.0%**	**$ 21,926**	**100.0%**

	As of March 31, 2017		Six Months Ended March 31, 2017	
Company	Fair Value	% of Portfolio	Investment Income	% of Total Income
NetFortris Corp.	$ 29,000	9.3%	$ 291	1.6%
IA Tech, LLC	23,460	7.5	1,395	7.4
WadeCo Specialties, Inc.	18,332	5.8	953	5.1
United Flexible, Inc.	17,798	5.7	1,128	6.0
Lignetics, Inc.	14,165	4.5	849	4.5
Subtotal five largest investments	**102,755**	**32.8**	**4,616**	**24.6**
Other portfolio companies	210,762	67.2	14,144	75.4
Total Investment Portfolio	**$ 313,517**	**100.0%**	**$ 18,760**	**100.0%**

(A) New investment during applicable period.

Expenses

Expenses, net of any non-contractual, unconditional and irrevocable credits to fees from the Adviser, increased for the six months ended March 31, 2018 by 31.1%, as compared to the prior year period. This increase was primarily due to a $1.7 million increase in interest expense on borrowings and a $1.3 million increase in the net base management fee and incentive fee earned by the Adviser, partially offset by a decline in dividend expense on mandatorily redeemable preferred stock of $0.5 million.

Interest expense increased by $1.7 million, or 145.0%, during the six months ended March 31, 2018, as compared to the prior year period, primarily due to increased borrowings outstanding throughout the period on our Credit Facility. The weighted average balance outstanding under our Credit Facility during the six months ended March 31, 2018, was approximately $113.1 million, as compared to $40.8 million in the prior year period, an increase of 177.2%. The effective interest rate on our Credit Facility, including unused commitment fees incurred but excluding the impact of deferred financing costs, was 5.0% during the six months ended March 31, 2018, compared to 5.6% during the prior year period. The decrease in effective interest rate was driven by the decrease in unused commitment fees paid in the current year period due to the increase in the weighted average balance outstanding on our Credit Facility, and, to a lesser extent, a decrease in the marginal interest rate on our Credit Facility effective March 9, 2018, slightly offset by an increase in LIBOR.

The net base management fee earned by the Adviser increased by $0.8 million, or 49.8%, during the six months ended March 31, 2018, as compared to the prior year period, primarily resulting from an increase in average total assets subject to the base management fee year over year.

The income-based incentive fee increased for the six months ended March 31, 2018, as compared to the prior year period, due to higher pre-incentive fee net investment income, partially offset by an increase in net assets, which drives the hurdle, over the respective periods. Our Board of Directors accepted non-contractual, unconditional and irrevocable credits totaling $0.9 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 six months ended March 31, 2018. The credits granted during the six months ended March 31, 2017, 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 *Investment Advisory and Management Agreement* in Note 4 *Related Party Transactions* of the notes to our accompanying *Consolidated Financial Statements* and are summarized in the following table:

	Six Months Ended March 31,	
	2018	**2017**
Average total assets subject to base management fee(A)	**$ 395,428**	$ 312,800
Multiplied by prorated annual base management fee of 1.75%	**0.875%**	0.875%
Base management fee(B)	**$ 3,460**	$ 2,737
Portfolio company fee credit	**(831)**	(1,083)
Syndicated loan fee credit	**(184)**	(22)
Net Base Management Fee	**$ 2,445**	$ 1,632
Loan servicing fee(B)	**2,460**	1,938
Credits to base management fee - loan servicing fee(B)	**(2,460)**	(1,938)
Net Loan Servicing Fee	**$**	$
Incentive fee(B)	**2,583**	2,363
Incentive fee credit	**(856)**	(1,114)
Net Incentive Fee	**$ 1,727**	$ 1,249
Portfolio company fee credit	**(831)**	(1,083)
Syndicated loan fee credit	**(184)**	(22)
Incentive fee credit	**(856)**	(1,114)
Credit to Fees From Adviser - other(B)	**$ (1,871)**	$ (2,219)

(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 *Consolidated Statements of Operations*.

Dividend expense on mandatorily redeemable preferred stock decreased by $0.5 million, or 24.6%, during the six months ended March 31, 2018 compared to the prior year period due to the redemption of all of our $61.0 million 6.75% Series 2021 Term Preferred Stock and the issuance of $51.8 million 6.00% Series 2024 Term Preferred Stock in September 2017.

Net Realized and Unrealized Gain (Loss)

Net Realized Gain (Loss) on Investments

For the six months ended March 31, 2018, we recorded a net realized gain on investments of $0.9 million, which resulted primarily from the sale of our investment in Flight Fit N Fun LLC in October 2017 for a $0.6 million realized gain.

For the six months ended March 31, 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 Acquisition Corp. for a $2.3 million realized loss and the write-off of $5.0 million of our investment in Sunshine, partially offset by the sale of Behrens Manufacturing, LLC (Behrens) for a $2.5 million realized gain and a $1.3 million realized gain related to an additional earn-out from Funko, LLC (Funko), which was exited in the prior year period.

Table of Contents

Net Unrealized Appreciation (Depreciation) of Investments

During the six months ended March 31, 2018, we recorded net unrealized appreciation of investments in the aggregate amount of $4.4 million. The net realized gain (loss) and unrealized appreciation (depreciation) across our investments for the six months ended March 31, 2018, were as follows:

	Six Months Ended March 31, 2018			
Portfolio Company	**Realized Gain (Loss)**	**Unrealized Appreciation (Depreciation)**	**Reversal of Unrealized Depreciation (Appreciation)**	**Net Gain (Loss)**
Francis Drilling Fluids, Ltd.	$	$ 2,810	$	$ 2,810
Edge Adhesives Holdings, Inc.		1,439		1,439
Alloy Die Casting Co.		713		713
Targus Group International, Inc.		683		683
AG Transportation Holdings, LLC		667		667
NetFortris Corp.		576		576
PIC 360, LLC		563		563
United Flexible, Inc.		464		464
WadeCo Specialties, Inc.		424		424
LWO Acquisitions Company LLC		334		334
TapRoot Partners, Inc.		330		330
Vertellus Holdings LLC		291		291
Vision Government Solutions, Inc.		249		249
Lignetics, Inc.		208		208
IA Tech, LLC		172		172
Leeds Novamark Capital I, L.P.		167		167
Merlin International, Inc.		163		163
Sea Link International IRB, Inc.		139		139
Funko, LLC	127			127
Precision International, LLC		125		125
Red Ventures, LLC		122		122
Flight Fit N Fun LLC	577		(725)	(148)
Frontier Financial Group Inc.		(404)		(404)
LDiscovery, LLC		(460)		(460)
GFRC Holdings, LLC		(503)		(503)
New Trident Holdcorp, Inc.		(566)		(566)
Vacation Rental Pros Property Management, LLC		(590)		(590)
Arc Drilling Holdings LLC		(675)		(675)
Defiance Integrated Technologies, Inc.		(1,117)		(1,117)
Sunshine Media Holdings		(1,228)		(1,228)
Other, net (<$250)	194	128	(105)	217
Total:	**$ 898**	**$ 5,224**	**$ (830)**	**$ 5,292**

The largest driver of our net unrealized appreciation for the six months ended March 31, 2018 was an improvement in financial and operational performance of certain portfolio companies, most notably Francis Drilling Fluids, Ltd. (FDF), Edge, and ADC. This appreciation was partially offset by the decline in the financial and operational performance of Sunshine and Defiance.

53

Table of Contents

During the six months ended March 31, 2017, we recorded net unrealized depreciation of investments in the aggregate amount of $1.7 million. The net realized gain (loss) and unrealized appreciation (depreciation) across our investments for the six months ended March 31, 2017, were as follows:

	Six Months Ended March 31, 2017			
Portfolio Company	Realized Gain (Loss)	Unrealized Appreciation (Depreciation)	Reversal of Unrealized Depreciation (Appreciation)	Net Gain (Loss)
SourceHOV, LLC	$	$ 1,733	$	$ 1,733
Funko, LLC	1,251	(7)		1,244
Edge Adhesives Holdings, Inc.		925		925
Meridian Rack & Pinion, Inc.		922		922
The Mochi Ice Cream Company		424		424
Vitera Healthcare Solutions, Inc.		213	115	328
Defiance Integrated Technologies, Inc.		316		316
IA Tech, LLC		230		230
Drumcree, LLC		154		154
Vision Government Solutions, Inc.		150		150
TWS Acquisition Corporation		103		103
WadeCo Specialties, Inc.		103		103
Leeds Novamark Capital I, L.P.		101		101
AG Transportation Holdings, LLC		98		98
Autoparts Holdings Limited	1		90	91
B+T Group Acquisition, Inc.		90		90
Merlin International, Inc.		88		88
United Flexible, Inc.		(296)		(296)
Targus Group International, Inc.		(521)		(521)
Sunshine Media Holdings	(5,000)	763	3,612	(625)
Lignetics, Inc.		(655)		(655)
Behrens Manufacturing, LLC	2,544		(3,211)	(667)
LWO Acquisitions Company LLC		(696)		(696)
Flight Fit N Fun LLC		(727)		(727)
Vertellus Holdings LLC	109	(1,244)		(1,135)
RBC Acquisition Corp.	(2,330)		1,119	(1,211)
Alloy Die Casting Co.		(1,215)		(1,215)
Francis Drilling Fluids, Ltd.		(4,546)		(4,546)
Other, net (<$250)	22	187	(120)	89
Total:	**$ (3,403)**	**$ (3,307)**	**$ 1,605**	**$ (5,105)**

The largest driver of our net unrealized depreciation for the six months ended March 31, 2017 was a decline in financial and operation performance of certain portfolio companies, most notably FDF, Vertellus Holdings LLC, ADC, and the reversal of previously recorded unrealized appreciation on Behrens upon exit. This depreciation was partially offset by the appreciation on Source and Edge and the reversal of previously recorded depreciation on our investment in Sunshine upon partial write-off.

Net Unrealized Appreciation of Other

We recorded $0.1 million of net unrealized appreciation on our Credit Facility recorded at fair value during each of the six months ended March 31, 2018 and 2017.

Table of Contents

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Our cash flows from operating activities are primarily generated from the interest payments on debt securities that we receive from our portfolio companies, as well as net proceeds received through repayments or sales of our investments. We utilize this cash primarily to fund new investments, make interest payments on our Credit Facility, make distributions to our stockholders, pay management and administrative fees to the Adviser and Administrator, and for other operating expenses. Net cash used in operating activities for the six months ended March 31, 2018 was $32.3 million as compared to net cash provided by operating activities of $10.2 million for the six months ended March 31, 2017. The change was primarily due to an increase in purchases of investments and a decrease in principal repayments on investments and net proceeds from sale of investments period over period. Purchases of investments were $76.4 million during the six months ended March 31, 2018 compared to $59.7 million during the six months ended March 31, 2017. Repayments and net proceeds from sales were $34.0 million during the six months ended March 31, 2018 compared to $65.1 million during the six months ended March 31, 2017.

As of March 31, 2018, we had loans to, syndicated participations in or equity investments in 50 companies, with an aggregate cost basis of approximately $456.8 million. As of March 31, 2017, we had loans to, syndicated participations in or equity investments in 44 companies, with an aggregate cost basis of approximately $374.9 million.

The following table summarizes our total portfolio investment activity during the six months ended March 31, 2018 and 2017:

	Six Months Ended March 31,	
	2018	**2017**
Beginning investment portfolio, at fair value	**$ 352,373**	$ 322,114
New investments	**64,436**	56,241
Disbursements to existing portfolio companies	**11,941**	3,417
Scheduled principal repayments on investments	**(3,638)**	(2,319)
Unscheduled principal repayments on investments	**(29,102)**	(54,436)
Net proceeds from sale of investments	**(1,301)**	(8,311)
Net unrealized appreciation (depreciation)	**5,224**	(3,307)
Reversal of prior period (appreciation) depreciation	**(830)**	1,605
Net realized gain (loss)	**600**	(3,403)
Increase in investments due to PIK[A]	**2,338**	2,289
Net change in premiums, discounts and amortization	**97**	(373)
Investment Portfolio, at Fair Value	**$ 402,138**	$ 313,517

(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.

The following table summarizes the contractual principal repayment and maturity of our investment portfolio by fiscal year, assuming no voluntary prepayments, as of March 31, 2018:

		Amount
For the remaining six months ending September 30:	2018	$ 33,604
For the fiscal years ending September 30:	2019	49,470
	2020	82,400
	2021	85,214
	2022	49,707
	Thereafter	119,863
	Total contractual repayments	**$ 420,258**
	Adjustments to cost basis of debt investments	(5,700)
	Investments in equity securities	42,248
	Investments held as of March 31, 2018 at Cost:	**$ 456,806**

Financing Activities

Net cash provided by financing activities for the six months ended March 31, 2018 was $29.1 million, which consisted primarily of $34.8 million in net borrowings on our Credit Facility and $6.8 million in proceeds from the issuance of common stock, net of underwriting costs, partially offset by $11.2 million in distributions to common stockholders.

Net cash used in financing activities for the six months ended March 31, 2017 was $11.4 million, which consisted primarily of net repayments on our Credit Facility of $17.2 million and $10.6 million of distributions to common stockholders, partially offset by $16.5 million in net proceeds from our common stock offering.

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% of our taxable ordinary income plus the excess of our net short-term capital gains over net long-term capital losses (Investment Company Taxable Income). 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 six months ended March 31, 2018 and 2017, which totaled an aggregate of $11.2 million and $10.6 million, respectively. In April 2018, our Board of Directors declared a monthly distribution of $0.07 per common share for each of April, May, and June 2018. 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, 2018.

For the year ended September 30, 2017, 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 $0.3 million of the first common distributions paid in fiscal year 2018 as having been paid in the respective prior year.

The characterization of the common stockholder distributions declared and paid for the fiscal year ending September 30, 2018 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.

Preferred Stock Dividends

Our Board of Directors declared and we paid a combined dividend for the pro-rated period from and including the issuance date, September 27, 2017, to and including September 30, 2017 and the full month of October 2017, which totaled $0.141667 per share, to the holders of our Series 2024 Term Preferred Stock and monthly cash dividends of $0.125 per share to holders of our Series 2024 Term Preferred Stock for each of the five months from November 2017 through March 2018. In accordance with GAAP, we treat these monthly dividends as an operating expense. For federal income tax purposes, the dividends paid by us to preferred stockholders generally constitute ordinary income to the extent of our current and accumulated earnings and profits and is reported after the end of the calendar year based on tax information for the full fiscal year. Such a characterization made on an interim, quarterly basis may not be representative of the actual tax characterization for the full year.

Equity

Registration Statement

We filed Post-Effective Amendment No. 5 to our current universal shelf registration statement on Form N-2 (our Registration Statement) (File No. 333-208637) with the SEC on December 19, 2017, which was declared effective by the SEC on February 1, 2018. 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 March 31, 2018, we have the ability to issue up to $217.7 million in securities under the Registration Statement.

Common Stock

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. During the six months ended March 31, 2018, we sold 737,077 shares of our common stock under the Sales Agreement with Cantor Fitzgerald & Co., at a weighted-average price of $9.40 per share and raised $6.9 million of gross proceeds. Net proceeds, after deducting commissions and offering costs borne by us, were approximately $6.8 million. As of March 31, 2018, we had a remaining capacity to sell up to $35.6 million of common stock under the Sales Agreement with Cantor Fitzgerald & Co. We did not sell any shares under the Sales Agreements during the six months ended March 31, 2017.

Pursuant to our 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. The net proceeds of this offering were used to repay borrowings under our Credit Facility.

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 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 8, 2018. 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 such time.

On May 1, 2018, the closing market price of our common stock was $8.73, a 1.3% premium to our March 31, 2018 NAV per share of $8.62.

Term Preferred Stock

Pursuant to our Registration Statement, in September 2017, we completed a public offering of approximately 2.1 million shares of our Series 2024 Term Preferred Stock at a public offering price of $25.00 per share. Gross proceeds totaled $51.8 million and net proceeds, after deducting underwriting discounts, commissions and offering expenses borne by us, were approximately $49.8 million. We incurred approximately $1.9 million in total underwriting discounts and offering costs related to the issuance of the Series 2024 Term Preferred Stock, which have been recorded as discounts to the liquidation value on our accompanying *Consolidated Statements of Assets and Liabilities* and are being amortized over the period from issuance through September 30, 2024, the mandatory redemption date. The offering proceeds plus borrowings under our Credit Facility were used to voluntarily redeem all 2.4 million outstanding shares of our then existing 6.75% Series 2021 Term Preferred Stock, par value $0.001 per share. In connection with the voluntary redemption of our Series 2021 Term Preferred Stock, we incurred a loss on extinguishment of debt of $1.3 million, which has been reflected in Realized loss on other in our accompanying *Consolidated Statement of Operations* and which is primarily comprised of the unamortized deferred issuance costs at the time of redemption.

The shares of our Series 2024 Term Preferred Stock are traded under the ticker symbol GLADN on the Nasdaq Global Select Market. Our Series 2024 Term Preferred Stock is not convertible into our common stock or any other security and provides for a fixed dividend equal to 6.00% per year, payable monthly (which equates in total to approximately $3.1 million per year). We are required to redeem all of the outstanding Series 2024 Term Preferred Stock on September 30, 2024 for cash at a redemption price equal to $25.00 per share plus an amount equal to all unpaid dividends and distributions per 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 2024 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, or (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 2024 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. The asset coverage on our senior securities that are stock as of March 31, 2018 was 226.8%, calculated in accordance with Sections 18 and 61 of the 1940 Act.

We may also voluntarily redeem all or a portion of the Series 2024 Term Preferred Stock at our option at the Redemption Price at any time after September 30, 2019. If we fail to redeem our 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 mandatorily redeem our Series 2024 Term Preferred Stock, then the fixed dividend rate will increase by 4.0% for so long as such failure continues. As of March 31, 2018, we have not redeemed, nor have we been required to redeem, any shares of our outstanding Series 2024 Term Preferred Stock.

Revolving Credit Facility

On March 9, 2018, we, through Business Loan, entered into Amendment No. 4 to our Credit Facility with KeyBank, which increased the commitment amount from $170.0 million to $190.0 million, extended the revolving period end date by approximately 2 years to January 15, 2021, decreased the marginal interest rate added to 30-day LIBOR from 3.25% to 2.85% per annum, and changed the unused commitment fee from 0.50% of the total unused commitment amount to 0.50% when the average unused commitment amount for the reporting period is less than or equal to 50%, 0.75% when the average unused commitment amount for the reporting period is greater than 50% but less than or equal to 65%, and 1.00% when the average unused commitment amount for the reporting period is greater than 65%. If our Credit Facility is not renewed or extended by January 15, 2021, all principal and interest will be due and payable on or before April 15, 2022 (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 $265.0 million through additional commitments of new or existing lenders. We incurred fees of approximately $1.2 million in connection with this amendment, which are being amortized through our Credit Facility s revolving period end date of January 15, 2021.

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

Table of Contents

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

Additionally, we are 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 $225.2 million as of March 31, 2018, (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 March 31, 2018, and as defined in the performance guaranty of our Credit Facility, we had a net worth of $280.0 million, asset coverage on our senior securities representing indebtedness of 318.4% and an active status as a BDC and RIC. In addition, we had 34 obligors in our Credit Facility s borrowing base as of March 31, 2018. As of March 31, 2018, 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 quarterly report for additional information regarding our Credit Facility.

Off-Balance Sheet Arrangements

We generally recognize success fee income when the payment has been received. As of March 31, 2018 and September 30, 2017, we had off-balance sheet success fee receivables on our accruing debt investments of $6.4 million and $4.6 million (or approximately $0.24 per common share and $0.18 per common share), respectively, that would be owed to us, generally upon a change of control of the portfolio companies. Consistent with GAAP, we generally have not recognized our success fee receivables and related income in our *Consolidated Financial Statements* until earned. Due to the contingent nature of our success fees, there are no guarantees that we will be able to collect all of these success fees or know the timing of such collections.

Table of Contents

Contractual Obligations

We have lines of credit, delayed draw term loans, and an uncalled capital commitment with certain of our portfolio companies that have not been fully drawn. Since these commitments have expiration dates and we expect many will never be fully drawn, the total commitment amounts do not necessarily represent future cash requirements. We estimate the fair value of the combined unused lines of credit, the unused delayed draw term loans and the uncalled capital commitment as of March 31, 2018 and September 30, 2017 to be immaterial.

The following table shows our contractual obligations as of March 31, 2018, 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]	$	$	$ 127,800	$	$ 127,800
Mandatorily Redeemable Preferred Stock				51,750	51,750
Interest expense on debt obligations[C]	9,587	19,173	13,232	4,658	46,649
Total	**$ 9,587**	**$ 19,173**	**$ 141,032**	**$ 56,408**	**$ 226,199**

(A) Excludes unused line of credit, unused delayed draw term loan, and uncalled capital commitments to our portfolio companies in an aggregate amount of $20.1 million, at cost, as of March 31, 2018.

(B) Principal balance of borrowings outstanding under our Credit Facility, based on the maturity date following the current contractual revolving period end date.

(C) Includes estimated interest payments on our Credit Facility and dividend obligations on our Series 2024 Term Preferred Stock. The amount of interest expense calculated for purposes of this table was based upon rates and balances as of March 31, 2018. Dividend payments on our Series 2024 Term Preferred Stock assume quarterly dividend 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) as our most critical accounting policy, which is described in Note 2 *Summary of Significant Accounting Policies* in the accompanying *Notes to Consolidated Financial Statements* included elsewhere in this Quarterly Report. Additionally, refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* included elsewhere in this Quarterly Report for additional information regarding fair value measurements and our application of Financial Accounting Standards Board Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures.* We have also identified our revenue recognition policy as a critical accounting policy, which is described in Note 2 *Summary of Significant Accounting Policies* in the accompanying *Notes to Consolidated Financial Statements* included elsewhere in this Quarterly Report.

Investment Valuation

Credit Monitoring and Risk Rating

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

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

Table of Contents

The following table reflects risk ratings for all proprietary loans in our portfolio (all of which were risk rated by our Adviser) at March 31, 2018 and September 30, 2017, representing approximately 92.6% and 91.9% of the principal balance of all debt investments in our portfolio at the end of each period:

Rating	As of March 31, 2018	As of September 30, 2017
Highest	**10.0**	9.0
Average	**6.2**	5.7
Weighted Average	**6.3**	5.8
Lowest	**1.0**	1.0

The following table reflects the risk ratings for all syndicated loans in our portfolio that were risk rated by an NRSRO at March 31, 2018 and September 30, 2017, representing approximately 6.3% and 6.9%, respectively, of the principal balance of all debt investments in our portfolio at the end of each period:

Rating	As of March 31, 2018	As of September 30, 2017
Highest	**6.0**	6.0
Average	**3.8**	4.4
Weighted Average	**4.0**	4.6
Lowest	**1.0**	3.0

The following table reflects the risk ratings for all syndicated loans in our portfolio that were not risk rated by an NRSRO (and thus were risk rated by our Adviser) at March 31, 2018 and September 30, 2017, representing approximately 1.1% and 1.2%, respectively, of the principal balance of all debt investments in our portfolio at the end of each period:

Rating	As of March 31, 2018	As of September 30, 2017
Highest	**3.0**	3.0
Average	**2.5**	3.0
Weighted Average	**2.2**	3.0
Lowest	**2.0**	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 report for additional information regarding our tax status.

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 report for a description and our application of recent accounting pronouncements.

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. The prices of securities held by us may decline in response to certain events, including those directly involving the companies whose securities are owned by us; conditions affecting the general economy; 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 March 31, 2018, our portfolio of debt investments on a principal basis consisted of the following:

Variable rates	90.0%
Fixed rates	10.0
Total:	100.0%

There have been no material changes in the quantitative and qualitative market risk disclosures for the six months ended March 31, 2018 from that disclosed in our Annual Report.

ITEM 4. CONTROLS AND PROCEDURES

a) Evaluation of Disclosure Controls and Procedures

As of March 31, 2018 (the end of the period covered by this report), our management, including our chief executive officer and chief financial officer, evaluated the effectiveness and design and operation of our disclosure controls and procedures. Based on that evaluation, our management, including the chief executive officer and chief financial officer, concluded that our disclosure controls and procedures were effective at a reasonable assurance level in timely alerting management, including the chief executive officer and chief financial officer, of material information about us required to be included in periodic SEC filings. However, in evaluation of the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

b) Changes in Internal Control over Financial Reporting

There were no changes in internal controls for the three months ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time, we may become involved in various investigation, claims and legal proceedings that arise in the ordinary course of our business. Furthermore, third parties may try to seek to impose liability on us in connection with the activities of our portfolio companies. While we do not expect that the resolution of these matters, if they arise, would materially affect our business, financial condition, results of operations or cash flows, resolution of these matters will be subject to various uncertainties and could result in the expenditure of significant financial and managerial resources. Neither we, nor any of our subsidiaries are currently subject to any material legal proceeding, nor, to our knowledge, is any material legal proceeding pending or threatened against us or any of our subsidiaries.

ITEM 1A. RISK FACTORS.

Our business is subject to certain risks and events that, if they occur, could adversely affect our financial condition and results of operations and the trading price of our securities. For a discussion of these risks, please refer to this section and the section captioned Item 1A. Risk Factors in Part I of our Annual Report and the section captioned Item 1A. Risk Factors. The risks described below and in our Annual Report not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

Recently-enacted legislation allows us to incur additional leverage under the 1940 Act, distinct from certain of our obligations under our Credit Facility and our Series 2024 Term Preferred Stock.

Historically, as a BDC, under the 1940 Act, we are generally required to maintain asset coverage of 200% for senior securities representing indebtedness (i.e., debt) or stock (i.e., preferred stock). On March 23, 2018, President Trump signed into legislation the Consolidated Appropriations Act of 2018, also known as the omnibus spending package. Included in Title VIII therein is the Small Business Credit Availability Act that includes certain regulations under the federal securities laws impacting BDCs. Among other items, the Small Business Credit Availability Act allows a BDC to increase the amount of debt it may incur by modifying the asset coverage percentage from 200% to 150% (subject to specific approval and disclosure requirements).

On April 10, 2018, our Board of Directors, including a required majority (as such term is defined in Section 57(o) of the 1940 Act) thereof, approved the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the Small Business Credit Availability Act. As a result, the Company s asset coverage requirements for senior securities will be changed from 200% to 150%, effective one year after the date of the Board of Director s approval; thus, it will be effective on April 10, 2019. Therefore, we may be able to issue an increased amount of senior securities and incur additional indebtedness in the future and, therefore, your risk of an investment in us may increase.

Notwithstanding the modified asset coverage leverage ratio under the 1940 Act described above, we remain subject to a minimum asset coverage requirement of 200% with respect to certain provisions of our Credit Facility and our Series 2024 Term Preferred Stock. If we drop below the 200% minimum asset coverage requirement, we may under certain circumstances be required to repay all outstanding indebtedness under our Credit Facility and redeem our Series 2024 Term Preferred Stock. Such events, if they were to occur, could have a significant adverse effect on our business, financial condition, results of operations, and cash flows.

The recently enacted legislation informally titled the Tax Cuts and Jobs Act and other legislative, regulatory and administrative developments may adversely affect the Company or its stockholders.

On December 22, 2017, President Trump signed into law P.L. 115-97, informally titled the Tax Cuts and Jobs Act (the Tax Act). The Tax Act makes major changes to the Code, including a number of provisions of the Code that affect the taxation of RICs and their stockholders. Certain provisions of the Tax Act that may impact us and our stockholders include:

- temporarily reducing individual U.S. federal income tax rates on ordinary income; the highest individual U.S. federal income tax rate will be reduced from 39.6% to 37% (through taxable years ending in 2025);

- reducing the maximum corporate income tax rate from 35% to 21%;

- permitting a deduction for certain pass-through business income, which generally will allow individuals, trusts, and estates to deduct up to 20% of such amounts, resulting in an effective maximum U.S. federal income tax rate of 29.6% on such dividends (through taxable years ending in 2025);

- limiting the deduction for net operating losses to 80% of taxable income (prior to the application of the dividends paid deduction);

- amending the limitation on the deduction of net interest expense for all businesses, other than certain electing businesses; and

- eliminating the corporate alternative minimum tax.

Table of Contents

The individual and collective impact of these provisions and other provisions of the Tax Act on the Company and its stockholders remains uncertain, and may not become evident for some period of time. In addition, other legislative, regulatory or administrative changes may be enacted or promulgated, either prospectively or with retroactive effect, and may adversely affect the Company or its stockholders. The Company s stockholders should consult their individual tax advisors regarding the implications of the Tax Act and other potential legislative, regulatory or administrative changes on their investment in the Company s securities.

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

Sales of Unregistered Securities

Not applicable.

Issuer Purchases of Equity Securities

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

Not applicable.

Table of Contents

ITEM 6. EXHIBITS.

Exhibit	Description
3.1	Articles of Amendment and Restatement to the Articles of Incorporation, incorporated by reference to Exhibit 99.a.2 to Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-63700), filed July 27, 2001.
3.2	Articles Supplementary Establishing and Fixing the Rights and Preferences of Term Preferred Shares, including Appendix A thereto relating to the Term Preferred Shares, 7.125% Series 2016, incorporated by reference to Exhibit 2.a.2 to Post-Effective Amendment No. 5 to the Registration Statement on Form N-2 (File No. 333-162592), filed October 31, 2011.
3.3	Certificate of Correction to Articles Supplementary Establishing and Fixing the Rights and Preferences of Term Preferred Shares, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 814-00237), filed October 29, 2015.
3.4	Articles Supplementary, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 814-00237), filed September 21, 2017.
3.5	Articles Supplementary Establishing and Fixing the Rights and Preferences of Term Preferred Shares, including Appendix A thereto relating to the 6.00% Series 2024 Term Preferred Stock, incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K (File No. 814-00237), filed September 21, 2017.
3.6	Bylaws, incorporated by reference to Exhibit 99.b to Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-63700), filed July 27, 2001.
3.7	Amendment to Bylaws, incorporated by reference to Exhibit 3.3 to the Quarterly Report on Form 10-Q (File No. 814-00237), filed February 17, 2004.
3.8	Second Amendment to Bylaws, incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K (File No. 814-00237), filed July 10, 2007.
3.9	Third Amendment to Bylaws, incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K (File No. 814-00237), filed June 10, 2011.
3.10	Fourth Amendment to Bylaws, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 814-00237), filed November 29, 2016.
4.1	Form of Certificate for Common Stock, incorporated by reference to Exhibit 99.d.2 to Pre-Effective Amendment No. 3 to the Registration Statement on Form N-2 (File No. 333-63700), filed August 23, 2001.
4.2	Form of Certificate for 6.00% Series 2024 Term Preferred Stock, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K (File No. 814-00237), filed September 21, 2017.
10.1	Amendment No. 4 to Fifth Amended and Restated Credit Agreement, dated as of March 9, 2018 by and among Gladstone Business Loan, LLC, as Borrower, Gladstone Management Corporation, as Servicer, KeyBank National Association, as administrative agent, swingline lender, managing agent and lead arranger and certain other lenders party thereto, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 814-00237), filed March 12, 2018.

11	Computation of Per Share Earnings (included in the notes to the unaudited consolidated financial statements contained in this report).*
31.1	Certification of Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Acting Principal Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002.+
32.2	Certification of Acting Principal Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002.+

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

64

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GLADSTONE CAPITAL CORPORATION

By: /s/ *Julia Ryan*
Julia Ryan
Acting Principal Financial Officer

Date: May 2, 2018

Table of Contents

Filed pursuant to Rule 497
Registration Statement No. 333-208637

PROSPECTUS SUPPLEMENT

(To Prospectus Dated February 1, 2018)

Up to $50,000,000

Common Stock

We are an externally managed specialty finance company that provides capital to lower middle market U.S. businesses (which we generally define as companies with annual earnings before interest, taxes, depreciation and amortization (EBITDA) of $3 million to $15 million). We 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 are party to an equity distribution agreement, as last amended on May 22, 2017 (the Sales Agreement), with Cantor Fitzgerald & Co., (Cantor Fitzgerald), relating to the sale of shares of our common stock, par value $0.001 per share, offered pursuant to this prospectus supplement and the accompanying prospectus. The Sales Agreement provides that we may offer and sell shares of our common stock having an aggregate offering price of up to $50,000,000 from time to time through the Sales Agreement. As of the date of this prospectus supplement, we have sold 1,114,316 shares of our common stock with an aggregate offering price of $10.9 million under the Sales Agreement and have sold 131,462 shares with an aggregate offering price of $1.2 million under a separate equity distribution agreement which was previously terminated, leaving an aggregate offering price of up to $37.9 million available under the Sales Agreement as of the date of this prospectus supplement. Subject to terms of the Sales Agreement, Cantor Fitzgerald is not required to sell any specific number or dollar amounts of securities but will act as our sales agent using commercially reasonable efforts consistent with its normal trading and sales practices, on mutually agreed terms between Cantor Fitzgerald and us. There is no arrangement for funds to be received in any escrow, trust or similar arrangement.

Cantor Fitzgerald will be entitled to compensation under the terms of the Sales Agreement at a commission of up to 2.0% of the gross sales price per share of common stock sold pursuant to the Sales Agreement. In connection with the sale of our common stock on our behalf, Cantor Fitzgerald will be deemed to be an underwriter within the meaning of the Securities Act of 1933, as amended (the Securities Act), and the compensation of Cantor Fitzgerald will be deemed to be underwriting commissions or discounts. We have also agreed to provide indemnification and contribution to Cantor Fitzgerald against certain civil liabilities, including liabilities under the Securities Act.

Sales of our common stock, if any, under this prospectus supplement and the accompanying prospectus may be made by transactions that are deemed to be part of an at the market offering as defined in Rule 415(a)(4) promulgated under the Securities Act, by means of ordinary brokers transactions that qualify for delivery of a prospectus to the Nasdaq Global Select Market (Nasdaq), in accordance with Rule 153 under the Securities Act, or such other sales as may be agreed by us and Cantor Fitzgerald, at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices. The offering of shares of common stock pursuant to the Sales Agreement will terminate upon the earlier of (1) the sale of shares having an aggregate offering price of $50,000,000 or (2) the termination of the Sales Agreement by us or Cantor Fitzgerald. See *Plan of Distribution* beginning on page S-38 of this prospectus supplement.

Our common stock is traded on Nasdaq under the symbol GLAD. On February 7, 2018 the last reported sale price of our common stock on Nasdaq was $9.01 per share. The net asset value, or NAV, per share of our common stock on December 31, 2017 (the last date prior to the date of this prospectus supplement as of which we determined NAV) was $8.48. You are urged to obtain current market quotations of our common stock. The sales price per share of our common stock offered by this prospectus supplement and the accompanying prospectus, less Cantor Fitzgerald s commission, will not be less than the NAV per share of our common stock at the time of such sale.

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.

Shares of closed-end investment companies, including BDCs, frequently trade at a discount to their NAV. If our shares trade at a discount to our NAV, it will likely increase the risk of loss for purchasers in this offering. Investing in shares of our common stock involves a high degree of risk. Before investing, you should read the material risks described in the *Risk Factors* section beginning on page S-11 of this prospectus supplement and beginning on page 12 of the accompanying prospectus.

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 (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 the investor relations section of 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-41 of this prospectus supplement. **The SEC has not approved or disapproved these securities or passed upon the adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.**

The date of this prospectus supplement is February 8, 2018

Table of Contents

TABLE OF CONTENTS

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is presented in two parts. The first part is comprised of this prospectus supplement, which describes the specific terms of this common stock at-the-market offering and certain other matters relating to us. The second part, the accompanying prospectus, contains a description of our common stock and provides more general information, some of which does not apply to this offering, regarding securities that we may offer from time to time. To the extent that the information contained in this prospectus supplement differs or varies from the information contained in the accompanying prospectus, the information in this prospectus supplement will supersede such information.

This prospectus supplement is part of a registration statement on Form N-2 (Registration No. 333-208637) that we have filed with the SEC relating to the securities offered hereby. This prospectus supplement does not contain all of the information that we have included in the registration statement and the accompanying exhibits and schedules thereto in accordance with the rules and regulations of the SEC, and we refer you to such omitted information. It is important for you to read and consider all of the information contained in this prospectus supplement and the accompanying prospectus before making your investment decision. You should also read and consider the additional information incorporated by reference into this prospectus supplement and the accompanying prospectus. See *Where You Can Find More Information* in this prospectus supplement.

The distribution of this prospectus supplement and the accompanying prospectus and this offering of the securities may be restricted by law in certain jurisdictions. This prospectus supplement and the accompanying prospectus are not an offer to sell or a solicitation of an offer to buy shares of our common stock in any jurisdiction where such offer or any sale would be unlawful. Persons who come into possession of this prospectus supplement and the accompanying prospectus should inform themselves of and observe any such restrictions.

You should rely only on the information contained in this prospectus supplement and the accompanying prospectus in making an investment decision. We have not, and Cantor Fitzgerald has not, authorized any other person to provide you with information that is different or additional. If anyone provides you with different or additional information, you should not rely on it. We do not, and Cantor Fitzgerald and its affiliates do not, take any responsibility for, and can provide no assurances as to, the reliability of any information that others may provide to you. You should not assume that the information in this prospectus supplement or the accompanying prospectus is accurate as of any date other than their respective dates, regardless of the time of delivery of this prospectus supplement, the accompanying prospectus or any sales of our common stock. Our business, financial condition, liquidity, results of operations, funds from operations and prospects may have changed since those dates. To the extent required by law, we will amend or supplement the information contained in this prospectus supplement and the accompanying prospectus.

Table of Contents

PROSPECTUS SUPPLEMENT SUMMARY

The following summary highlights some of the information included in this prospectus supplement and the accompanying prospectus. It is not complete and may not contain all the information that you may want to consider. You should review the more detailed information contained elsewhere in this prospectus supplement and in the accompanying prospectus prior to making an investment in our common stock, and especially the information set forth under the heading Risk Factors in this prospectus supplement and the accompanying prospectus.

In this prospectus supplement and the accompanying prospectus, except where the context suggests otherwise, the Company, Gladstone Capital, we, us or our refer to Gladstone Capital Corporation; Adviser refers to Gladstone Management Corporation and Administrator refers to Gladstone Administration, LLC; and Gladstone Companies refers to our Adviser, the Administrator and its affiliated companies.

Gladstone Capital Corporation

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 BDC under the 1940 Act. For federal income tax purposes, we have elected to be treated as a RIC under Subchapter M of 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.

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 United States. 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 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% in debt investments and 10.0% in equity investments, at cost. As of December 31, 2017, our investment portfolio was made up of approximately 90.6% debt investments and 9.4% equity investments, at cost.

We focus on investing in lower middle market companies (which we generally define as companies with annual EBITDA of $3 million to $15 million) in the United States 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 in July 2012. 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.

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, or 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 portfolio company. 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 December 31, 2017, our investment portfolio consisted of investments in 51 companies located in 24 states in 18 different industries with an aggregate fair value of $392.4 million. From our initial public offering in 2001 through December 31, 2017, we have invested in 224 different companies, while making 179 consecutive monthly or quarterly cash distributions to common stockholders totaling approximately $303.3 million. We expect that our investment portfolio will primarily include the following four categories of investments in private companies operating in the 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.

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.

Table of Contents

Additionally, pursuant to the 1940 Act, we must maintain at least 70.0% of our total assets in qualifying assets, under Section 55(a) of the 1940 Act, 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 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. With the exception of our policy to conduct our business as a BDC, these investment policies are not fundamental and may be changed without stockholder approval. See *Business Investment Process* included in the accompanying prospectus for additional information on our investment practices.

Our Investment Adviser and Administrator

We are externally managed by the Adviser, an affiliate of ours, under an investment advisory and management agreement (the Advisory Agreement), and another of our affiliates, the Administrator 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 Lee 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, 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 an SEC 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

Distributions to Stockholders

On January 9, 2018, our Board of Directors declared the following monthly cash distributions to common and preferred stockholders:

Common Stock: $0.07 per share of common stock for each of January, February and March 2018, payable per the table below.

Record Date	Payment Date	Cash Distribution
January 22	January 31	$ 0.07
February 16	February 28	$ 0.07
March 20	March 30	$ 0.07
Total for the Quarter:		**$ 0.21**

Term Preferred Stock: $0.125 per share of the Company s 6.00% Series 2024 Term Preferred Stock (2024 Term Preferred Stock) for each of January, February and March 2018, payable per the table below. The 2024 Term Preferred Stock trades on the Nasdaq under the symbol GLADN.

Record Date	Payment Date	Cash Distribution
January 22	January 31	$ 0.125
February 16	February 28	$ 0.125
March 20	March 30	$ 0.125
Total for the Quarter:		**$ 0.375**

Portfolio Activity

In January 2018, we invested $8.1 million in XMedius Solutions Inc. through secured first lien debt.

Table of Contents

THE OFFERING

Common stock offered	Shares with an aggregate offering price of up to $50,000,000.
Common stock outstanding prior to this offering	26,632,182 shares.
Plan of Distribution	At the market offering that may be made from time to time through our sales agent, Cantor Fitzgerald. See *Plan of Distribution* beginning on page S-38 of this prospectus supplement. On February 27, 2015, we established the at-the-market program to which this prospectus supplement relates and entered into an equity distribution agreement with Cantor Fitzgerald. On May 22, 2017, we amended and restated the Sales Agreement with Cantor Fitzgerald to continue the at-the-market program. Through the date of this prospectus supplement 1,114,316 shares of common stock with an aggregate offering price of $10.9 million were issued and sold pursuant to the Sales Agreement and 131,462 shares with an aggregate offering price of $1.2 million were sold under a separate equity distribution agreement which was previously terminated. An aggregate offering price of up to $37.9 million of our common stock remains available for sale under this at-the-market offering.
Use of Proceeds	If we sell shares of our common stock with an aggregate offering price of $37.9 million, which is what remains available under the Sales Agreement as of the date of this prospectus supplement, we anticipate that our net proceeds, after deducting Cantor Fitzgerald s maximum commissions and estimated offering expenses payable by us, will be approximately $37.0 million. We intend to use the net proceeds from this offering to repay outstanding indebtedness under the Fifth Amended and Restated Credit Agreement, as further amended, (the Credit Facility), with KeyBank National Association (KeyBank), as administrative agent, lead arranger and a lender, to fund new investment opportunities, and for other general corporate purposes. See *Use of Proceeds* on page S-16 of this prospectus supplement.
Nasdaq symbol	GLAD

Distributions on common stock	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. The amount of monthly distributions on our common 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 Distributions* beginning on page S-17 of this prospectus supplement. 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* in the accompanying prospectus. Certain additional amounts may be deemed as distributed to common stockholders for income tax purposes and may also constitute a return of capital.
Tax matters	See *Additional Material U.S. Federal Income Tax Considerations* in this prospectus supplement and *Material U.S. Federal Income Tax Considerations* beginning on page 116 of the accompanying prospectus for a discussion of material U.S. federal income tax considerations applicable to an investment in shares of our common stock.
Risk Factors	Investing in shares of our common stock involves substantial risks. Please carefully read and consider the information described under *Risk Factors* beginning on page S-11 of this prospectus supplement and beginning on page 12 of the accompanying prospectus before making an investment decision.

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 supplement 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 for annual expenses are annualized and have been calculated based on actual expenses incurred in the quarter ended December 31, 2017 and average net assets attributable to common stockholders for the quarter ended December 31, 2017.

Stockholder Transaction Expenses:	
Sales load or other commission (as a percentage of offering price)(1)	2.00%
Offering expenses (as a percentage of offering price)(2)	0.42%
Dividend reinvestment plan expenses (per sales transaction fee)(3)	Up to $25.00 Transaction fee
Total stockholder transaction expenses (as a percentage of offering price)	2.42%
Annual expenses (as a percentage of net assets attributable to common stock)(4):	
Base management fee(5)	2.98%
Loan Servicing fee(6)	2.11%
Incentive fees (20% of realized capital gains and 20% of pre-incentive fee net investment income)(7)	2.44%
Interest payments on borrowed funds(8)	2.51%
Dividend expense on mandatorily redeemable preferred stock(9)	1.49%
Other expenses(10)	1.45%
Total annual expenses(10)(11)	12.98%

(1) Represents the maximum commission with respect to the shares of common stock being sold in this offering. Cantor Fitzgerald will be entitled to compensation up to 2.0% of the gross proceeds of the sale of any shares of our common stock under the Sales Agreement, with the exact amount of such compensation to be mutually agreed upon by us and Cantor Fitzgerald from time to time. There is no guarantee that there will be any additional sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus.

(2) The percentage reflects estimated offering expenses of approximately $160,000 and assumes we sell all $37.9 million of common stock remaining under the Sales Agreement.

(3) The expenses of the dividend reinvestment plan, if any, are included in stock record expenses, a component of Other expenses. If a participant elects by written notice to the plan agent prior to termination of his or her account to have the plan agent sell part or all of the shares held by the plan agent in the participant s account and remit the proceeds to the participant, the plan agent is authorized to deduct a transaction fee, plus per share brokerage commissions, from the proceeds. The participants in the dividend reinvestment plan will also bear a transaction fee, plus pro rata share of brokerage commissions incurred with respect to open market purchases, if any. See *Dividend Reinvestment Plan* in the accompanying prospectus for information on the dividend reinvestment plan.

(4) The percentages presented in this table are gross of credits to any fees.

(5) In accordance with the Advisory Agreement, our annual base management fee is 1.75% (0.4375% quarterly) of our average gross assets, which are defined as our 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. In accordance with the requirements of the SEC, the table above shows our 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 2.98% of the average net assets as of December 31, 2017 by dividing the total dollar amount of the management fee by our average net assets. The base management fee for the quarter ended December 31, 2017 before application of any credits was $1.7 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 non-contractually, 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 December 31, 2017, the base management fee credit was $0.8 million. See *Management Certain Transactions Investment Advisory and Management Agreement* in the accompanying prospectus.

(6) 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 the Credit Facility. For the three months ended December 31, 2017, the total loan servicing fee was $1.2 million. The entire loan servicing fee paid to the Adviser by Business Loan is generally non-contractually, 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* in the accompanying prospectus and footnote 7 below.

(7) 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 5 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 December 31, 2017. The income-based incentive fee for the quarter ended December 31, 2017 before application of any credits was $1.4 million.

S-8

Table of Contents

From time to time, the Adviser has non-contractually, 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 December 31, 2017, the incentive fee credit was $0.1 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%.

Assuming pre-incentive fee net investment income of 2.00%, the income-based incentive fee would be as follows:

= 100.0% × (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:

= (100.0% × (catch-up : 2.1875% - 1.75%)) + (20.0% × (2.30% - 2.1875%))

= (100.0% × 0.4375%) + (20.0% × 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:

= 20.0% × (6.0% - 1.0%)

= 20.0% × 5.0%

= 1.0%

For a more detailed discussion of the calculation of the two-part incentive fee, see *Management Certain Transactions Investment Advisory and Management Agreemen*t in the accompanying prospectus.

(8)

Includes amortization of deferred financing costs. As of December 31, 2017, we had $130.5 million in borrowings outstanding under our Credit Facility.

(9) Includes amortization of deferred financing costs related to our Series 2024 Term Preferred Stock, as well as amounts paid to preferred stockholders during the three months ended December 31, 2017. See *Description of Our Securities Preferred Stock Series 2024 Term Preferred Stock* in the accompanying prospectus for additional information.

(10) 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 Administrator Compensation* in the accompanying prospectus.

(11) Total annualized gross expenses, based on actual amounts incurred for the quarter ended December 31, 2017, would be $29.2 million. After all non-contractual, unconditional and irrevocable credits described in footnote 5, footnote 6 and footnote 7 above are applied to the base management fee, the loan servicing fee, and the incentive fee, total annualized expenses after fee credits, based on actual amounts incurred for the quarter ended December 31, 2017, would be $21.1 million or 9.38% as a percentage of net assets.

Table of Contents

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 common stock. In calculating the following expense amounts, we have assumed that our gross annual operating expenses would remain at the levels set forth in the table above and are gross of any credits to any fees. **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 5.00% annual return, our performance will vary and may result in a return greater or less than 5.00%.**

	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)	$ 112	$ 316	$ 496	$ 855
assuming a 5% annual return consisting entirely of capital gains(2)(3)	$ 121	$ 338	$ 526	$ 889

(1) For purposes of this example, we have assumed that the entire amount of the assumed 5.0% 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 5.0% annual return is significantly below the hurdle rate of 7.0% (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 5.0% 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 distribution 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* in the accompanying prospectus for additional information regarding our dividend reinvestment plan.

(3) For purposes of this example, we have assumed that the entire amount of the assumed 5.0% annual return would constitute capital gains and that no accumulated capital losses or unrealized depreciation would have to be overcome first before a capital gains based incentive fee is payable.

Table of Contents

RISK FACTORS

You should carefully consider the risks described below and all other information contained in this prospectus supplement and the accompanying prospectus before making a decision to purchase our Shares. 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.

Our management will have broad discretion in the use of the net proceeds from this offering and may allocate the net proceeds from this offering in ways that you and other stockholders may not approve.

Our management will have broad discretion in the use of the net proceeds, including for any of the purposes described in the section entitled *Use of Proceeds*, and you will not have the opportunity as part of your investment decision to assess whether the net proceeds are being used in ways with which you may not agree or may not otherwise be considered appropriate. Because of the number and variability of factors that will determine our use of the net proceeds from this offering, their ultimate use may vary substantially from their currently intended use. The failure of our management to use these funds effectively could harm our business. Pending their use, we may invest the net proceeds from this offering in short-term, investment-grade, interest-bearing securities. These investments may not yield a favorable return to our stockholders.

We may be unable to invest a significant portion of the net proceeds of this offering on acceptable terms.

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.

Market interest rates may have an effect on the value of our common stock.

One of the factors that will influence the price of our common stock will be the distribution yield on our common stock (as a percentage of the price of our common stock) relative to market interest rates. 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 to decrease.

Our most recent NAV was calculated on December 31, 2017 and our NAV when calculated as of March 31, 2018 may be higher or lower.

As of December 31, 2017, our NAV per share was $8.48, which was based on the fair value our investments that were reviewed and approved by the Valuation Committee and Board of Directors. NAV per share as of March 31, 2018, and following quarters, may be higher or lower than $8.48 based on potential changes in valuations, issuances of securities, or distributions 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 March 31, 2018 fair value is less than the December 31, 2017 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 recently enacted legislation informally titled the Tax Cuts and Jobs Act and other legislative, regulatory and administrative developments may adversely affect GLAD or its stockholders.

On December 22, 2017, President Trump signed into law P.L. 115-97, informally titled the Tax Cuts and Jobs Act (the Tax Act). The Tax Act makes major changes to the Code, including a number of provisions of the Code that affect the taxation of RICs and their stockholders. Certain provisions of the Tax Act that may impact us and our stockholders include:

- temporarily reducing individual U.S. federal income tax rates on ordinary income; the highest individual U.S. federal income tax rate will be reduced from 39.6% to 37% (through taxable years ending in 2025);
- reducing the maximum corporate income tax rate from 35% to 21%;
- permitting a deduction for certain pass-through business income, which generally will allow individuals, trusts, and estates to deduct up to 20% of such amounts, resulting in an effective maximum U.S. federal income tax rate of 29.6% on such dividends (through taxable years ending in 2025);
- limiting the deduction for net operating losses to 80% of taxable income (prior to the application of the dividends paid deduction);
- amending the limitation on the deduction of net interest expense for all businesses, other than certain electing businesses; and
- eliminating the corporate alternative minimum tax.

The individual and collective impact of these provisions and other provisions of the Tax Act on GLAD and its stockholders is uncertain, and may not become evident for some period of time. In addition, other legislative, regulatory or administrative changes may be enacted or promulgated, either prospectively or with retroactive effect, and may adversely affect GLAD or its stockholders. GLAD s stockholders should consult their individual tax advisors regarding the implications of the Tax Act and other potential legislative, regulatory or administrative changes on their investment in GLAD s securities.

Shares of closed-end investment companies, including BDCs, frequently trade at a discount to their NAV, which may restrict our ability to grow and adversely impact our ability to increase or maintain our distributions.

Shares of closed-end investment companies, including BDCs, frequently trade at a discount from NAV. 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. At our 2017 Annual Meeting of Stockholders, we did not seek stockholder approval to issue shares of our common stock below NAV. 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, including shares of common stock offered under this prospectus supplement. Although we have been able to secure access to additional liquidity, including through the Credit Facility and equity offerings, our inability to issue shares of common stock below NAV may limit our ability to raise capital needed to grow and achieve our investment objectives.

Table of Contents

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. Therefore, 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 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 2024 Term Preferred Stock for two years, the holders of our Series 2024 Term Preferred Stock will be entitled to elect a majority of our directors.

The terms of our Series 2024 Term Preferred Stock provide for annual dividends in the amount of $1.50 per outstanding share of Series 2024 Term Preferred Stock. In accordance with the terms of our Series 2024 Term Preferred Stock, if dividends thereon are unpaid in an amount equal to at least two years of dividends, the holders of Series 2024 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 September 2017, we completed a public offering of the Series 2024 Term Preferred Stock, at a public offering price of $25.00 per share. In such offering, we issued approximately 2.1 million shares of Series 2024 Term Preferred Stock. The shares of Series 2024 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.

Rising interest rates may negatively impact our investments and have an adverse effect on our business, financial condition, results of operations, and cash flows.

Over the past year, the Federal Reserve has made gradual increases in the federal funds rate and we expect such gradual increases to continue. A substantial portion of our debt investments have variable interest rates that reset periodically and are generally based on LIBOR with a floor, so an increase in interest rates above the applicable floor may make it more difficult for our portfolio companies to meet their debt servicing obligations to us, which could result in a default under their loan documents with us. To the extent that interest rates increase, this may negatively impact the operating performance of our portfolio companies as they shift cash from other productive uses to the payment of interest or may cause our portfolio companies to refinance or otherwise repay our debt investments earlier than they otherwise would, requiring us to incur management time and expense to re-deploy such proceeds, including on terms that may not be as favorable as our existing loans. There can be no guarantee the Federal Reserve will continue to raise rates at the gradual pace they originally proposed.

The current U.S. presidential administration (the Administration), may make substantial changes to certain regulations that may adversely affect our business.

The Administration has called for substantial change to fiscal and tax policies as discussed in part above. On February 3, 2017, President Trump signed an executive order calling for the Administration to review U.S. financial laws and regulations in order to determine their consistency with a set of core principles identified in the order. Some areas identified as subject to potential change, amendment or repeal include the Dodd-Frank Act, the Consumer Protection Act, the Volcker Rule, credit risk retention requirements and the authorities of the Federal Reserve and the Financial Stability Oversight Council. We cannot predict which, if any, of these or other actions will be taken or, if taken, their effect on the financial stability of the credit market in which we operate. Such actions could have a significant adverse effect on our business, financial condition, results of operations, and cash flows.

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, among other things, to future events or our future performance or financial condition or future operating results, our business prospects and the prospects of our portfolio companies, actual and potential conflicts 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, anticipate, future, could, growth, plan, intend, expect, possible, potential, likely or the negative of such terms or comparable terminology. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Such factors include:

- the recurrence of adverse events in the economy and the capital markets, including stock price volatility;
- risks associated with negotiation and consummation of pending and future transactions;
- the loss of one or more of our executive officers, in particular David Gladstone, Terry Lee Brubaker or Robert L. Marcotte;
- changes in our investment objective and strategy;
- availability, terms (including the possibility of interest rate volatility) and deployment of capital;
- changes in our industry, interest rates, exchange rates or the general economy;
- our business prospects and the prospects of our portfolio companies;
- the degree and nature of our competition;
- changes in governmental regulations, tax rates and similar matters;
- our ability to maintain our qualification as a RIC and as a BDC; and

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, which speak only as of the date made. Other than as required by law, 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 supplement or the accompanying prospectus. The forward-looking statements contained 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.

Table of Contents

USE OF PROCEEDS

Sales of our common stock, if any, under this prospectus supplement and the accompanying prospectus may by transactions that are deemed to be part of an at the market offering as defined in Rule 415(a)(4) under the Securities Act, by means of ordinary brokers transactions that qualify for delivery of a prospectus to Nasdaq in accordance with Rule 153 under the Securities Act or such other sales as may be agreed by us and Cantor Fitzgerald, at market prices prevailing at the time of sale, at prices related to prevailing market prices or at other negotiated prices. There is no guarantee that there will be any sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus. Actual sales, if any, of our common stock under this prospectus supplement and the accompanying prospectus may be less than as set forth in this paragraph depending on, among other things, the market price of our common stock at the time of any such sale. As a result, the actual net proceeds we receive may be more or less than the amount of net proceeds estimated in this prospectus supplement. However, assuming the sale of the remaining $37.9 million of common stock offered under this prospectus supplement and the accompanying prospectus, we anticipate that our net proceeds from this offering will be approximately $37.0 million, after deducting the maximum estimated sales commission payable to Cantor Fitzgerald and our estimated offering expenses of $160,000. Through the date of this prospectus supplement, shares of common stock with an aggregate offering price of $12.1 million have been issued and sold pursuant to this at-the-market program, and net proceeds to us (net of sales agent commissions and other offering expenses borne by us) from our at-the-market program were approximately $11.6 million.

We intend to use the net proceeds from this offering to repay a portion of the amount outstanding under the Credit Facility, to fund new investment opportunities, and for other general corporate purposes. As of the date of this prospectus supplement, we had $129.8 million outstanding under the Credit Facility. Advances under the 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. The Credit Facility has a revolving period end date of January 19, 2019. 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 intend to re-borrow under our Credit Facility to make investments in portfolio companies in accordance with our investment objectives depending on the availability of appropriate investment opportunities consistent with our investment objectives and market conditions.

Pending such uses, we will invest a portion of the net proceeds of this offering in short-term investments, such as cash and cash equivalents, which we expect will earn yields substantially lower than the interest income that we anticipate receiving in respect of investments in accordance with our investment objectives.

Table of Contents

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 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* in the accompanying prospectus.

Our common stock is quoted on 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 February 7, 2018 there were 36 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 February 7, 2018.

COMMON SHARE PRICE DATA

		Sales Price			Premium (Discount) of High to	Premium (Discount) of Low to
	NAV(1)	High	Low	Declared Common Distributions	NAV(2)	NAV(2)
Fiscal Year ended 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 ended September 30, 2017						
First Quarter	8.36	9.62	7.33	0.21	15.1	(12.3)
Second Quarter	8.33	9.92	8.67	0.21	19.1	4.1
Third Quarter	8.38	10.12	9.15	0.21	20.8	9.2
Fourth Quarter	8.40	9.95	8.98	0.21	18.5	6.9
Fiscal Year ending September 30, 2018						
First Quarter	8.48	9.92	8.95	0.21	17.0	5.5
Second Quarter (through February 7, 2018)	*	9.50	7.80	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 cannot yet be determined.

Table of Contents

CONSOLIDATED SELECTED FINANCIAL DATA

The following consolidated selected financial data for the fiscal years ended September 30, 2017, 2016, 2015, 2014 and 2013 are derived from our audited consolidated financial statements. The consolidated selected financial data for the three months ended December 31, 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 is also unaudited. The data should be read in conjunction with our 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.

(dollar amounts in thousands, except per share data)

	Three Months Ended December 31,		Year Ended September 30,				
	2017	**2016**	**2017**	**2016**	**2015**	**2014**	**20**
ent of Operations Data:							
vestment Income	**$ 10,859**	$ 9,974	**$ 39,233**	$ 39,112	$ 38,058	$ 36,585	$
xpenses, Net of Credits from	**5,282**	4,767	**17,800**	19,625	20,358	18,217	
estment Income	**5,577**	5,207	**21,433**	19,487	17,700	18,368	
lized and Unrealized (Loss) Gain on ents, Borrowings and Other	**1,583**	(4,291)	**(4,253)**	(8,120)	(9,216)	(7,135)	
rease (Decrease) in Net Assets g from Operations	**7,160**	916	**17,180**	$ 11,367	$ 8,484	$ 11,233	$
are Data:							
estment Income per Common Basic and Diluted[A]	**0.21**	$ 0.21	**$ 0.84**	$ 0.84	$ 0.84	$ 0.87	$
rease (Decrease) in Net Assets g from Operations per Common Basic and Diluted[A]	**0.27**	0.04	**0.67**	0.49	0.40	0.53	
tions Declared Per Common	**0.21**	0.21	**0.84**	0.84	0.84	0.84	
ent of Assets and Liabilities Data:							
ssets	**$ 409,722**	$ 304,652	**$ 365,860**	$ 337,178	$ 382,482	$ 301,429	$ 2
ets	**225,717**	213,385	**219,650**	201,207	191,444	199,660	2
et Value Per Common Share	**8.48**	8.36	**8.40**	8.62	9.06	9.81	
n Shares Outstanding	**26,632,182**	25,517,866	**26,160,684**	23,344,422	21,131,622	21,000,160	21,0
ed Common Shares ding Basic and Diluted	**26,522,788**	24,778,970	**25,495,117**	23,200,642	21,066,844	21,000,160	21,0
Securities Data:							
ngs under Credit Facility, at cost[C]	**130,500**	$ 28,200	**$ 93,000**	$ 71,300	$ 127,300	$ 36,700	$
	51,750	61,000	**51,750**	61,000	61,000	61,000	

orily redeemable preferred
(D)

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

(B) The tax character of distributions is determined on an annual basis in accordance with GAAP. For further information on the estimated character of our distributions to common stockholders, please refer to Note 9 *Distributions to Common Stockholders* included elsewhere in the accompanying prospectus.

(C) See *Management s Discussion and Analysis of Financial Condition and Results of Operations* for more information regarding our level of indebtedness.

(D) Represents the aggregate liquidation preference of our mandatorily redeemable preferred stock.

S-18

Table of Contents

	Three Months Ended December 31,		Year Ended September 30,				
	2017	2016	2017	2016	2015	2014	2013
Other Unaudited Data:							
Number of Portfolio Companies at Period End	**51**	44	**47**	45	48	45	47
Average Size of Portfolio Company Investment at Cost	**8,826**	7,932	**$ 8,754**	$ 8,484	$ 8,547	$ 7,762	$ 7,069
Principal Amount of New Investments	**56,336**	17,240	**99,241**	79,401	102,299	81,731	80,418
Proceeds from Loan Repayments and Investments Sold and Exits[(C)]	**19,843**	50,453	**83,444**	121,144	40,273	72,560	117,048
Weighted Average Yield on Investments, excluding loans on non-accrual status[(D)]	**11.96%**	11.30%	**11.57%**	11.08%	10.93%	11.47%	11.63%
Weighted Average Yield on Investments, including loans on non-accrual status[(E)]	**10.94**	10.46	**10.61**	10.27	9.84	9.99	9.74
Total Return[(F)]	**(0.91)**	18.40	**27.90**	11.68	2.40	9.62	9.90

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

(D) Weighted average yield on investments, excluding loans on non-accrual status, equals interest income on investments divided by the weighted average interest-bearing principal balance throughout the fiscal year.

(E) Weighted average yield on investments, including loans on non-accrual status, equals interest income on investments divided by the weighted average total principal balance throughout the fiscal year.

(F) 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, refer to Note 9 *Distributions to Common Stockholders* elsewhere in the accompanying prospectus.

Table of Contents

SELECTED QUARTERLY FINANCIAL DATA

(UNAUDITED)

The following tables set forth certain quarterly financial information for each of the eight quarters in the two years ended September 30, 2017 and the first quarter of the fiscal year ending September 30, 2018. 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, 2017
Total investment income	$ 10,859
Net investment income	5,577
Net increase (decrease) in net assets resulting from operations	7,160
Net increase (decrease) in Net Assets Resulting From Operations per Weighted Average Common Share (Basic and Diluted)	$ 0.27

	Quarter Ended			
	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017
Total investment income	$ 9,974	$ 8,793	$ 9,632	$ 10,834
Net investment income	5,207	5,359	5,379	5,488
Net Increase (decrease) in net assets resulting from operations	916	4,656	6,163	5,445
Net Increase (decrease) in Net Assets Resulting From Operations per Weighted Average Common Share (Basic and Diluted)	$ 0.04	$ 0.18	$ 0.24	$ 0.21

	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

Table of Contents

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 Consolidated Financial Statements and the notes thereto contained elsewhere in this prospectus supplement and the accompanying 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 or results of operations for any future periods. Except per share amounts or unless otherwise indicated, dollar amounts in the tables included herein are in thousands.

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 regulated investment company (RIC) under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code). To continue to qualify as a RIC for federal income tax purposes and obtain favorable RIC tax treatment, we must meet certain requirements, including certain minimum distribution requirements.

We were established for the purpose of investing in debt and equity securities of established private businesses operating in the U.S. Our investment objectives are to: (1) achieve and grow current income by investing in debt securities of established 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 December 31, 2017, our investment portfolio was made up of approximately 90.6% debt investments and 9.4% 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 Advisor, 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, Gladstone Securities, LLC (Gladstone Securities), a privately-held broker-dealer registered with the Financial Industry Regulatory Authority and insured by the Securities Investor Protection Corporation, which is 100% indirectly owned and controlled by Mr. Gladstone, our chairman and chief executive officer, has provided other services, such as investment banking and due diligence services, to certain of our portfolio companies, for which Gladstone Securities receives a fee.

Business

Portfolio and Investment Activity

In general, our investments in debt securities have a term of no more than seven years, accrue interest at variable rates (generally based on the 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 three months ended December 31, 2017, we invested $56.3 million in seven new portfolio companies and extended $1.6 million of investments to existing portfolio companies. In addition, during the three months ended December 31, 2017, we exited three portfolio companies through sales and early payoffs. We received a total of $19.8 million in combined net proceeds and principal repayments from the aforementioned portfolio company exits as well as existing portfolio companies during the three months ended December 31, 2017. This activity resulted in a net increase in our overall portfolio by four portfolio companies to 51 and a net increase of $38.7 million in our portfolio at cost since September 30, 2017. From our initial public offering in August 2001 through December 31, 2017, we have made 481 different loans to, or investments in, 224 companies for a total of approximately $1.7 billion, before giving effect to principal repayments on investments and divestitures.

During the three months ended December 31, 2017, the following significant transactions occurred:

- In October 2017, we sold our investment in Flight Fit N Fun LLC for a realized gain of $0.6 million. In connection with the sale, we received net cash proceeds of approximately $9.4 million, including the repayment of our debt investment of $7.8 million at par.

- In October 2017, we invested $11.0 million in Applied Voice & Speech Technologies, Inc. through secured first lien debt.

In October 2017, PSC Industrial Holdings, LLC paid off at par for net proceeds of $3.5 million.

In November 2017, we invested $7.5 million in Arc Drilling Holdings, LLC through secured first lien debt and equity.

In November 2017, we invested $7.5 million in Gray Matter Systems, LLC through secured second lien debt.

In November 2017, DataPipe, Inc. paid off at par for net proceeds of $2.0 million.

In November 2017, we invested $5.0 million in DigiCert Holdings, Inc. through secured second lien debt.

In November 2017, we invested $4.0 million in Red Ventures, LLC through secured second lien debt.

In November 2017, we invested $1.0 million in ABG Intermediate Holdings 2, LLC through secured second lien debt.

In December 2017, we invested $20.0 million in Impact! Chemical Technologies, Inc. through secured first lien debt.

Refer to Note 13 *Subsequent Events* in the accompanying *Consolidated Financial Statements* included elsewhere in this prospectus supplement for portfolio activity occurring subsequent to December 31, 2017.

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 of common and preferred stock. 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 2.1 million shares of our 6.00% Series 2024 Term Preferred Stock, par value $0.001 per share (Series 2024 Term Preferred Stock) at a public offering price of $25 per share, for gross proceeds of $51.8 million in September 2017, inclusive of the overallotment and approximately 2.2 million shares of our common stock for gross proceeds of $17.3 million in October 2016, inclusive of the November 2016 overallotment. Additionally, during the three months ended December 31, 2017, we sold 471,498 shares of our common stock under our at-the-market program at a weighted-average price of $9.69 per share and raised $4.6 million of gross proceeds. Refer to *Liquidity and Capital Resources Equity Common Stock* and *Liquidity and Capital Resources Equity Term Preferred Stock* for further discussion of our common stock and mandatorily redeemable preferred stock and *Liquidity and Capital Resources Revolving Credit Facility* for further discussion of the Credit Facility.

Although we were able to access the capital markets historically and in recent years, we believe uncertain market conditions could 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 common stock trades below NAV per common share, as it has often done in previous 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. 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. 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 2018 Annual Meeting of Stockholders to be held on February 8, 2018. 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 such time.

On February 2, 2018, the closing market price of our common stock was $9.09, a 7.2% premium to our December 31, 2017 NAV per share of $8.48.

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(h) 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 December 31, 2017, our asset coverage on our senior securities representing indebtedness was 310.4% and our asset coverage on our senior securities that are stock was 222.4%.

Recent Developments

Portfolio and Investment Activity

In January 2018, we invested $8.1 million in XMedius Solutions Inc. through secured first lien debt.

Distributions

On January 9, 2018, 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 2024 Term Preferred Share
January 22, 2018	January 31, 2018	$ 0.07	$ 0.125
February 16, 2018	February 28, 2018	0.07	0.125
March 20, 2018	March 30, 2018	0.07	0.125
	Total for the Quarter	**$ 0.21**	**$ 0.375**

Table of Contents

RESULTS OF OPERATIONS

Comparison of the Three Months Ended December 31, 2017, to the Three Months Ended December 31, 2016

	Three Months Ended December 31,			
	2017	**2016**	**$ Change**	**% Change**
INVESTMENT INCOME				
Interest income	**$ 10,670**	$ 8,633	$ 2,037	23.6%
Other income	**189**	1,341	(1,152)	(85.9)
Total investment income	**10,859**	9,974	885	8.9
EXPENSES				
Base management fee	**1,676**	1,378	298	21.6
Loan servicing fee	**1,186**	983	203	20.7
Incentive fee	**1,373**	1,293	80	6.2
Administration fee	**272**	300	(28)	(9.3)
Interest expense on borrowings	**1,231**	556	675	121.4
Dividend expense on mandatorily redeemable preferred stock	**776**	1,029	(253)	(24.6)
Amortization of deferred financing fees	**248**	273	(25)	(9.2)
Other expenses	**547**	637	(90)	(14.1)
Expenses, before credits from Adviser	**7,309**	6,449	860	13.3
Credit to base management fee loan servicing fee	**(1,186)**	(983)	(203)	(20.7)
Credits to fees from Adviser other	**(841)**	(699)	(142)	(20.3)
Total expenses, net of credits	**5,282**	4,767	515	10.8
NET INVESTMENT INCOME	**5,577**	5,207	370	7.1
NET REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized gain (loss) on investments and other	**441**	(3,448)	3,889	112.8
Net unrealized appreciation (depreciation) of investments	**1,360**	(1,055)	2,415	228.9
Net unrealized (appreciation) depreciation of other	**(218)**	212	(430)	(202.8)
Net gain (loss) from investments and other	**1,583**	(4,291)	5,874	136.9%
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$ 7,160**	$ 916	$ 6,244	681.7%

Investment Income

Interest income increased by 23.6% for the three months ended December 31, 2017, as compared to the prior year. This increase was due primarily to an increase in the weighted average yield on and an increase in the weighted average principal balance of our interest bearing portfolio. The weighted average yield on our interest-bearing investments is based on the current stated interest rate on interest-bearing investments, which increased to 12.0% for the three months ended December 31, 2017, compared to 11.3% for the three months ended December 31, 2016, inclusive of any allowances on interest receivables made during those periods. The weighted average principal balance of our interest-bearing investment portfolio during the three months ended December 31, 2017, was $353.4 million, compared to $298.8 million for the prior year, an increase of $54.6 million, or 18.3%.

As of December 31, 2017, two portfolio companies, Sunshine Media Holdings (Sunshine) and Alloy Die Casting Co. were either fully or partially on non-accrual status, with an aggregate debt cost basis of approximately $27.9 million, or 6.8% of the cost basis of all debt investments in our portfolio. As of December 31, 2016, one portfolio company, Sunshine, was partially on non-accrual status, with an aggregate debt cost basis of approximately $19.1 million, or 6.1% of the cost basis of all debt investments in our portfolio.

Table of Contents

Other income decreased by 85.9% during the three months ended December 31, 2017, as compared to the prior year. This decrease was primarily due to a $1.5 million decrease in success fees recognized period over period. For the three months ended December 31, 2017, other income consisted primarily of prepayment fees received. For the three months ended December 31, 2016, other income consisted primarily of success fees recognized.

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

	As of December 31, 2017		Three Months Ended December 31, 2017	
Company	**Fair Value**	**% of Portfolio**	**Investment Income**	**% of Total Income**
NetFortris Corp.	$ 24,795	6.3%	$ 663	6.1%
IA Tech, LLC	23,690	6.0	722	6.7
TapRoot Partners, Inc.	22,220	5.7	649	6.0
Impact! Chemical Technologies, Inc.(A)	20,336	5.2	45	0.4
WadeCo Specialties, Inc.	20,005	5.1	500	4.6
Subtotal five largest investments	**111,046**	**28.3**	**2,579**	**23.8**
Other portfolio companies	281,384	71.7	8,268	76.2
Total Investment Portfolio	**$ 392,430**	**100.0%**	**$ 10,847**	**100.0%**

(A) New investment during applicable period.

	As of December 31, 2016		Three Months Ended December 31, 2016	
Company	**Fair Value**	**% of Portfolio**	**Investment Income**	**% of Total Income**
IA Tech, LLC	$ 23,345	8.1%	$ 705	7.1%
WadeCo Specialties, Inc.	18,443	6.4	477	4.8
United Flexible, Inc.	18,196	6.3	568	5.7
Lignetics, Inc.	13,809	4.8	429	4.3
AG Transportation Holdings, LLC	13,130	4.6	440	4.4
Subtotal five largest investments	**86,923**	**30.2**	**2,619**	**26.3**
Other portfolio companies	201,323	69.8	7,351	73.7
Total Investment Portfolio	**$ 288,246**	**100.0%**	**$ 9,970**	**100.0%**

Expenses

Expenses, net of credits from the Adviser, increased by 10.8% for the three months ended December 31, 2017 as compared to the prior year. This increase was primarily due to a $0.7 million increase in interest expense and a $0.2 million increase in our net base management and incentive fees to the Advisor, partially offset by a $0.3 million decrease in dividend expense on mandatorily redeemable preferred stock.

Interest expense increased by 121.4% during the three months ended December 31, 2017, as compared to the prior year, due to an increase in the weighted average balance outstanding on our Credit Facility. The weighted average balance outstanding during the three months ended December 31, 2017, was $98.2 million, as compared to $39.3 million in the prior year period, an increase of 149.9%. The effective interest rate on our Credit Facility, including unused commitment fees incurred but excluding the impact of deferred financing costs, was 5.0% during the three months ended December 31, 2017, compared to 5.7% during the prior year period. The decrease in effective interest rate was driven primarily by the decrease in unused commitment fees paid in the current year period due to the greater weighted average balance outstanding on our Credit Facility.

Table of Contents

Net base management fee earned by the Adviser increased by $0.2 million, or 12.0%, during the three months ended December 31, 2017, as compared to the prior year period, resulting from an increase in total assets year over year.

Our Board of Directors accepted non-contractual, unconditional and irrevocable credits from the Adviser to reduce the income-based incentive fee to the extent net investment income did not cover 100.0% of our distributions to common stockholders during the three months ended December 31, 2017 and 2016, which credits totaled $0.1 million and $37, respectively.

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

	Three Months Ended December 31,	
	2017	**2016**
Average total assets subject to base management fee(A)	**$ 383,086**	$ 315,000
Multiplied by prorated annual base management fee of 1.75%	**0.4375%**	0.4375%
Base management fee(B)	**$ 1,676**	$ 1,378
Portfolio company fee credit	**(664)**	(649)
Senior syndicated loan fee credit	**(92)**	(13)
Net Base Management Fee	**$ 920**	$ 716
Loan servicing fee(B)	**1,186**	983
Credit to base management fee loan servicing fee(B)	**(1,186)**	(983)
Net Loan Servicing Fee	**$**	$
Incentive fee(B)	**1,373**	1,293
Incentive fee credit	**(85)**	(37)
Net Incentive Fee	**$ 1,288**	$ 1,256
Portfolio company fee credit	**(664)**	(649)
Senior syndicated loan fee credit	**(92)**	(13)
Incentive fee credit	**(85)**	(37)
Credits to Fees From Adviser other(B)	**$ (841)**	$ (699)

(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 *Consolidated Statements of Operations*.

Dividend expense on mandatorily redeemable preferred stock decreased by $0.3 million, or 24.6%, due to the redemption of all of our $61.0 million 6.75% Series 2021 Term Preferred Stock and the issuance of $51.8 million 6.00% Series 2024 Term Preferred Stock in September 2017.

Table of Contents

Net Realized and Unrealized Gain (Loss)

Net Realized Gain (Loss) on Investments

For the three months ended December 31, 2017, we recorded a net realized gain on investments of $0.6 million, which resulted primarily from the sale of our investment in Flight Fit N Fun LLC in October 2017 for a $0.6 million realized gain.

For the three months ended December 31, 2016, 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 Acquisition Corp (RBC) for a $2.3 million realized loss and the write-off of $5.0 million of our investment in Sunshine, partially offset by the sale of Behrens Manufacturing, LLC (Behrens) for a $2.5 million realized gain and a $1.3 million realized gain related to an additional earn-out from Funko, LLC, which was exited in the prior year.

Net Unrealized Appreciation (Depreciation) of Investments

During the three months ended December 31, 2017, we recorded net unrealized appreciation of investments in the aggregate amount of $1.4 million. The net realized gain (loss) and unrealized appreciation (depreciation) across our investments for the three months ended December 31, 2017, were as follows:

	Three Months Ended December 31, 2017			
Portfolio Company	**Realized Gain (Loss)**	**Unrealized Appreciation (Depreciation)**	**Reversal of Unrealized (Appreciation) Depreciation**	**Net Gain (Loss)**
Francis Drilling Fluids, Ltd.	$	$ 2,429	$	$ 2,429
LWO Acquisitions Company LLC		1,012		1,012
Edge Adhesives Holdings, Inc.		482		482
NetFortris Corp.		430		430
WadeCo Specialties, Inc.		227		227
United Flexible, Inc.		186		186
Vision Government Solutions, Inc.		178		178
Canopy Safety Brands, LLC		147		147
TapRoot Partners, Inc.		110		110
Alloy Die Casting, Co.		86		86
Flight Fit N Fun LLC	582		(725)	(143)
Lignetics, Inc.		(206)		(206)
Defiance Integrated Technologies, Inc.		(212)		(212)
Targus Cayman HoldCo, Ltd.		(249)		(249)
Vacation Rental Pros		(252)		(252)
Meridian Rack & Pinion, Inc.		(303)		(303)
Sunshine Media Holdings		(318)		(318)
L Discovery		(555)		(555)

New Trident Holdcorp, Inc.		(1,221)		(1,221)
Other, net (<$250)	(8)	201	(87)	106
Total:	**$ 574**	**$ 2,172**	**$ (812)**	**$ 1,934**

The primary driver of net unrealized appreciation for the three months ended December 31, 2017 was improvement in the financial and operational performance of certain portfolio companies, most notably Francis Drilling Fluids, Ltd. (FDF) of $2.4 million and LWO Acquisitions Company LLC of $1.0 million. This appreciation was partially offset by the decline in the financial and operational performance of New Trident Holdcorp, Inc. of $1.2 million.

Table of Contents

During the three months ended December 31, 2016, we recorded net unrealized depreciation of investments in the aggregate amount of $1.1 million. The net realized gain (loss) and unrealized appreciation (depreciation) across our investments for the three months ended December 31, 2016, were as follows:

	Three Months Ended December 31, 2016			
Portfolio Company	Realized Gain (Loss)	Unrealized Appreciation (Depreciation)	Reversal of Unrealized (Appreciation) Depreciation	Net Gain (Loss)
Funko, LLC	$ 1,251	$ 53	$	$ 1,304
Edge Adhesives Holdings, Inc.		666		666
Meridian Rack & Pinion, Inc.		605		605
Mikawaya		276		276
New Trident Holdcorp, Inc.		(281)		(281)
Sunshine Media Holdings	(5,000)	983	3,613	(404)
Vertellus Specialties Inc.	109	(574)		(465)
Behrens Manufacturing, LLC	2,505		(3,211)	(706)
Defiance Integrated Technologies, Inc.		(710)		(710)
Lignetics, Inc.		(1,011)		(1,011)
RBC Acquisition Corp.	(2,330)		1,119	(1,211)
Francis Drilling Fluids, Ltd.		(3,797)		(3,797)
Other, net (<$250)	17	1,148	66	1,231
Total:	**$ (3,448)**	**$ (2,642)**	**$ 1,587**	**$ (4,503)**

The primary driver of net unrealized depreciation for the three months ended December 31, 2016 was a decline in the financial and operational performance of certain portfolio companies, most notably FDF of $3.8 million, Lignetics, Inc. of $1.0 million, the reversal of previously recorded depreciation on our investment in Sunshine upon partial write-off and the reversal of previously recorded unrealized appreciation on our investment in Behrens upon exit. This depreciation was partially offset by the reversal of previously recorded unrealized depreciation on RBC upon exit and an additional earn-out receivable earned and included in the realized gain on the sale of Funko, LLC.

Net Unrealized (Appreciation) Depreciation of Other

During the three months ended December 31, 2017, we recorded $0.2 million of unrealized appreciation on our Credit Facility at fair value. During the three months ended December 31, 2016, we recorded $0.2 million of unrealized depreciation on our Credit Facility at fair value.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Our cash flows from operating activities are primarily generated from the interest payments on debt securities that we receive from our portfolio companies, as well as net proceeds received through repayments or sales of our investments. We utilize this cash primarily to fund new investments, make interest payments on our Credit Facility, make distributions to our stockholders, pay management and administrative fees to the Adviser and Administrator, and for other operating expenses. Net cash used in operating activities for the three months ended December 31, 2017 was $36.9 million as compared to net cash provided by operating activities of $31.5 million for the three months ended December 31, 2016. The change was primarily due to an increase in purchases of investments and a decrease in principal repayments on investments and net proceeds from sale of investments period over period. Purchases of investments were $56.9 million during the three months ended December 31, 2017 compared to $19.8 million during the three months ended December 31, 2016. Repayments and net proceeds from sales were $19.8 million during the three months ended December 31, 2017 compared to $50.5 million during the three months ended December 31, 2016.

Table of Contents

As of December 31, 2017, we had loans to, syndicated participations in or equity investments in 51 private companies, with an aggregate cost basis of approximately $450.1 million. As of December 31, 2016, we had loans to, syndicated participations in or equity investments in 44 private companies, with an aggregate cost basis of approximately $349.0 million.

The following table summarizes our total portfolio investment activity during the three months ended December 31, 2017 and 2016:

	Three Months Ended December 31,	
	2017	**2016**
Beginning investment portfolio, at fair value	**$ 352,373**	$ 322,114
New investments	**56,336**	17,240
Disbursements to existing portfolio companies	**602**	2,807
Scheduled principal repayments on investments	**(2,529)**	(1,683)
Unscheduled principal repayments on investments	**(16,040)**	(40,551)
Net proceeds from sale of investments	**(1,274)**	(8,219)
Net unrealized appreciation (depreciation) of investments	**2,172**	(2,642)
Reversal of prior period (appreciation) depreciation of investments on realization	**(812)**	1,587
Net realized gain (loss) on investments or other	**574**	(3,448)
Increase in investments due to PIK[(A)]	**983**	1,095
Net change in premiums, discounts and amortization	**45**	(54)
Investment Portfolio, at Fair Value	**$ 392,430**	$ 288,246

(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.

The following table summarizes the contractual principal repayment and maturity of our investment portfolio by fiscal year, assuming no voluntary prepayments, as of December 31, 2017:

		Amount
For the remaining nine months ending September 30:	2018	$ 33,643
For the fiscal years ending September 30:	2019	53,920
	2020	82,103
	2021	81,813
	2022	45,022
	Thereafter	117,154
	Total contractual repayments	**$ 413,655**

Adjustments to cost basis of debt investments	(5,750)
Investments in equity securities	42,227
Investments held as of December 31, 2017 at Cost:	**$ 450,132**

Financing Activities

Net cash provided by financing activities for the three months ended December 31, 2017 was $36.4 million, which consisted primarily of $37.5 million in net borrowings on our Credit Facility and $5.6 million in distributions to common stockholders, partially offset by $4.5 million in proceeds from the issuance of common stock, net of underwriting costs.

Net cash used in financing activities for the three months ended December 31, 2016 was $31.8 million, which consisted primarily of $43.1 million in net repayments on our Credit Facility and $5.2 million in distributions to common stockholders, partially offset by $16.4 million in proceeds from the issuance of common stock, net of underwriting costs.

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 three months ended December 31, 2017 and 2016, which totaled an aggregate of $5.6 million and $5.2 million, respectively. In January 2018, our Board of Directors declared a monthly distribution of $0.07 per common share for each of January, February, and March 2018. 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, 2018.

For the year ended September 30, 2017, 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 $0.3 million of the first common distributions paid in fiscal year 2018 as having been paid in the respective prior year.

The characterization of the common stockholder distributions declared and paid for the fiscal year ending September 30, 2018 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.

Preferred Stock Dividends

In October 2017, our Board of Directors declared a combined dividend for the pro-rated period from and including the issuance date, September 27, 2017, to and including September 30, 2017 and the full month of October 2017, which totaled $0.141667 per share, to the holders of our Series 2024 Term Preferred Stock and monthly cash dividends of $0.125 per share to holders of our Series 2024 Term Preferred Stock for each of November and December 2017. These distributions totaled an aggregate of $0.8 million. 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 month during the three months ended December 31, 2016, which totaled an aggregate of $1.0 million. In January 2018, our Board of Directors declared monthly cash dividends of $0.125 per share to holders of our Series 2024 Term Preferred Stock for each of January, February, and March 2018.

In accordance with GAAP, we treat these monthly dividends as an operating expense. For federal income tax purposes, the 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. 5 to our current universal shelf registration statement on Form N-2 (our Registration Statement) (File No. 333-208637) with the SEC on December 19, 2017, which was declared effective by the SEC on February 1, 2018. 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. After accounting for securities sold under the Registration Statement and remaining securities reserved for sale under the Sales Agreement, as of December 31, 2017, we have the ability to issue up to $220.0 million in securities under the Registration Statement.

Common Stock

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 remained unchanged. During the three months ended December 31, 2017, we sold 471,498 shares of our common stock under the Sales Agreement with Cantor Fitzgerald & Co., at a weighted-average price of $9.69 per share and raised $4.6 million of gross proceeds. Net proceeds, after deducting commissions and offering costs borne by us, were approximately $4.5 million. As of December 31, 2017, we had a remaining capacity to sell up to $37.9 million of common stock under the Sales Agreement with Cantor Fitzgerald & Co. We did not sell any shares under the Sales Agreements during the three months ended December 31, 2016.

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.

Pursuant to our prior 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. The net proceeds of this offering were used to repay borrowings under our Credit Facility.

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 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. 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 2018 Annual Meeting of Stockholders to be held on February 8, 2018.

On February 2, 2018, the closing market price of our common stock was $9.09, a 7.2% premium to our December 31, 2017 NAV per share of $8.48.

Term Preferred Stock

Pursuant to our Registration Statement, in September 2017, we completed a public offering of approximately 2.1 million shares of our Series 2024 Term Preferred Stock at a public offering price of $25.00 per share. Gross proceeds totaled $51.8 million and net proceeds, after deducting underwriting discounts, commissions and offering expenses borne by us, were approximately $49.8 million. We incurred approximately $1.9 million in total underwriting discounts and offering costs related to the issuance of the Series 2024 Term Preferred Stock, which have been recorded as discounts to the liquidation value on our accompanying *Consolidated Statements of Assets and Liabilities* and are being amortized over the period from issuance through September 30, 2024, the mandatory redemption date. The net proceeds plus borrowings under our Credit Facility were used to voluntarily redeem all 2.4 million outstanding shares of our then existing 6.75% Series 2021 Term Preferred Stock, par value $0.001 per share. In connection with the voluntary redemption of our Series 2021 Term Preferred Stock, we incurred a loss on extinguishment of debt of $1.3 million, which has been reflected in Realized loss on other in our accompanying *Consolidated Statement of Operations* and which is primarily comprised of the unamortized deferred issuance costs at the time of redemption.

The shares of our Series 2024 Term Preferred Stock are traded under the ticker symbol GLADN on the Nasdaq. Our Series 2024 Term Preferred Stock is not convertible into our common stock or any other security and provides for a fixed dividend equal to 6.00% per year, payable monthly (which equates in total to approximately $3.1 million per year). We are required to redeem all of the outstanding Series 2024 Term Preferred Stock on September 30, 2024 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 2024 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 2024 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. The asset coverage on our senior securities that are stock as of September 30, 2017 was 249.6%, calculated in accordance with Sections 18 and 61 of the 1940 Act.

We may also voluntarily redeem all or a portion of the Series 2024 Term Preferred Stock at our option at the Redemption Price at any time after September 30, 2019. If we fail to redeem our 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 mandatorily redeem our Series 2024 Term Preferred Stock, then the fixed dividend rate will increase by 4.0% for so long as such failure continues. As of December 31, 2017, we have not redeemed, nor have we been required to redeem, any shares of our outstanding Series 2024 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, August 18, 2016, and August 24, 2017, we entered into Amendments No. 1, 2 and 3 to our Credit Facility, respectively, each of which clarified or modified 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 25 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 $224.1 million as of December 31, 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 December 31, 2017, and as defined in the performance guaranty of our Credit Facility, we had a net worth of $274.9 million, asset coverage on our senior securities representing indebtedness of 310.4% and an active status as a BDC and RIC. In addition, we had 35 obligors in our Credit Facility s borrowing base as of December 31, 2017. As of December 31, 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 when the payment has been received. As of December 31, 2017 and September 30, 2017, we had off-balance sheet success fee receivables on our accruing debt investments of $5.6 million and $4.6 million (or approximately $0.21 per common share and $0.18 per common share), respectively, that would be owed to us based on our current portfolio if fully paid off. Consistent with GAAP, we generally have not recognized our success fee receivables and related income in our *Consolidated Financial Statements* until earned. Due to the contingent nature of our success fees, there are no guarantees that we will be able to collect all of these success fees or know the timing of such collections.

Contractual Obligations

We have lines of credit, delayed draw term loans, and an uncalled capital commitment with certain of our portfolio companies that have not been fully drawn. Since these commitments have expiration dates and we expect many will never be fully drawn, the total commitment amounts do not necessarily represent future cash requirements. We estimate the fair value of the combined unused lines of credit, the unused delayed draw term loans and the uncalled capital commitment as of December 31, 2017 and September 30, 2017 to be immaterial. The following table shows our contractual obligations as of December 31, 2017, at cost:

	Payments Due by Period	
Contractual Obligations[(A)]	**3-5 Years**	**Total**

	Less than 1 Year	**1-3 Years**		**More than 5 Years**	
Credit Facility[(B)]	$	$ 130,500	$	$	$ 130,500
Mandatorily Redeemable Preferred Stock				51,750	51,750
Interest expense on debt obligations[(C)]	7,258	11,506	6,210	3,105	28,079
Total	**$ 7,258**	**$ 142,006**	**$ 6,210**	**$ 54,855**	**$ 210,329**

(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 $24.3 million, at cost, as of December 31, 2017.

(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 2024 Term Preferred Stock. The amount of interest expense calculated for purposes of this table was based upon rates and balances as of December 31, 2017. Dividend payments on our Series 2024 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) as our most critical accounting policy, which is described in Note 2 *Summary of Significant Accounting Policies* in the accompanying *Notes to Consolidated Financial Statements* included elsewhere in this prospectus supplement. Additionally, refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* included elsewhere in this prospectus supplement for additional information regarding fair value measurements and our application of Financial Accounting Standards Board Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures.* We have also identified our revenue recognition policy as a critical accounting policy, which is described in Note 2 *Summary of Significant Accounting Policies* in the accompanying *Notes to Consolidated Financial Statements* included elsewhere in this prospectus supplement.

Investment Valuation

Credit Monitoring and Risk Rating

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

The Adviser risk rates all of our investments in debt securities. The Adviser does not risk rate our equity securities. For syndicated loans that have been rated by an SEC registered Nationally Recognized Statistical Rating Organization (NRSRO), the Adviser generally uses the average of two corporate level NRSRO s risk ratings for such security. For all other debt securities, the Adviser uses a proprietary risk rating system. While the Adviser seeks to mirror the NRSRO systems, we cannot provide any assurance that the Adviser s risk rating system will provide the same risk rating as an NRSRO 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.

Table of Contents

The following table reflects risk ratings for all proprietary loans in our portfolio at December 31, 2017 and September 30, 2017, representing approximately 91.6% and 91.9% of the principal balance of all debt investments in our portfolio at the end of each period:

Rating	As of December 31, 2017	As of September 30, 2017
Highest	**9.0**	9.0
Average	**5.8**	5.7
Weighted Average	**6.0**	5.8
Lowest	**1.0**	1.0

The following table reflects the risk ratings for all syndicated loans in our portfolio that were rated by an NRSRO at December 31, 2017 and September 30, 2017, representing approximately 7.3% and 6.9%, respectively, of the principal balance of all debt investments in our portfolio at the end of each period:

Rating	As of December 31, 2017	As of September 30, 2017
Highest	**6.0**	6.0
Average	**3.8**	4.4
Weighted Average	**4.2**	4.6
Lowest	**1.0**	3.0

The following table reflects the risk ratings for all syndicated loans in our portfolio that were not rated by an NRSRO at December 31, 2017 and September 30, 2017, representing approximately 1.1% and 1.2%, respectively, of the principal balance of all debt investments in our portfolio at the end of each period:

Rating	As of December 31, 2017	As of September 30, 2017
Highest	**3.0**	3.0
Average	**2.5**	3.0
Weighted Average	**2.3**	3.0
Lowest	**2.0**	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.

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.

Table of Contents

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

All of our variable-rate debt investments have rates generally associated with either the current LIBOR or prime rate. As of December 31, 2017, our portfolio of debt investments on a principal basis consisted of the following:

Variable rates	90.6%
Fixed rates	9.4
Total:	100.0%

There have been no material changes in the quantitative and qualitative market risk disclosures for the three months ended December 31, 2017 from that disclosed in *Management s Discussion and Analysis of Financial condition and Results of Operations Quantitative and Qualitative Disclosures About Market Risk* in the accompanying prospectus.

Table of Contents

PLAN OF DISTRIBUTION

We have entered into the Sales Agreement with Cantor Fitzgerald, dated February 27, 2015, as amended on May 22, 2017, pursuant to which we may issue and sell shares of our common stock, par value $0.001 per share, from time to time through Cantor Fitzgerald acting as agent, that have an aggregate offering price of up to $50.0 million. As of the date of this prospectus supplement, we have sold 1,114,316 shares of our common stock with an aggregate offering price of $10.9 million under the Sales Agreement and have sold 131,462 shares with an aggregate offering price of $1.2 million under a separate equity distribution agreement which was previously terminated, leaving an aggregate offering price of up to $37.9 million available under the Sales Agreement as of the date of this prospectus supplement.

Upon delivery of a placement notice and subject to the terms and conditions of the Sales Agreement, Cantor Fitzgerald will use its commercially reasonable efforts consistent with its sales and trading practices to sell by any method permitted by law deemed to be part of an at the market offering as defined in Rule 415(a)(4) promulgated under the Securities Act, by means of ordinary brokers transactions that qualify for delivery of a prospectus to Nasdaq in accordance with Rule 153 under the Securities Act or such other sales as may be agreed by us and Cantor Fitzgerald, at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices. We will instruct Cantor Fitzgerald as to the amount of common stock to be sold. We may instruct Cantor Fitzgerald not to sell common stock if the sales cannot be effected at or above the price designated by us in any instruction. We or Cantor Fitzgerald may suspend the offering of shares of common stock upon proper notice and subject to other conditions.

Cantor Fitzgerald will provide written confirmation of a sale to us no later than the opening of the trading day on Nasdaq following each trading day in which shares of our common stock are sold under the Sales Agreement. Each confirmation will include the number of shares of common stock sold on the preceding day, the net proceeds to us and the compensation payable by us to Cantor Fitzgerald in connection with the sales.

Cantor Fitzgerald will receive from us a commission to be negotiated from time to time but in no event in excess of 2.0% of the gross sales price of all shares of common stock sold through it as sales agent under the Sales Agreement. We estimate that the total expenses for the offering, excluding compensation payable to Cantor Fitzgerald under the terms of the Sales Agreement, will be approximately $160,000, assuming the sale of the remaining $37.9 million of common stock offered under this prospectus supplement which includes our legal, accounting and printing costs and various other fees associated with the offering.

Settlement for sales of shares of common stock will occur on the second trading day following the date on which such sales are made, or on some other date that is agreed upon by the Company and Cantor Fitzgerald in connection with a particular transaction, in each case in accordance with applicable rules and regulations, in return for payment of the net proceeds to the Company. There is no arrangement for funds to be received in an escrow, trust or similar arrangement.

In connection with the sale of the common stock on our behalf, Cantor Fitzgerald will be deemed to be an underwriter within the meaning of the Securities Act, and the compensation of Cantor Fitzgerald will be deemed to be underwriting commissions or discounts. We have agreed to provide indemnification and contribution to Cantor Fitzgerald against certain civil liabilities, including liabilities under the Securities Act and the 1940 Act.

The offering of our shares of common stock pursuant to the Sales Agreement will terminate upon the earlier of (i) the sale of all common stock subject to the Sales Agreement or (ii) the termination of the Sales Agreement in accordance with its terms. The Sales Agreement may be terminated by us in our sole discretion under the circumstances specified in the Sales Agreement by giving five days notice to Cantor Fitzgerald. In addition, Cantor Fitzgerald may terminate the Sales Agreement under the circumstances specified in such Sales Agreement by giving five days notice to us.

Table of Contents

Cantor Fitzgerald and its affiliates may in the future provide various investment banking, commercial banking and other financial services for us and our affiliates, for which services they may in the future receive customary fees. In addition, in the ordinary course of their business activities, Cantor Fitzgerald and its 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 accounts of their customers.

The principal business address of Cantor Fitzgerald & Co. is 499 Park Avenue, New York, New York 10022.

Table of Contents

ADDITIONAL MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

This discussion serves as a supplement to the discussion in the accompanying prospectus under the heading *Material U.S. Federal Income Tax Considerations.*

On December 22, 2017, President Trump signed into law the Tax Act. The Tax Act makes significant changes to U.S. federal income tax laws applicable to businesses and their owners, including RICs and their stockholders, and may lessen the relative competitive advantage of operating as a RIC rather than a C corporation.

Certain key provisions of the Tax Act that could impact us and our stockholders, beginning in 2018, include:

- temporarily reducing individual U.S. federal income tax rates on ordinary income; the highest individual U.S. federal income tax rate will be reduced from 39.6% to 37% (through taxable year ending in 2025);
- reducing the maximum corporate income tax rate from 35% to 21%;
- reducing the 80% dividends received deduction to 65% and the 70% dividends received deduction to 50%;
- permitting a deduction for certain pass-through business income, which generally will allow individuals, trusts, and estates to deduct up to 20% of such amounts, resulting in an effective maximum U.S. federal income tax rate of 29.6% on such dividends (through taxable years ending in 2025);
- requiring that, subject to exceptions, income be included in taxable income no later than the tax year in which it is taken into account as income on specified types of financial statements;
- amending the limitation on the deduction of net interest expense for all businesses, other than certain electing businesses; and
- eliminating the corporate alternative minimum tax.

Prospective stockholders should consult with their own tax advisors regarding the effects of the Tax Act or other legislative, regulatory or administrative developments on an investment in our common stock.

CUSTODIAN, TRANSFER AGENT, DIVIDEND DISBURSING AGENT 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 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*.

LEGAL MATTERS

Certain legal matters will be passed upon for us by Bass, Berry & Sims PLC, Nashville, Tennessee. Certain matters of Maryland law, including the validity of the common stock to be issued in connection with this offering, will be passed upon for us by Venable LLP, Baltimore, Maryland. Cantor Fitzgerald & Co. is being represented in connection with this offering by Cooley LLP, New York, New York. Bass, Berry & Sims PLC and Cooley LLP may rely as to certain matters of Maryland law upon the opinion of Venable LLP.

EXPERTS

The financial statements as of September 30, 2017 and September 30, 2016 and for each of the three years in the period ended September 30, 2017 and management s assessment of the effectiveness of internal control over financial reporting (which is included in Management s Annual Report on Internal Control over Financial Reporting) as of September 30, 2017 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.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (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 may be found in our registration statement on Form N-2 (including the related amendments, exhibits and schedules thereto) 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.